ARTS IN STARK

FINANCIAL REPORT

JUNE 30, 2023 and 2022

MALONEY
+ NOVOTNY LLC

ARTS IN STARK

CONTENTS

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Independent Auditors' Report

To the Board of Directors
Arts in Stark
Canton, Ohio

Opinion

We have audited the financial statements of Arts in Stark (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 Arts in Stark as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audits of the Financial Statements section of our report. We are required to be independent of Arts in Stark 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 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 Arts in Stark's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audits 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 it 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 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 Arts in Stark'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 Arts in Stark'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 audits, significant audit findings, and certain internal control related matters that we identified during the audits.

Meloney + Novotny LLC

Canton, Ohio
February 6, 2024

ARTS IN STARK

STATEMENTS OF FINANCIAL POSITION

June 30, 2023 and 2022

ASSETS	**2023**	**2022**
Cash and cash equivalents:		
Operations	$ 178,948	$ 194,249
Annual Arts Campaign (AAC)	1,117,177	527,450
Arts Education Center	141,732	141,756
	1,437,857	863,455
Receivables:		
Accounts and grants receivable - net	104,134	99,745
Employee Retention Tax Credit receivable	322,688	-
Contributions receivable (AAC) - net	236,398	612,590
	663,220	712,335
Prepaid expenses and other assets	25,680	8,769
Funds held by Stark Community Foundation (SCF)	17,641,525	16,755,426
Art collection (See Note O)	-	-
Land, building and equipment:		
Land	1,363,307	1,397,807
Building	19,628,499	19,435,944
Equipment, furniture and fixtures	1,951,138	2,013,562
	22,942,944	22,847,313
Less accumulated depreciation	17,254,949	16,839,005
	5,687,995	6,008,308
	$ 25,456,277	**$ 24,348,293**

The accompanying notes are an integral part of these financial statements.

ARTS IN STARK

STATEMENTS OF FINANCIAL POSITION

June 30, 2023 and 2022

LIABILITIES AND NET ASSETS	**2023**	**2022**
Liabilities:		
Accounts payable and accrued expenses	$ 115,078	$ 165,306
Grants payable	588,550	592,437
Deferred revenue	7,329	5,729
Note payable	146,695	146,695
Total liabilities	857,652	910,167
Net assets:		
Without donor restrictions		
Undesignated	5,241,032	4,889,272
Board designated endowment	252,312	243,509
	5,493,344	5,132,781
With donor restrictions	19,105,281	18,305,345
Total net assets	24,598,625	23,438,126
	$ 25,456,277	**$ 24,348,293**

The accompanying notes are an integral part of these financial statements.

ARTS IN STARK

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2023 and 2022

	Year Ended June 30, 2023		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Revenue, gains and other support:			
Contributions:			
Annual Arts Campaign (AAC)	$ -	$ 1,235,700	$ 1,235,700
Other	635,925	676,388	1,312,313
Total contributions	635,925	1,912,088	2,548,013
Investment return - net	48,576	1,658,050	1,706,626
Parking income	69,126	-	69,126
Other revenue:			
Rentals and concessions	918,736	-	918,736
Program and events income	11,110	-	11,110
Miscellaneous	97,617	-	97,617
Assets released from restrictions	2,770,202	(2,770,202)	-
Total revenue, gains and other support	4,551,292	799,936	5,351,228
Expenses:			
Program services:			
Support to art groups	1,883,200	-	1,883,200
Facilities	1,435,259	-	1,435,259
Marketing	401,072	-	401,072
Supporting services:			
Management and general	316,159	-	316,159
Fund raising	155,039	-	155,039
Total expenses	4,190,729	-	4,190,729
Change in net assets before collection of art not capitalized	360,563	799,936	1,160,499
(Accession) of art	-	-	-
Change in net assets	360,563	799,936	1,160,499
Net assets at beginning of year	5,132,781	18,305,345	23,438,126
Net assets at end of year	**$ 5,493,344**	**$ 19,105,281**	**$ 24,598,625**

The accompanying notes are an integral part of these financial statements.

