

**ROCHESTER ART CENTER**  
**FINANCIAL STATEMENTS**  
**WITH INDEPENDENT AUDITORS' REPORT**  
**JUNE 30, 2023 AND 2022**

**ROCHESTER ART CENTER**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Rochester Art Center  
Rochester, Minnesota

### ***Opinion***

We have audited the financial statements of Rochester Art Center (a nonprofit organization) which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Rochester Art Center as of June 30, 2023 and 2022, and the changes in its net assets and 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Rochester Art Center 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 these 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Rochester Art Center's ability to continue as a going concern for one year after the date that the financial statements are issued.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 Rochester Art Center'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Rochester Art Center'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.



Rochester, Minnesota  
November 10, 2023

**ROCHESTER ART CENTER**  
**STATEMENTS OF FINANCIAL POSITION**

	JUNE 30,	
	2023	2022
<u>ASSETS</u>		
Cash and cash equivalents	\$ 429,219	\$ 282,895
Accounts receivable	16,527	128,442
Inventory	1,774	1,774
Prepaid expenses	-	756
Property and equipment, net	4,930,797	5,102,229
Works of art	84,742	84,742
	<b>\$ 5,463,059</b>	<b>\$ 5,600,838</b>
<u>LIABILITIES AND NET ASSETS</u>		
Accounts payable	\$ 9,594	\$ 10,122
Accrued expenses	12,120	11,367
Deferred revenue	11,533	-
	33,247	21,489
<b>TOTAL LIABILITIES</b>		
<b>NET ASSETS</b>		
Without donor restrictions		
Undesignated	375,297	384,258
Invested in:		
Equipment	6,324	10,825
Works of art	84,742	84,742
Total without donor restrictions	466,363	479,825
With donor restrictions	4,963,449	5,099,524
	<b>5,429,812</b>	<b>5,579,349</b>
<b>TOTAL NET ASSETS</b>		
	<b>\$ 5,463,059</b>	<b>\$ 5,600,838</b>

The accompanying notes are an integral part of these statements.

**ROCHESTER ART CENTER**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2023**

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
<b>PUBLIC SUPPORT</b>			
Contributions	\$ 33,104	\$ -	\$ 33,104
Grants:			
City of Rochester	170,000	-	170,000
Others	143,804	30,856	174,660
In-kind contributions	<u>114,199</u>	<u>-</u>	<u>114,199</u>
<b>TOTAL PUBLIC SUPPORT</b>	<u>461,107</u>	<u>30,856</u>	<u>491,963</u>
 <b>REVENUE</b>			
Program income	53,262	-	53,262
Admissions	13,320	-	13,320
Membership	10,553	-	10,553
Rental income	70,661	-	70,661
Gallery shop	14,581	-	14,581
Exhibitions	3,425	-	3,425
Other	<u>2,134</u>	<u>-</u>	<u>2,134</u>
<b>TOTAL REVENUE</b>	<u>167,936</u>	<u>-</u>	<u>167,936</u>
 Net assets released from restrictions	<u>166,931</u>	<u>(166,931)</u>	<u>-</u>
 <b>TOTAL SUPPORT AND REVENUE</b>	<u>795,974</u>	<u>(136,075)</u>	<u>659,899</u>
 <b>EXPENSES</b>			
Program	516,135	-	516,135
Management and general	219,663	-	219,663
Fundraising	<u>73,638</u>	<u>-</u>	<u>73,638</u>
<b>TOTAL EXPENSES</b>	<u>809,436</u>	<u>-</u>	<u>809,436</u>
 CHANGE IN NET ASSETS	<u>(13,462)</u>	<u>(136,075)</u>	<u>(149,537)</u>
 NET ASSETS AT BEGINNING OF YEAR	<u>479,825</u>	<u>5,099,524</u>	<u>5,579,349</u>
 <b>NET ASSETS AT END OF YEAR</b>	<u><b>\$ 466,363</b></u>	<u><b>\$ 4,963,449</b></u>	<u><b>\$ 5,429,812</b></u>

The accompanying notes are an integral part of these statements.

