



AUDITED  
FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

# ASSEMBLY FOR THE ARTS

## INDEX

JUNE 30, 2023

(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2022)

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Assembly for the Arts

### **Opinion**

We have audited the accompanying financial statements of Assembly for the Arts, which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Assembly for the Arts as of June 30, 2023 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Assembly for the Arts and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 Assembly for the Arts' 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 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 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 financial statements.



In performing an audit in accordance with generally accepted auditing standards, 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 Assembly for the Arts' 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, on our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Assembly for the Arts' 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 matters that we identified during the audit.

#### **Emphasis of Matter**

The financial statements of Assembly for the Arts as of June 30, 2022 were audited by other auditors whose report dated March 15, 2023 expressed an unmodified opinion on those statements.

Cleveland, Ohio  
\_\_\_\_\_, 2024

H•J  
Certified Public Accountants

**ASSEMBLY FOR THE ARTS**

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2023

(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2022)

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	2023	2022
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 304,773	\$ 273,238	\$ 578,011	\$ 844,641
Grants Receivable	22,565	545,799	568,364	80,800
Loan Receivable - ACAC	63,600	-	63,600	-
Loan Interest Receivable - ACAC	1,868	-	1,868	-
Shared Service Receivable - ACAC	7,691	-	7,691	-
Investments	814,150	-	814,150	761,370
Security Deposit	5,000	-	5,000	-
<b>TOTAL ASSETS</b>	<b>\$ 1,219,647</b>	<b>\$ 819,037</b>	<b>\$ 2,038,684</b>	<b>\$ 1,686,811</b>
<b>LIABILITIES AND NET ASSETS</b>				
Accounts Payable	\$ 17,711	\$ -	\$ 17,711	\$ 17,518
Accrued Compensation	22,531	-	22,531	13,922
<b>TOTAL LIABILITIES</b>	<b>40,242</b>	<b>-</b>	<b>40,242</b>	<b>31,440</b>
<b>NET ASSETS</b>				
Without Donor Restrictions:				
Undesignated	365,255	-	365,255	249,206
Board-Designated	814,150	-	814,150	761,370
	<u>1,179,405</u>	<u>-</u>	<u>1,179,405</u>	<u>1,010,576</u>
With Donor Restrictions	<u>-</u>	<u>819,037</u>	<u>819,037</u>	<u>644,795</u>
<b>TOTAL NET ASSETS</b>	<b>1,179,405</b>	<b>819,037</b>	<b>1,998,442</b>	<b>1,655,371</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,219,647</b>	<b>\$ 819,037</b>	<b>\$ 2,038,684</b>	<b>\$ 1,686,811</b>

See accompanying notes.

**ASSEMBLY FOR THE ARTS**  
**STATEMENTS OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2023**  
**(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2022)**

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	2023	2022
<b>SUPPORT</b>				
Grant - Cuyahoga County	\$ 1,650,000	\$ -	\$ 1,650,000	\$ -
Grants - Other	147,952	1,359,353	1,507,305	694,527
Contributions	81,225	-	81,225	53,244
Special Events, Net	15,065	-	15,065	-
Memberships	7,785	-	7,785	-
Grants - Paycheck Protection Program	-	-	-	73,705
Net Assets Released from Restrictions	1,185,111	(1,185,111)	-	-
Total Support	<u>3,087,138</u>	<u>174,242</u>	<u>3,261,380</u>	<u>821,476</u>
<b>REVENUE</b>				
Fiscal Sponsorship Fees	10,355	-	10,355	9,824
Other Income	1,098	-	1,098	23
Shared Services - ACAC	7,619	-	7,619	-
Interest Income	2,103	-	2,103	211
Total Revenue	<u>21,175</u>	<u>-</u>	<u>21,175</u>	<u>10,058</u>
<b>TOTAL SUPPORT AND REVENUE</b>	<b>3,108,313</b>	<b>174,242</b>	<b>3,282,555</b>	<b>831,534</b>
<b>EXPENSES</b>				
Program Services	2,791,051	-	2,791,051	747,342
Management and General	83,897	-	83,897	107,805
Fund Development	117,516	-	117,516	54,232
<b>TOTAL EXPENSES</b>	<b>2,992,464</b>	<b>-</b>	<b>2,992,464</b>	<b>909,379</b>
Change in Net Assets from Operating Activities	115,849	174,242	290,091	(77,845)
<b>NON-OPERATING ACTIVITIES</b>				
Investment Income (Loss) - Board-Designated	52,780	-	52,780	(78,661)
Structural Partnership	-	-	-	(77,069)
	<u>52,780</u>	<u>-</u>	<u>52,780</u>	<u>(155,730)</u>
Change in Net Assets	168,629	174,242	342,871	(233,575)
Net Assets - Beginning	<u>1,010,776</u>	<u>644,795</u>	<u>1,655,571</u>	<u>1,888,946</u>
Net Assets - Ending	<u>\$ 1,179,405</u>	<u>\$ 819,037</u>	<u>\$ 1,998,442</u>	<u>\$ 1,655,371</u>