ARTS IN STARK

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2023 and 2022

	Year Ended June 30, 2022		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Revenue, gains and other support:			
Contributions:			
Annual Arts Campaign (AAC)	$ -	$ 1,424,176	$ 1,424,176
Other	225,246	958,678	1,183,924
Total contributions	225,246	2,382,854	2,608,100
Investment return - net	3,827	(1,354,836)	(1,351,009)
Parking income	91,129	-	91,129
Other revenue:			
Rentals and concessions	1,128,844	-	1,128,844
Program and events income	29,745	-	29,745
Miscellaneous	(19,461)	-	(19,461)
Assets released from restrictions	3,507,344	(3,507,344)	-
Total revenue, gains and other support	4,966,674	(2,479,326)	2,487,348
Expenses:			
Program services:			
Support to art groups	2,180,321	-	2,180,321
Facilities	1,166,580	-	1,166,580
Marketing	346,567	-	346,567
Supporting services:			
Management and general	240,872	-	240,872
Fund raising	153,041	-	153,041
Total expenses	4,087,381	-	4,087,381
Change in net assets before collection of art not capitalized	879,293	(2,479,326)	(1,600,033)
(Accession) of art	(149,550)	-	(149,550)
Change in net assets	729,743	(2,479,326)	(1,749,583)
Net assets at beginning of year	4,403,038	20,784,671	25,187,709
Net assets at end of year	**$ 5,132,781**	**$ 18,305,345**	**$ 23,438,126**

The accompanying notes are an integral part of these financial statements.

ARTS IN STARK

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended June 30, 2023 and 2022

	Year Ended June 30, 2023					
	Program Services			Supporting Services		
	Support to Art Groups	Facilities	Marketing	Manage-ment and General	Fund Raising	Total
Salaries	$ 151,249	$ 213,123	$ 158,124	$ 61,875	$ 103,124	$ 687,495
Employee benefits	24,075	36,113	28,890	13,241	18,056	120,375
Payroll taxes	12,910	19,365	15,492	7,101	9,683	64,551
Total salaries and related expenses	188,234	268,601	202,506	82,217	130,863	872,421
Other expenses:						
Grants	877,853	-	-	-	-	877,853
Repairs and maintenance	-	296,833	-	-	-	296,833
Utilities	-	166,065	-	11,545	-	177,610
Parking	-	34,417	-	-	-	34,417
Promotion and printing	-	-	84,887	-	-	84,887
Office supplies	-	-	-	3,214	2,142	5,356
Insurance	-	52,142	-	2,976	-	55,118
Special events	-	-	34,370	-	-	34,370
Concessions	-	21,051	-	-	-	21,051
Professional fees	-	-	-	29,004	18,086	47,090
Cultural plan	-	93,671	-	-	-	93,671
Travel, transportation and conferences	-	-	4,876	3,251	-	8,127
Telephone	916	916	4,581	916	1,832	9,161
Contractual services	-	-	44,345	29,563	-	73,908
Depreciation	-	496,543	-	26,134	-	522,677
Bad debt	-	-		11,891	-	11,891
Rental property expenses	764,791	-	-	83,090	-	847,881
Education Center expenses	51,406	-	-	-	-	51,406
Administrative offices	-	-	5,290	3,174	2,116	10,580
Credit card/ATM fees	-	-	-	9,893	-	9,893
Interest	-	-	-	12,279	-	12,279
Miscellaneous	-	5,020	20,217	7,012	-	32,249
Reimbursement of shared operating expenses	-	-	-	-	-	-
Total other expenses	1,694,966	1,166,658	198,566	233,942	24,176	3,318,308
Total expenses	**$ 1,883,200**	**$ 1,435,259**	**$ 401,072**	**$ 316,159**	**$ 155,039**	**$ 4,190,729**

The accompanying notes are an integral part of these financial statements.

ARTS IN STARK

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended June 30, 2023 and 2022