**ROCHESTER ART CENTER**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2022**

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
<b>PUBLIC SUPPORT</b>			
Contributions	\$ 70,308	\$ -	\$ 70,308
Grants:			
City of Rochester	174,580	-	174,580
Employee Retention Credit	37,900	-	37,900
Others	177,884	-	177,884
Paycheck Protection Program	58,817	-	58,817
In-kind contributions	113,931	-	113,931
<b>TOTAL PUBLIC SUPPORT</b>	<u>633,420</u>	<u>-</u>	<u>633,420</u>
 <b>REVENUE</b>			
Program income	43,947	-	43,947
Admissions	17,277	-	17,277
Membership	17,766	-	17,766
Rental income	44,581	-	44,581
Gallery shop	20,316	-	20,316
Exhibitions	9,375	-	9,375
Other	28	-	28
<b>TOTAL REVENUE</b>	<u>153,290</u>	<u>-</u>	<u>153,290</u>
 Net assets released from restrictions	<u>159,460</u>	<u>(159,460)</u>	<u>-</u>
 <b>TOTAL SUPPORT AND REVENUE</b>	<u>946,170</u>	<u>(159,460)</u>	<u>786,710</u>
 <b>EXPENSES</b>			
Program	517,686	-	517,686
Management and general	266,318	-	266,318
Fundraising	31,732	-	31,732
<b>TOTAL EXPENSES</b>	<u>815,736</u>	<u>-</u>	<u>815,736</u>
 CHANGE IN NET ASSETS	<u>130,434</u>	<u>(159,460)</u>	<u>(29,026)</u>
 NET ASSETS AT BEGINNING OF YEAR	<u>349,391</u>	<u>5,258,984</u>	<u>5,608,375</u>
 <b>NET ASSETS AT END OF YEAR</b>	<u>\$ 479,825</u>	<u>\$ 5,099,524</u>	<u>\$ 5,579,349</u>

The accompanying notes are an integral part of these statements.

**ROCHESTER ART CENTER**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2023**

	<u>PROGRAM</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Salaries and wages	\$ 198,049	\$ 66,879	\$ 50,748	\$ 315,676
Payroll taxes	17,676	9,368	8,153	35,197
Employee benefits	<u>1,070</u>	<u>378</u>	<u>292</u>	<u>1,740</u>
TOTAL SALARIES AND RELATED EXPENSES	216,795	76,625	59,193	352,613
Cost of goods sold	10,077	-	-	10,077
Equipment purchase and repair	2,750	2,750	612	6,112
Supplies	809	405	135	1,349
Postage and printing	282	28	254	564
Shipping and transportation	461	-	-	461
Advertising	6,626	499	-	7,125
Utilities	69,503	28,870	8,554	106,927
Computer and telephone	5,201	1,224	1,224	7,649
Dues and subscriptions	4,241	471	-	4,712
Miscellaneous	2,177	434	247	2,858
Contract services	24,995	71,138	-	96,133
Travel	293	-	-	293
Professional services	-	19,117	-	19,117
Bank and credit card fees	-	-	-	-
Insurance	<u>11,266</u>	<u>11,266</u>	<u>-</u>	<u>22,532</u>
TOTAL OPERATING EXPENSES	<u>355,476</u>	<u>212,827</u>	<u>70,219</u>	<u>638,522</u>
Amortization of leasehold interest	156,915	6,677	3,339	166,931
Depreciation	<u>3,744</u>	<u>159</u>	<u>80</u>	<u>3,983</u>
TOTAL OTHER OPERATING EXPENSES	<u>160,659</u>	<u>6,836</u>	<u>3,419</u>	<u>170,914</u>
<b>TOTAL EXPENSES</b>	<b><u>\$ 516,135</u></b>	<b><u>\$ 219,663</u></b>	<b><u>\$ 73,638</u></b>	<b><u>\$ 809,436</u></b>

The accompanying notes are an integral part of these statements.

**ROCHESTER ART CENTER**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2022**

	<u>PROGRAM</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Salaries and wages	\$ 180,228	\$ 68,685	\$ 12,845	\$ 261,758
Payroll taxes	24,129	9,520	1,847	35,496
Employee benefits	1,096	420	79	1,595
<b>TOTAL SALARIES AND RELATED EXPENSES</b>	<b>205,453</b>	<b>78,625</b>	<b>14,771</b>	<b>298,849</b>
Cost of goods sold	10,882	-	-	10,882
Equipment purchase and repair	3,135	3,135	697	6,967
Supplies	1,591	796	265	2,652
Postage and printing	345	34	310	689
Shipping and transportation	-	-	-	-
Advertising	8,237	620	-	8,857
Utilities	68,579	28,487	8,440	105,506
Computer and telephone	12,573	2,958	2,958	18,489
Dues and subscriptions	4,143	460	-	4,603
Miscellaneous	6,052	2,614	1,017	9,683
Contract services	32,063	91,256	-	123,319
Travel	-	-	-	-
Professional services	-	40,414	-	40,414
Bank and credit card fees	654	280	-	934
Insurance	10,092	10,091	-	20,183
<b>TOTAL OPERATING EXPENSES</b>	<b>363,799</b>	<b>259,770</b>	<b>28,458</b>	<b>652,027</b>
Amortization of leasehold interest	149,893	6,378	3,189	159,460
Depreciation	3,994	170	85	4,249
<b>TOTAL OTHER OPERATING EXPENSES</b>	<b>153,887</b>	<b>6,548</b>	<b>3,274</b>	<b>163,709</b>
<b>TOTAL EXPENSES</b>	<b>\$ 517,686</b>	<b>\$ 266,318</b>	<b>\$ 31,732</b>	<b>\$ 815,736</b>