See accompanying notes.

**ASSEMBLY FOR THE ARTS**

STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2023  
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2022)

EXPENSES	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUND DEVELOPMENT	2023	2022
Personnel Costs	\$ 587,778	\$ 46,633	\$ 107,416	\$ 741,827	\$ 577,665
Fiscal Sponsorship Grants	259,930	-	-	259,930	117,706
Professional Fees - Consulting	223,142	-	-	223,142	80,939
Advertising and Marketing	56,190	-	-	56,190	17,914
Arts Leadership Residency	52,750	-	-	52,750	-
Accounting, Audit and Banking Fees	-	27,375	-	27,375	41,335
Occupancy	21,463	1,741	3,968	27,172	25,284
Office Supplies and Miscellaneous	16,702	1,182	695	18,579	8,503
Public Officials Breakfast	17,272	-	-	17,272	-
Legal Fees	11,019	-	-	11,019	-
Web Hosting	8,536	687	1,583	10,806	9,939
Small Equipment	9,704	-	-	9,704	-
Catering and Hospitality	5,336	430	989	6,755	217
Lodging and Travel	4,746	382	880	6,008	-
Telecommunications	4,168	336	773	5,277	5,505
Insurance	1,796	1,795	-	3,591	3,685
Equipment Rental	2,805	226	520	3,551	3,632
Printing	2,699	217	501	3,417	1,110
Professional and Board Development	-	2,810	-	2,810	7,255
Postage and Shipping	1,028	83	191	1,302	1,095
Professional Fees - Research	1,092	-	-	1,092	5,724
Stipends	1,000	-	-	1,000	1,271
Miscellaneous	395	-	-	395	600
	<u>1,289,551</u>	<u>83,897</u>	<u>117,516</u>	<u>1,490,964</u>	<u>909,379</u>
Grants:					
Business	914,963	-	-	914,963	-
Individual	586,537	-	-	586,537	-
Total Grants	<u>1,501,500</u>	<u>-</u>	<u>-</u>	<u>1,501,500</u>	<u>-</u>
TOTAL EXPENSES	<u>\$ 2,791,051</u>	<u>\$ 83,897</u>	<u>\$ 117,516</u>	<u>\$ 2,992,464</u>	<u>\$ 909,379</u>

See accompanying notes.

**ASSEMBLY FOR THE ARTS**  
**STATEMENTS OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2023**  
**(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2022)**

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in Net Assets	\$ 342,871	\$ (233,575)
Adjustments to Reconcile Change in Net Assets to Cash Used by Operating Activities:		
Unrealized Loss (Gain)	(45,739)	82,736
Reinvested Gains, Net	(6,841)	(4,075)
PPP Forgiveness	-	(73,705)
Changes in Operating Assets and Liabilities:		
Receivables	(487,564)	163,146
Interest Receivable - ACAC	(1,868)	-
Shared Service Receivable - ACAC	(7,691)	-
Accounts Payable	193	(2,172)
Accrued Vacation	8,609	3,881
Security Deposit	(5,000)	-
	(545,901)	169,811
Net Cash Used by Operating Activities	(203,030)	(63,764)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Sale of Investments	-	26,665
Net Cash Provided by Investing Activities	-	26,665
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Loan to ACAC	(63,600)	-
Net Cash Used by Investing Activities	(63,600)	-
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(266,630)	(37,099)
<b>CASH AND CASH EQUIVALENTS – Beginning</b>	844,641	881,740
<b>CASH AND CASH EQUIVALENTS – Ending</b>	\$ 578,011	\$ 844,641

See accompanying notes.