	Year Ended June 30, 2022					
	Program Services			Supporting Services		
	Support to Art Groups	Facilities	Marketing	Manage-ment and General	Fund Raising	Total
Salaries	$ 152,040	$ 214,238	$ 158,951	$ 62,198	$ 103,664	$ 691,091
Employee benefits	22,709	34,064	27,251	12,490	17,032	113,546
Payroll taxes	13,145	19,718	15,774	7,230	9,859	65,726
Total salaries and related expenses	187,894	268,020	201,976	81,918	130,555	870,363
Other expenses:						
Grants	987,485	-	-	-	-	987,485
Repairs and maintenance	-	272,729	-	-	-	272,729
Utilities	-	147,129	-	10,228	-	157,357
Parking	-	41,185	-	-	-	41,185
Promotion and printing	-	-	70,541	-	-	70,541
Office supplies	-	-	-	4,333	2,889	7,222
Insurance	-	47,921	-	2,735	-	50,656
Special events	-	-	19,541	-	-	19,541
Concessions	-	27,233	-	-	-	27,233
Professional fees	-	-	-	33,498	16,022	49,520
Cultural plan	-	39,746	-	-	-	39,746
Travel, transportation and conferences	-	-	8,908	5,939	-	14,847
Telephone	811	811	4,052	811	1,621	8,106
Contractual services	-	-	30,201	20,134	-	50,335
Depreciation	-	459,102	-	24,163	-	483,265
Rental property expenses	959,375	-	-	11,482	-	970,857
Education Center expenses	44,756	-	-	-	-	44,756
Administrative offices	-	-	4,885	2,931	1,954	9,770
Credit card/ATM fees	-	-	-	13,038	-	13,038
Interest	-	-	-	5,939	-	5,939
Miscellaneous	-	625	6,463	23,723	-	30,811
Reimbursement of shared operating expenses	-	(137,921)	-	-	-	(137,921)
Total other expenses	1,992,427	898,560	144,591	158,954	22,486	3,217,018
Total expenses	**$ 2,180,321**	**$ 1,166,580**	**$ 346,567**	**$ 240,872**	**$ 153,041**	**$ 4,087,381**

The accompanying notes are an integral part of these financial statements.

ARTS IN STARK

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 1,160,499	$ (1,749,583)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	522,677	483,265
Forgiveness of note payable	-	(150,000)
Net realized and unrealized (gain) loss on funds held by SCF	(1,519,378)	1,432,886
Collection items purchased	-	149,550
(Gain) loss on disposal of land, building and equipment	(85,778)	21,198
Decrease (increase) in:		
Accounts and grants receivable	(4,389)	(22,562)
Employee Retention Tax Credit receivable	(322,688)	-
Contributions receivable	376,192	(341,537)
Prepaid expenses and other assets	(16,911)	118,027
Increase (decrease) in:		
Accounts payable and accrued expenses	(50,228)	64,820
Grants payable	(3,887)	(457,213)
Deferred revenue	1,600	(3,663)
Net cash provided (used) by operating activities	57,709	(454,812)
CASH FLOWS FROM INVESTING ACTIVITIES		
(Accession) of art	-	(149,550)
Purchases of land, building and equipment	(486,275)	(821,928)
Proceeds on disposal of land, building and equipment	369,689	-
Proceeds from sale of funds held by SCF	894,140	871,777
Purchases of funds held by SCF	(260,861)	(171,596)
Net cash provided (used) by investing activities	516,693	(271,297)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on note payable	-	(242,205)
Net cash (used) by financing activities	-	(242,205)
Net increase (decrease) in cash and cash equivalents	574,402	(968,314)
Cash and cash equivalents at beginning of year	863,455	1,831,769
Cash and cash equivalents at end of year	**$ 1,437,857**	**$ 863,455**

The accompanying notes are an integral part of these financial statements.

Summary of Significant Accounting Policies

A. Organization – Arts in Stark owns the 330,000 square foot Cultural Center for the Arts. It administers a grants program that awards grants to 100 nonprofit groups and individual artists totaling approximately $880,000. It runs one of the 40 united arts fund drives in America that raised $1.2 million (the Annual Arts Campaign or "AAC") during the year ended June 30, 2023. Its arts integration project called SmArts operates in every one of the public school systems in Stark County. For the last decade, Arts in Stark has been building an Arts District in downtown Canton working with the Chamber of Commerce and is currently developing a plan called "North Market" to revitalize the 100 acres in and around the Cultural Center. It has also created a $2.2 million public art series called The ELEVEN in partnership with the Pro Football Hall of Fame which celebrates the greatest moments in professional football history.

B. Basis of Accounting – The significant accounting policies followed by the Organization conform to the requirements of accounting principles generally accepted in the United States of America (GAAP).

   The financial statements of the Organization have been prepared on the accrual basis of accounting. Net asset balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

   Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions. Use of net assets without donor restrictions may be designated for specific purposes.

   Net Assets With Donor Restrictions – Net assets whose use by the Organization is limited by donor-imposed stipulations that can be fulfilled or removed by action of the Organization and/or the passage of time. Also included in this category are net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization.