The accompanying notes are an integral part of these statements.

**ROCHESTER ART CENTER**  
**STATEMENTS OF CASH FLOWS**

	YEAR ENDED JUNE 30,	
	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (149,537)	\$ (29,026)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	3,983	4,249
Loss (gain) on disposition of property and equipment	518	-
Amortization of leasehold interest	166,931	159,460
Changes in assets and liabilities:		
(Increase) decrease in current assets		
Accounts receivable	111,915	(50,425)
Inventory	-	228
Prepaid expenses	756	(223)
Increase (decrease) in current liabilities		
Accounts payable	(528)	(1,880)
Accrued expenses	753	2,008
Deferred revenue	11,533	(12,225)
Refundable advance	-	(58,471)
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>146,324</b>	<b>13,695</b>
 <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	 146,324	 13,695
 <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	 282,895	 269,200
 <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	 <b>\$ 429,219</b>	 <b>\$ 282,895</b>

The accompanying notes are an integral part of these statements.

**ROCHESTER ART CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

**NOTE 1 - Nature of Organization and Significant Accounting Policies**

**Nature of Organization** - Rochester Art Center (the "Organization") is a nonprofit entity organized under Chapter 309 of the revised statutes of the state of Minnesota. The Organization's purpose is to offer the opportunity for all people to understand and value the arts through innovative experiences with contemporary art. Through world-class exhibitions and programs, the Organization presents a welcoming, integrated, and diverse experience that encourages questioning, creativity, and critical thinking. Exhibitions and programs are designed to reflect the dynamic relationship between art and society. The Organization educates, challenges, and connects individuals to their world in compelling new ways. They are committed to being a cultural center in their community and to enhance their region as a destination for creativity and innovation. The Organization provides value through engagement with broad communities, strong collaborations with other organizations, and a history of excellence. The Organization's primary funding comes from the city of Rochester (the City) and through business and individual donations, grants, and facility rental fees.

**Basis of Accounting** - The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all receivables, payables and other liabilities.

**Basis of Presentation** - The accompanying financial statements are prepared in accordance with the accounting principles generally accepted in the United States of America (U.S. GAAP) as codified by the Financial Accounting Standards Board.

The Organization is required to report information regarding its net assets and its activities based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* - Net assets available for use in general operations and not subject to donor or certain grantor restrictions.

*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.

**Cash and Cash Equivalents** - The Organization's cash and cash equivalents consists of cash on deposit with banks. For purposes of the statements of cash flows, the Organization considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents. However, the Organization does not consider cash, money market accounts, or certificates of deposits included as investments to be cash equivalents for the statements of cash flows. The Organization does not have any cash equivalents as of June 30, 2023 and 2022.

**Accounts Receivable** - Receivables are stated at the amount management expects to collect from outstanding balances. Management provides for uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge of the valuation allowance and a credit to accounts receivable. Management believes all receivables are collectible; accordingly, no allowance has been recorded.

**ROCHESTER ART CENTER**  
NOTES TO FINANCIAL STATEMENTS - Continued  
JUNE 30, 2023 AND 2022

**NOTE 1 - Nature of Organization and Significant Accounting Policies - Continued**

**Works of art** - The Organization recognizes works of art as assets. Donations of works of art are recorded at fair value at the date of the gift based on independent appraisals or valuations. Purchases of works of art are recorded at cost. Long-lived assets, such as works of art, are reviewed for impairment whenever recoverable. No impairment was recorded as of June 30, 2023 and 2022.

**Inventory** - Gallery shop inventory is stated at the lower of cost or net realizable value determined by the first-in, first-out method.