## **ASSEMBLY FOR THE ARTS**

### NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

#### **1. NATURE OF ORGANIZATION**

Assembly for the Arts (formerly Arts Cleveland) is a 501(c)4 nonprofit organization with a focus on advocacy, cultural policy, racial equity initiatives, research, marketing that elevates the region, and services for nonprofits, artists, and creative businesses. Assembly's dual goals are to expand resources and increase equity within Cleveland's arts and culture industries. It is governed by a volunteer board with a strong commitment to diversity and inclusion. More than 50% of Assembly for the Arts board members are women or non-binary people and more than 40% are BIPOC (Black, Indigenous, and People of Color). Assembly for the Arts operates in close partnership with Cuyahoga Arts & Culture, a government agency and Assembly for Action, a 501(c)4 political action nonprofit to serve the entire creative sector.

##### Mission

To convene, coordinate, and collaborate with everyone who lives and works in Greater Cleveland to strengthen and support those in the region who create, present, experience and appreciate all forms of arts and culture.

##### Vision

To ensure that everyone who lives and works in Greater Cleveland benefits from a diverse and equitable arts and cultural sector, and recognizes that the arts are an essential, defining element in the quality of life, social fabric, and economic vitality of the region.

##### Values

- **Mutual Respect and Unity.** Build a unified cultural community that supports and advocates for artists, nonprofit cultural organizations, and creative businesses, encouraging this collective to work together, using the power of the arts, to drive change in greater Cleveland.
- **Inclusion and Racial Equity.** Redress systemic racism through building an anti-racist organization that serves artists, business owners and nonprofit leaders, helping them move to action to create a more equitable arts community; this includes advocating for more equitable funding to BIPOC artists and organizations and removing perceived and real barriers that currently limit all residents from participation.
- **Transparency and Trust.** Collaboration is built on a shared vision that supersedes the limits of individual and organizational self-interest.
- **Collaborative Leadership.** Resources must be strategically, equitably and efficiently connected.
- **Adaptability and Agility.** Vitality hinges on an ability to creatively evolve and adapt to changing environmental circumstances.

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### BASIS OF PRESENTATION

The financial statements of Assembly for the Arts have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

## ASSEMBLY FOR THE ARTS

### NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

Assembly for the Arts classifies its net assets and revenues, expenses, gains and losses on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of Assembly for the Arts and changes therein are classified as follows:

Net assets without donor restrictions: Net assets are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of Assembly for the Arts. Assembly for the Arts board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Assembly for the Arts or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. Assembly for the Arts considers all funds received for fiscal sponsored projects (FSP) to be with donor restrictions.

#### SUMMARIZED COMPARATIVE FINANCIAL INFORMATION

The financial statements include certain prior year summarized comparative information in total but not by net asset category. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Assembly for the Arts' financial statements for the year ended June 30, 2022, from which the summarized information was derived.

Certain amounts in the prior-year summarized comparative information have been reclassified to be consistent with the presentation in the current-year financial statements. These classifications had no impact on changes in net assets as previously presented.

#### MEASURE OF OPERATIONS

The statements of activities report all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to Organization's ongoing activities. Non-operating activities are limited to resources that generate return from investments, endowment contributions, financing costs, and other activities considered to be of a more unusual or nonrecurring nature, if any.

#### USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### CASH AND CASH EQUIVALENTS/CONCENTRATION OF RISK

Cash accounts at each institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 for all combined deposits at the same bank. Assembly for the Arts has not experienced losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents. Cash equivalents are highly liquid investments with an original maturity of three months or less at the date of purchase. Because of the short maturity of these financial instruments, the carrying value approximates the fair value.

Assembly for the Arts also invests funds in a professionally managed portfolio that contains various securities detailed in certain footnotes. Such investments are exposed to various risks, such as fluctuations in market value and credit risk. The investment balances reported in the accompanying financial statements may not be reflective of the portfolio's value during subsequent periods.

## ASSEMBLY FOR THE ARTS

### NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

#### RECEIVABLES AND CREDIT POLICIES

Receivables are stated at the amounts management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to expense and a credit 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 to the valuation allowance and a credit to accounts receivable. Management evaluated receivables as of June 30, 2023 and has determined that an allowance for doubtful accounts is immaterial to these financial statements.

#### INVESTMENTS

Investments with readily determinable fair values are measured at fair value in the statements of financial position. Interest, dividends, realized and unrealized gains and losses on investments, net of fees, are recorded as investment return in the statements of activities and changes in net assets. Realized gains and losses are determined on a specific identification basis. Realized and unrealized gains and losses, interest, and dividends on investments are recorded as net assets without donor restriction unless such amounts are restricted by the donor or by law. Investments received as gifts are recorded at the estimated fair value at the date of the gift.