C. Use of Estimates – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from these estimates.

D. Cash and Cash Equivalents – Cash and cash equivalents consist of accounts with daily liquidity such as checking, savings and money market accounts. The Organization maintains its cash accounts at national financial institutions and at times may exceed federally insured amounts.

E. Land, Building and Equipment – Land, building and equipment are stated at cost or, if donated, the fair value on the date received. Purchases in excess of $5,000 with a useful life greater than one year are capitalized. Minor repairs and improvements are expensed in the period incurred. Depreciation is computed on the straight-line method over the estimated useful lives of the assets.

Summary of Significant Accounting Policies (Continued)

F. Contributions – Unconditional promises to give cash, investments and other assets are reported at fair value and discounted to present value at the date the promise is made to the extent estimated to be collectible by the Organization. Conditional promises to give and indications of intentions to give are not recognized until the condition is satisfied. Contributions received with donor restrictions that limit the use of the donated assets are reported as restricted support. All contributions are considered to be without donor restrictions unless specifically restricted by the donor.

G. Revenue and Revenue Recognition – The Organization recognizes revenue from parking sales and concessions at the point of sale. The Organization records special events revenue equal to the fair value of direct benefit to donors, and contribution income for the excess received when the event takes place.

H. Donated Services – Contributed services are reported at fair value in the financial statements for voluntary donations of services when those services create or enhance nonfinancial assets or require specialized skills provided by individuals possessing those skills and are services which would typically be purchased if not provided by donation. A substantial number of volunteers have made significant contributions of their time and talents to the Organization. No amounts have been reflected in the financial statements for donated services for the years ended June 30, 2023 or 2022.

I. Grants Payable – Grants payable are generally expected to be paid within twelve months of the fiscal year end.

J. Deferred Revenue – The Organization records deferred revenue when it receives payments in advance of the performance of services.

K. Income Taxes – The Organization qualifies under Section 501(c)(3) of the Internal Revenue Code as an organization exempt from federal income taxes, except for taxes on unrelated business income, which is primarily from parking income.

   For the years ended June 30, 2023 and 2022, no liability for unrelated business income tax was incurred. The Organization believes that it has appropriate support for any tax position taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

L. Retirement Plan – The Organization sponsors a 401(k) defined contribution plan which covers all full-time employees. Starting in January 2022, the Organization matches 100% of eligible employee contributions up to 6%. Arts in Stark incurred matching contributions of $39,613 and $23,423 for the years ended June 30, 2023 and 2022, respectively.

Summary of Significant Accounting Policies (Continued)

M. Functional Expenses – The costs of program and supporting services activities have been summarized on a functional basis in the Statements of Activities. The Statements of Functional Expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include depreciation, insurance and utilities, which are allocated on a square footage basis, as well as salaries, employee benefits, payroll taxes, travel, transportation and conferences, telephone, contractual services, administrative offices and miscellaneous which are allocated on the basis of estimates of time and effort.

N. Art Collection – The Organization's collection is made up of pieces of art that are held for educational and curatorial purposes. Each of the items is cataloged, preserved, and cared for, and activities verifying their existence and assessing their condition are performed continuously. The Organization's art collection is comprised of pieces of art related to The ELEVEN, a collection of the greatest moments in the history of professional football.

The collection, which was acquired through purchases, is not recognized as an asset on the Statements of Financial Position. Purchases of collection items are recorded as decreases in net assets without donor restrictions in the year in which the items are acquired. Contributed collection items are not reflected on the financial statements. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes.

O. Concentration –The Organization received approximately 42% of its contributions from three donors during the year ended June 30, 2023, and 34% of its contributions from two donors for the year ended June 30, 2022.

P. Adoption of new Accounting Principle – In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") No. 2016-02, Leases (Topic 842), and has subsequently issued supplemental and clarifying ASUs (collectively ASC 842). ASC 842 changed the existing accounting standards for lease accounting, including requiring lessees to recognize most operating leases on their balance sheets, ASC 842 requires a modified retrospective transition approach for all leases existing at, or entered into after, the date of initial application, with an option to use certain transition relief. The Organization adopted ASC 842 as of July 1, 2022. The adoption had no impact on the accompanying financial statements.

Q. Reclassification – Certain information previously presented has been reclassified to conform to the current presentation.