**Property and Equipment** - All acquisitions of property and equipment in excess of \$1,500 with useful lives greater than one year are capitalized. Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is computed on the straight-line method based on the following estimated useful lives:

<u>Asset</u>	<u>Life</u>
Office equipment	5 years
Furniture and fixtures	7 years

**Leasehold Interest in Facility** - The leasehold interest in the Rochester Art Center facility is stated at cost less amortization. Amortization is provided on the straight-line basis over the remaining term of the lease.

**Valuation of Long-lived Assets** - U.S. GAAP requires that long-lived assets and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Management reviews all material assets annually for possible impairment. If such assets are considered to be impaired, the impairment recognized is measured as the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. No assets are considered to be impaired at June 30, 2023 and 2022.

**Deferred Revenue** - Payments received during the year for future services are deferred and recognized as income when the performance obligations are met.

**Revenue Recognition** - The Organization records the following exchange transaction revenue in its statements of activities and changes in net assets:

*Program income:* program income consists of sales of admission to classes and events. Sales may consist of one or more performance obligation depending on the number of sessions included in the class or event and are recognized when the class or event is offered to the guest. Unearned program income is reflected as deferred revenue on the statements of financial position. The Organization has no material deferred program income as of June 30, 2023 and 2022.

*Admissions:* consist of sales of daily admission to the art center. The performance obligations are met and revenue is recognized as the guest is admitted to the art center.

*Membership:* the Organization provides several tiers of membership. Fees for each tier are based upon the level of service provided to that tier. Fees are recognized ratably over the period of membership, which is on a fiscal-year basis. Benefits are recognized ratably over the membership period since this most closely approximates the transfer of such member services. Unearned membership revenue is reflected as deferred revenue on the statement of financial position. The Organization has no material deferred membership revenue as of June 30, 2023 and 2022.

**ROCHESTER ART CENTER**  
NOTES TO FINANCIAL STATEMENTS - Continued  
JUNE 30, 2023 AND 2022

**NOTE 1 - Nature of Organization and Significant Accounting Policies - Continued**

**Revenue Recognition, continued** - *Gallery shop*: the Organization operates a gallery shop with individually priced items. The performance obligations are met when the product is delivered to the customer because that is when control of the product is transferred.

**Contribution Recognition** - Contributions are recognized when received or unconditionally pledged. Conditional contributions and promises to give are recognized as revenue when the barriers to entitlement are overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets is removed. Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions.

Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

**Grant Recognition** - Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award:

Grant awards that are contributions - Grants awards that are contributions are evaluated for conditions and recognized as revenue when conditions in the award are satisfied. Unconditional awards are recognized as revenue when the award is received. Amounts received in which conditions have not been met are reported as a refundable advance liability.

Grant awards that are exchange transactions - Exchange transactions are those in which the resource provider or grantor receives a commensurate value in exchange for goods or services transferred.

Revenue is recognized when control of the promised goods or services is transferred to the customer (grantor) in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Amounts received in excess of recognized revenue are reflected as a contract liability.

**In-Kind Contributions** - The Organization records the value of donated goods when there is an objective basis to measure the value. Donated goods and services are reflected as in-kind contributions in the accompanying statements of activities.

Donated services are recognized as contributions if the services a) create or enhance nonfinancial assets or b) require specialized skills that are performed by people with those skills and would otherwise be purchased by the Organization. Such amounts, which are based upon information provided by third-party services providers, are recorded at their estimated fair value determined on the date of contribution.

A substantial number of volunteers have made significant contributions of their time to the Organization's program and supporting services. The value of this contributed time is not reflected in these financial statements because the criteria for recognition have not been satisfied.

**ROCHESTER ART CENTER**  
NOTES TO FINANCIAL STATEMENTS - Continued  
JUNE 30, 2023 AND 2022

**NOTE 1 - Nature of Organization and Significant Accounting Policies - Continued**

**Functional Allocation of Expenses** - The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited. Those expenses include salaries and wages, benefits, payroll taxes, professional services, and certain office expenses, which are allocated based on estimates of time and effort spent on each function.

**Advertising Costs** - Advertising costs are expensed as incurred.

**Use of Estimates** - Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

**Tax Status** - The Organization is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC). However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). The Organization is also exempt from State taxation.

**Accounting for Uncertainty in Income Taxes** - U.S. GAAP requires management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by a taxing authority. Management has analyzed the tax positions taken by the Organization and has concluded that as of June 30, 2023 and 2022, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions, however, there are currently no audits in progress for any tax period. The Organization will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if incurred.