Investment securities are exposed to various risks such as interest rate, market, liquidity and credit risks. Due to the level of risk associated with certain investment securities and the sensitivity of certain fair value estimates to changes in valuation assumptions, it is at least reasonably possible that changes in risks in the near term would result in material changes in the fair value of long-term investments and net assets of the Assembly for the Arts.

#### FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). Assembly for the Arts groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

- |         |  |
|---------|--|
| Level 1 | Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.  |
| Level 2 | Other observable inputs, either directly or indirectly, including: <ul style="list-style-type: none"> <li>• Quoted prices for similar assets/liabilities in active markets;</li> <li>• Quoted prices for identical or similar assets in non-active markets;</li> <li>• Inputs other than quoted prices that are observable for the asset/liability; and,</li> <li>• Inputs that are derived principally from or corroborated by other observable market data.</li> </ul> |
| Level 3 | Unobservable inputs that cannot be corroborated by observable market data.   |

#### PROPERTY AND EQUIPMENT

Costs of property and equipment are charged against income over their estimated useful lives using straight line methods for both federal and financial reporting purposes. The policy of Assembly for the Arts is to capitalize personal property purchases over \$5,000 and real property purchases over \$10,000. The estimated useful lives are from five to seven years using the straight-line method. Leasehold improvements are amortized over the life of the lease.

Repairs and maintenance, which are not considered betterments and do not extend the useful life of property, are charged to expense as incurred. When property and equipment are retired or otherwise disposed of, the asset and accumulated depreciation are removed from the accounts and the resulting profit or loss is reflected in income.

## ASSEMBLY FOR THE ARTS

### NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

#### REVENUE AND REVENUE RECOGNITION

Unconditional donor promises to give are reported at fair value at the date that there is sufficient verifiable evidence documenting that a promise was made by the donor and received by Assembly for the Arts. The gifts are reported as either net assets without donor restriction or net assets with donor restriction if they are received with donor stipulations that sufficiently limit the use of the donated assets. When a donor restriction expires, through the passage of time or when the purpose is accomplished, net assets with donor restriction are reclassified to net assets without donor restriction and are reported on the statement of activities and changes in net assets as net assets released from restriction. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support.

Revenue from fees for services is earned as services are provided and is reported at an estimated net realizable amount due from individuals, third-party payers, and others for services rendered.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restriction; otherwise, the contributions are recorded as net assets without donor restriction. Assembly for the Arts recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

Contributed income of cash or other assets that must be used to acquire long-lived assets are recorded as contributions with donor restrictions and grants until the assets are acquired and placed in service.

Gains and losses on investments are reported as increases or decreases to net assets without donor restrictions unless their use is restricted by donor-imposed stipulation or by state law.

Assembly for the Arts records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place.

Assembly for the Arts recognizes in-kind services in accordance with applicable accounting standards if the services received (a) create or enhance non-financial assets or (b) require specialized skills, and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

In addition, Assembly for the Arts receives services from volunteers who give significant amounts of their time to Assembly for the Arts' programs, fundraising campaigns, and management. No amounts have been reflected for these types of donated services as they do not meet the criteria for recognition.

#### FUNCTIONAL EXPENSE ALLOCATIONS

Expenses are charged to functional areas based on specific identification when possible. Expenses that cannot be specifically identified to a function are allocated to the functional areas based on factors such as direct relationship of expenses, time spent by employees, and square footage of space used for various programs.

#### ADVERTISING

Advertising costs are charged to operations as incurred.

#### INCOME TAXES

Assembly for the Arts is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code") as a charitable organization whereby only unrelated business income, as defined by Section 509(a)(1) of the Code, is subject to federal income tax. Assembly for the Arts currently has no unrelated business income. Accordingly, no provision for income taxes has been recorded.

## ASSEMBLY FOR THE ARTS

### NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

#### ACCOUNTING PRONOUNCEMENT ADOPTED

The Organization adopted the FASB-issued ASU No. 2016-02, *Leases (Topic 842)* in 2023. This ASU requires that a lease liability and related right-of-use-asset representing the lessee's right to use or control the asset be recorded on the statement of financial position upon the commencement of all leases except for short-term leases. Leases are classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating in existing lease accounting guidance. The Organization is not party to a material lease contract and has determined this ASU has no effect.