R. Subsequent Events – The Organization has evaluated subsequent events through February 6, 2024, which is the date the financial statements were available to be issued.

Note 1. Receivables

Outstanding receivables from various corporations, foundations and individuals at June 30 are as follows:

	2023	2022
Receivables due:		
In less than one year	$ 683,220	$ 732,335
One to five years	-	-
Discounting for time value	-	-
Allowance for uncollectible amounts	(20,000)	(20,000)
	$ 663,220	$ 712,335

Note 2. Funds Held by Stark Community Foundation

Funds held by Stark Community Foundation are as follows at June 30:

	2023	2022
Operating endowment	$ 11,032,840	$ 10,377,047
Capital replacement endowment	6,315,967	6,095,873
Fund for the Arts endowment	252,312	243,509
Jeffrey A. Fisher/Fisher Foods Educational Endowment	40,406	38,997
	$ 17,641,525	$ 16,755,426

The income and appreciation are expendable to support the Organization's activities. The amount of income and appreciation expended by the Organization is subject to an annual review and approval by Organization leadership. The investments are in a pool of funds held by several financial institutions and are managed by SCF. The Organization does not control the investment of these funds.

SCF has been granted variance power in the event that the Organization ceases to exist and does not designate a substitute recipient that SCF finds acceptable. The operating endowment includes shares of common stock valued at $818,520 and $499,240 which are not included in SCF's pool of investments at June 30, 2023 and 2022, respectively.

Note 3. Note Payable

Note payable consisted of the following at June 30:

	2023	2022
Note payable to the U.S. Small Business Administration payable in fixed monthly installments of $641 including interest at 2.75%, maturing July 2050, secured by all business assets.	$ 146,695	$ 146,695

Note 3. Notes Payable (Continued)

Interest-only payments were made during the year ended June 30, 2023 due to a deferral period given by the Small Business Administration.

Annual maturities of the note payable subsequent to June 30, 2023 are as follows:

2024	$ 3,541
2025	3,639
2026	3,741
2027	3,845
2028	3,952
Thereafter	127,977
	$ 146,695

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security Act (CARES) was signed into law. The CARES Act, among other things, created the Paycheck Protection Program (PPP) to be administered by the Small Business Administration. In April 2021, the Organization received a $150,000 unsecured loan from KeyBank National Association under the PPP. Provisions of the PPP allowed for partial or full forgiveness of the loan provided proceeds were used for covered expenditures and certain other requirements were satisfied. The unforgiven portion of the loan, if any, was to be paid in equal monthly installments of principal plus interest (at 1% per annum) until five years from the date of the note. However, the Organization was notified in 2022 that the full amount of the loan was forgiven by the Small Business Administration. The forgiveness is included in other contributions on the accompanying Statement of Activities for the year ended June 30, 2022.

Note 4. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes as of June 30:

	2023	2022
Subject to expenditure for specified purpose:		
Annual Arts Campaign	$ 1,235,700	$ 1,424,176
Capital improvements	187,904	106,581
Exhibits and programs	150,731	116,916
	1,574,335	1,647,673
Subject to passage of time:		
Exhibits and programs	-	4,000
Subject to appropriation/SCF spending policy:		
Accumulated earnings on endowment funds	3,158,101	2,280,827
Endowment funds restricted in perpetuity	14,372,845	14,372,845
	17,530,946	16,653,672
	$ 19,105,281	$ 18,305,345

Note 5. Annual Arts Campaign

A significant portion of funding for Arts in Stark comes from the Annual Arts Campaign held in the spring of each year. The contributions receivable amount in the Statements of Financial Position reflects the current year fund drive balance outstanding as of June 30. The revenue, Contributions: Annual Arts Campaign in the Statements of Activities, reflects the current year fund drive, grants to be received over multiple years promised in the current year, and collection of amounts from past fund drives not previously recorded as income. The publicly announced campaign total for one year will not match the With Donor Restrictions, Contributions: Annual Arts Campaign in the Statements of Activities, because income recognition under GAAP differs from the tracking process utilized during the annual fund drive.

Note 6. Fair Value Measurements

The Organization estimates the fair value of financial instruments using available market information and other generally accepted valuation methodologies. Fair value is defined as the price that would be received to sell an asset or would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The inputs used to measure fair value are classified into three levels:

- Level 1 – Quoted market prices in active markets for identical assets and liabilities
- Level 2 – Observable market-based inputs or unobservable inputs that are corroborated by market data
- Level 3 – Unobservable inputs in which little or no market data exists

The asset's or liability's fair value measurement level is based on the lowest level of any input that is significant to the fair value measurement.