**Reclassifications** - Certain accounts in the prior year financial statements have been reclassified for comparative purpose to conform to the presentation of the current year's financial statements.

**Subsequent Events** - The Organization evaluated subsequent events through November 10, 2023, the date which the financial statements were available to be issued.

**NOTE 2 - Concentration of Cash and Credit Risk**

The Organization may have deposits with a financial institution at times during the year that exceed the Federal Deposit Insurance Corporation (FDIC) insurance threshold of \$250,000. The amount of the accounting loss that the Organization would have incurred had the financial institution not been able to return monies in excess of \$250,000 amounted to \$82,981 and \$33,354 as of June 30, 2023 and 2022, respectively. The Organization does not require collateral or other security to support deposits subject to this credit risk.

**ROCHESTER ART CENTER**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
**JUNE 30, 2023 AND 2022**

**NOTE 3 - Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following as of June 30:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 429,219	\$ 282,895
Accounts receivable	<u>16,527</u>	<u>128,442</u>
Total financial assets available within one year	445,746	411,337
Less amounts not available for general expenditure within one year:		
Net assets with time and purpose restrictions	30,856	-
Net assets with donor perpetuity restrictions	<u>8,120</u>	<u>8,120</u>
Total amounts not available for general expenditure	38,976	8,120
<b>Total financial assets available to management for general expenditure within one year</b>	<b><u>\$ 406,770</u></b>	<b><u>\$ 403,217</u></b>

*Liquidity Management*

As part of the Organization's internal cash management process, the Organization aims to maintain operating liquidity balances of at least three months of operating expenses. In addition, the Organization regularly monitors the availability of resources required to manage liquidity.

Management of the timing of commitments and use of financial assets available to the Organization is reviewed monthly by the board of directors. Further, the Organization prepares annual budgets to support this review process.

**NOTE 4 - Property and Equipment**

A summary of property and equipment is as follows as of June 30:

	<u>2023</u>	<u>2022</u>
Furniture and equipment	\$ 13,206	\$ 39,437
Office equipment	13,226	15,136
Less: Accumulated depreciation	<u>(20,108)</u>	<u>(43,748)</u>
Furniture and equipment, net	6,324	10,825
Leasehold interest in facility	7,581,463	7,581,463
Less: Accumulated amortization	<u>(2,656,990)</u>	<u>(2,490,059)</u>
Leasehold, net	<u>4,924,473</u>	<u>5,091,404</u>
<b>NET PROPERTY AND EQUIPMENT</b>	<b><u>\$ 4,930,797</u></b>	<b><u>\$ 5,102,229</u></b>

**ROCHESTER ART CENTER**  
NOTES TO FINANCIAL STATEMENTS - Continued  
JUNE 30, 2023 AND 2022

**NOTE 5 - Leasehold Interest in Facility and Concentration**

The leasehold interest in the Rochester Art Center facility is stated at cost less amortization. Amortization is provided on the straight-line basis over the remaining term of the lease.

The Organization completed a capital campaign to fund the construction of the Rochester Art Center facility, which was completed in 2004 and constructed on land owned by the City. The Organization exchanged the facility with the City for a 50-year lease. The lease terms are a \$1 annual fee through December 2052. This agreement was reported as a contribution, and as of June 30, 2023 and 2022, is reported as an asset in the accompanying statements of financial position as a leasehold interest in facility. The Organization recognized a release from restriction and amortization of leasehold interest of \$166,931 and \$159,460 during the years ended June 30, 2023 and 2022, respectively. The Organization is responsible for routine maintenance, and the City is responsible for major capital improvements.

The Organization receives a significant amount of support from the City in the form of other unrestricted contributions for operating activities and grants for minor facility improvements. For the years ended June 30, 2023 and 2022, the Organization recognized approximately \$170,000 and \$174,580, respectively, in grant revenues as well as \$112,351 and \$112,351, respectively, in in-kind contributions. Support from the City represents approximately 42% and 37% of total support and revenues for the years ended June 30, 2023 and 2022, respectively.

During the year ended June 30, 2021, the Organization signed an agreement with the City and Experience Rochester (ER) to initiate a 'One Roof Concept' to streamline services and find efficiencies for city-owned assets and organizations on the Mayo Civic Center campus. This includes day-to-day operational services, maintenance, capital planning, food and beverage services, proactive sales and calendar management services. The City will fund any mission-driven funding as made available within the City annual budget. This agreement was set to end December 31, 2021; however, the Organization exercised its option to renew for two-year renewal terms until otherwise terminated.