### 3. LOAN RECEIVABLE AND SHARED SERVICES

Effective November 30, 2023, Assembly for the Arts issued a promissory note to Assembly for Action, a 501(c)4 non-profit organization dedicated to advocating on behalf of Northeast Ohio's creative sector. The note commits Assembly for the Arts to lending Assembly for Action \$250,000 in varying payments of \$63,600 in 2023 and the balance in 2024. The note is unsecured, accrues interest at 8% per annum, and requires total loan repayment December 31, 2024.

In addition, Assembly for the Arts provides program and administrative services to Assembly for Action under an agreement between the two parties. Monthly service revenue is determined by a good faith estimate of administrative and professional service incurred by Assembly for the Arts. Service revenue earned amounted to \$7,619 (2023) and \$-0- (2022).

### 4. INVESTMENTS

Investments consist of the following as of June 30:

	2023	2022
Pooled Investments	\$ 814,150	\$ -
Cash Equivalents	-	43,502
Equities	-	310,949
Fixed Income	-	366,361
Other Assets	-	40,558
	\$ 814,150	\$ 761,370

Net investment income for the years ended June 30 consist of the following:

	2023	2022
Operating	\$ 235	\$ 23
Board Designated:		
Change in NAV	36,598	-
Realized Income	17,882	12,750
Unrealized Gain (Loss)	6,414	(82,736)
Investment Fees	(8,114)	(8,675)
	52,780	(78,661)
	\$ 53,015	\$ (78,638)

## ASSEMBLY FOR THE ARTS

### NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

The following table presents information about Assembly for the Arts' financial assets and liabilities measured at fair value on a recurring basis as of June 30, based on the level of input utilized to measure fair value.

	2023			
	Level 1	Level 2	Level 3	Total
Pooled Investments	\$ -	\$ 814,150	\$ -	\$ 814,150
	2022			
	Level 1	Level 2	Level 3	Total
Equities/Mutual Funds	\$ 310,949	\$ -	\$ -	\$ 310,949
Fixed Income	366,361	-	-	366,361
Other Assets	40,558	-	-	40,558
Cash Equivalents	43,502	-	-	43,502
	\$ 761,370	\$ -	\$ -	\$ 761,370

#### 5. FAIR VALUE MEASUREMENT

Assembly for the Arts measures certain financial assets and liabilities at fair value on a recurring basis. Fair value is a market-based measurement that should be determined based on the assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, Assembly for the Arts uses a three-level hierarchy established by the FASB that prioritizes fair value measurements based on the types of inputs used for the various valuation techniques (market approach, income approach and cost approach).

Assembly for the Arts' assessment requires judgment and considers factors specific to the asset or liability. Financial assets and liabilities are classified in their entirety based on the most stringent level of input that is significant to the fair value measurement.

#### 6. PROPERTY AND EQUIPMENT

At June 30, 2023 and 2022, the major classes of property and equipment at cost are as follows:

Leasehold Improvements	\$ 50,076
Computer Equipment	12,816
Office Furniture and Fixtures	6,505
Property and Equipment	\$ 69,397

Property and equipment is fully depreciated.

#### 7. BOARD-DESIGNATED NET ASSETS

Assembly for the Arts maintains a "Projects and Budget Stabilization Fund" (the Fund) to create asset balances to allow for shortfalls from economic fluctuations, single or multi-year project opportunities, or capital expenditures. All withdrawals from the account require Board approval. Investment income, loss and investment management fees accrue to the Fund. The fund is not considered to be an endowment-type fund.

In 2023, the Organization transferred the board-designated fund investments from its bank to The Cleveland Foundation.

The Organization's policy requires that the assets will be governed by a spending policy that seeks to distribute a specific payout rate of the asset base to enrich and expand the Organization's programs. The asset base is defined as the average for the twelve consecutive quarters ending the previous June 30th. The minimum annual distribution or payout rate will be calculated at a specific fixed percentage of five percent (5%) of the base. Such a policy will allow for a greater predictability of spendable income for budgeting purposes and for gradual steady growth for the support of operations by the fund. In addition, this policy will minimize the probability of invading the principal over the long term.