The Organization will receive 15% of gross event revenue on an increasing scale over the initial term of all ER events booked and serviced events at the Organization, and there are no associated costs with being a part of the One Roof Concept. As the terms of the One Roof Concept are renewed, the Organization will receive increased profit share for the events at the rates of 15%, 17%, and 20% of gross revenues for the first, second, and third renewals, respectively. ER is responsible for all expenses and to provide all equipment and services for these events. The Organization recognized \$69,426 and \$31,461 of rental income under this agreement for the years ended June 30, 2023 and 2022, respectively.

**ROCHESTER ART CENTER**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
**JUNE 30, 2023 AND 2022**

**NOTE 6 - Net Assets**

Net assets with donor restrictions are restricted for the following purposes or periods at June 30:

	2023	2022
Subject to expenditure for specified purpose:		
Creative support	\$ 28,500	\$ -
Storage	2,356	-
	30,856	-
Subject to the passage of time:		
Leasehold interest in facility	\$ 4,924,473	\$ 5,091,404
Endowments:		
Endowment Fund	1,100	1,100
John Riese Memorial Fund	7,020	7,020
	8,120	8,120
<b>TOTAL NET ASSETS WITH DONOR RESTRICTIONS</b>	<b>\$ 4,963,449</b>	<b>\$ 5,099,524</b>

Net assets were released from donor restrictions by occurrence of the passage of time as specified by the donors as follows for the years ended June 30:

	2023	2022
Expiration of time restrictions	<b>\$ 166,931</b>	<b>\$ 159,460</b>

**NOTE 7 - Employee Retention Credit**

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) provided an employee retention credit (the Credit) which is a refundable tax credit against certain employment taxes of up to \$5,000 per employee for eligible employers. The credit is equal to 50% of qualified wages paid to employees, capped at \$10,000 of qualified wages through December 31, 2020. The Consolidated Appropriations Act of 2021 and the American Rescue Plan Act of 2021 (collectively the Acts) expanded the availability of the credit and extended the credit through the third quarter of 2021. The Acts increased the credit to 70% of qualified wages, capped at \$10,000 per quarter. During the year ended June 30, 2022, the Organization recorded a \$37,900 benefit related to the credit which is presented in the statements of activities as Employee Retention Credit. As of June 30, 2022, the Organization had a \$115,917 receivable balance related to the credits which is recorded in accounts receivable on the Organization's statements of financial position. This amount was received in full during the year ended June 30, 2023.

**NOTE 8 - Paycheck Protection Program (PPP) Loan**

The Organization was granted a \$58,817 loan under the second round of PPP administered by the Small Business Administration (SBA) approved partner. The loan was collateralized and fully guaranteed by the Federal government. The Organization initially recorded the loan as a refundable advance and subsequently recognized grant revenue in accordance with guidance for conditional contributions, that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. The Organization has recognized \$58,817 as grant revenue for the year ended June 30, 2022.

**ROCHESTER ART CENTER**  
**NOTES TO FINANCIAL STATEMENTS - Continued**  
**JUNE 30, 2023 AND 2022**

**NOTE 9 - In-Kind Contributions**

The value of donated goods and services included as in-kind contributions in the financial statements and the corresponding expenses or assets are as follows for the years ended June 30:

	2023	2022
Utilities	\$ 104,350	\$ 104,350
Property insurance	8,001	8,001
Arts and supplies	1,848	1,580
<b>TOTAL IN-KIND CONTRIBUTIONS</b>	<b>\$ 114,199</b>	<b>\$ 113,931</b>

The Organization receives donated utilities and insurance expense on their facility. The amount of the donated facility use is determined by estimating the actual cost incurred during the prior period by the donor to maintain and operate the building.

Contributed supplies received by the Organization are recorded as in-kind contribution revenue with a corresponding increase to miscellaneous expense. Donated goods are valued at the wholesale prices that would be received for selling similar products.

All contributed facilities and supplies were utilized by the Organization's programs and supporting services. There were no donor-imposed restrictions associated with the donated facilities and supplies.

**NOTE 10 - Conditional Promises to Give**

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Conditional promises to give at June 30, 2023 and 2022 consist of the following and are not included on the statements of activities:

	2023	2022
Contribution subject to evaluation of use of prior year funds	\$ -	\$ 35,000

The conditions upon which the conditional promise to give as of June 30, 2022 were met during the year ended June 30, 2023 and is included in grant income in the 2023 statement of activities.