## ASSEMBLY FOR THE ARTS

### NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

Changes in the board-designated fund are as follows:

Board-Designated Net Assets - July 1, 2021	\$	866,696
Investment Return:		
Realized Investment Income, Net		4,075
Unrealized Loss		(82,736)
Asset Appropriation for Severance Payment		(26,665)
Total Investment Return		<u>(105,326)</u>
Board-Designated Net Assets - June 30, 2022		761,370
Investment Return:		
Change in NAV, Net		33,348
Realized Investment Income, Net		13,018
Unrealized Gain		6,414
Total Investment Return		<u>52,780</u>
Board-Designated Net Assets - June 30, 2023	\$	<u>814,150</u>

#### 8. FISCAL SPONSORSHIP

Assembly for the Arts fiscally sponsors art and cultural projects in Northeast Ohio across many disciplines - from visual art to performance to arts education and advocacy. Fiscal sponsorship ("FSP") encourages funding agencies and contributors to take risks in financially supporting new projects and emerging artists, ensuring that money is well-managed and spent according to guidelines. Assembly for the Arts provides assistance in funding, developing and promoting artistic work, as well as providing low-cost office space in Cleveland.

Assembly for the Arts' staff reviews each potential FSP application for sponsorship before accepting them as an FSP, verifying that their charitable purpose is consistent with Assembly for the Arts' nonprofit purpose, that they have viable plans for raising funds, and have a committed project director.

All of the financial activity of Assembly for the Arts' FSPs is combined for financial statement purposes. However, each FSP's funds are accounted for separately in Assembly for the Arts' books and records. Because of the nature of the business of fiscal sponsorship, Assembly for the Arts' portfolio of FSP's is volatile, with time-limited projects completing, with maturing projects receiving their own 501(c)(3) status, and with new projects coming on board throughout the year. As such, individual line items may vary considerably from year to year, and typical financial analyses are not always meaningful.

#### 9. SPECIAL EVENTS

Major fundraising activities are as follows:

	2023	2022
Gross Income	\$ 111,810	\$ -
Direct Donor Benefits	<u>(96,745)</u>	<u>-</u>
Special Events, Net	<u>\$ 15,065</u>	<u>\$ -</u>

No special event was held in 2022.

#### 10. RETIREMENT PLAN

Assembly for the Arts has a 403(b) defined contribution retirement plan. Assembly for the Arts' contribution to the plan was approximately \$46,000 (2023) and \$24,000 (2022).



**ASSEMBLY FOR THE ARTS**

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

**12. AVAILABILITY AND LIQUIDITY**

The following represents Assembly for the Arts' financial assets available to meet general expenditures over the next twelve months:

	2023	2022
Financial Assets at Year-End:		
Cash & Cash Equivalents	\$ 578,011	\$ 844,641
Grants Receivable	568,364	80,800
Investments	814,150	761,370
Total Financial Assets	1,960,525	1,686,811
Less Amounts not Available to be Used Within One Year:		
Net Assets with Donor Restrictions - Cash	(252,439)	(203,197)
Net Assets without Donor Restrictions - Board-Designated	(814,150)	(761,370)
	(1,541,589)	(964,567)
Financial Assets Available to meet General Expenditures Over the Next Twelve Months	\$ 418,936	\$ 722,244

Financial assets are considered available unavailable when illiquid, not convertible to cash within one year, or restricted by donors either for long-term purposes or for use in a certain time period. Assembly for the Arts has certain donor-restricted net assets that are available for general expenditures within one year of June 30, 2023, because restrictions on the net assets are expected to be met by conducting normal activities of its programs in the coming year.

Assembly for the Arts is substantially supported by contributions and grants and depends on contributions without restrictions to meet its ongoing obligations. As part of Assembly for the Arts' liquidity management, it structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. Assembly for the Arts invests cash in excess of daily requirements in short-term investments.

Additionally, Assembly for the Arts has board-designated net assets without donor restrictions that, while Assembly for the Arts does not intend to spend for these purposes other than those identified, the amounts could be made available for current operations, if necessary.

**13. CUYAHOGA COUNTY GRANT**

In 2023, Assembly for the Arts received a \$1,650,000 grant from Cuyahoga County to administer grant awards to creative business and creative workers and individual artists. The grant was fully utilized in 2023, with expenses allocated between direct grants and the administrative fee earned by Assembly for the Arts under the agreement.

**14. SUBSEQUENT EVENTS**

Assembly for the Arts has evaluated its subsequent events for potential recognition and/or disclosure in the June 30, 2023 financial statements through \_\_\_\_\_, 2024, the date that the financial statements were available to be issued.