The valuation methods used for financial instruments may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. There have been no changes in the methodologies used from 2022 to 2023. Furthermore, while the Organization believes the valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level within the fair value hierarchy the Organization's financial assets that were accounted for at a fair value on a recurring basis:

	As of June 30, 2023			
	Level 1	Level 2	Level 3	Total
Funds held by SCF	$ 818,520	$ -	$ 16,823,005	$ 17,641,525

Note 6. Fair Value Measurements (Continued)

	As of June 30, 2022			
	Level 1	Level 2	Level 3	Total
Funds held by SCF	$ 499,240	$ -	$ 16,256,186	$ 16,755,426

Investments - The Organization invests in common stock with quoted prices in active markets that are considered to be Level 1 assets.

The Organization invests in a pool of investments held by SCF, which includes Level 3 assets. The pool of investments is valued at SCF's best estimate of the fair value of the underlying assets as reviewed by the Organization. Accordingly, the Organization does not use separate quantitative information to value their investment in the SCF pool. The Organization's investment in the SCF pool is considered a Level 3 asset.

During the years ended June 30, 2023 and 2022, there were no transfers into or out of Level 3 assets. During the years ended June 30, 2023 and 2022, there were purchases of Level 3 assets of $260,861 and $171,596, respectively.

Note 7. Endowment Funds

Endowment funds without donor restrictions include funds which have been designated by the Board of Directors for endowment purposes. The income from these funds is to be used for general operations.

Endowment funds with donor restrictions include funds which are restricted as to use in perpetuity. The Organization records endowment gifts restricted in perpetuity per the donors' instructions at historic dollar value. The income from these funds is to be used for general operations or capital assets repair and replacements.

Endowment funds are appropriated based on an approval process through the Board of Directors. The Board determines, based on the earnings that have accumulated in the fund, a percentage to withdraw quarterly from the endowments, currently an annual rate of 4.75%. The Board can withdraw any percentage of the endowments up to the percentage allowed by the SCF Charitable Payout Policy which is currently an annual rate of 4.75%.

Interpretation of Relevant Law – The State of Ohio has passed a version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Board of Directors of the Organization has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with perpetual restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to permanent endowment made in accordance with the direction of

Note 7. Endowment Funds (Continued)

the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

	Without Donor Restrictions	With Donor Restrictions: Accumulated Gains	With Donor Restrictions: Original Gift	Total
Endowment net assets, June 30, 2021	$ 272,173	$ 4,386,426	$ 14,462,990	$ 19,121,589
Investment return:				
Investment income - net	825	60,551	-	61,376
Net depreciation (realized and unrealized)	(18,457)	(1,415,387)	-	(1,433,844)
Total investment return	(17,632)	(1,354,836)	-	(1,372,468)
Contributions	-	-	-	-
Appropriations of endowment assets for expenditure	(11,032)	(750,763)	(90,145)	(851,940)
Endowment net assets, June 30, 2022	243,509	2,280,827	14,372,845	16,897,181
Investment return:				
Investment income - net	2,293	156,668	-	158,961
Net appreciation (realized and unrealized)	17,997	1,501,382	-	1,519,379
Total investment return	20,290	1,658,050	-	1,678,340
Contributions	-	-	-	-
Appropriations of endowment assets for expenditure	(11,487)	(780,776)	-	(792,263)
Endowment net assets, June 30, 2023	$ 252,312	$ 3,158,101	$ 14,372,845	$ 17,783,258

Endowment net asset composition by type of fund:

	Without Donor Restrictions	With Donor Restrictions: Accumulated Gains	With Donor Restrictions: Original Gift	Total
As of June 30, 2023:				
Donor restricted endowment funds	$ -	$ 3,158,101	$ 14,372,845	$ 17,530,946
Board-designated endowment funds	252,312	-	-	252,312
Total funds	$ 252,312	$ 3,158,101	$ 14,372,845	$ 17,783,258

Note 7. Endowment Funds (Continued)

	Without Donor Restrictions	With Donor Restrictions: Accumulated Gains	With Donor Restrictions: Original Gift	Total
As of June 30, 2022:				
Donor restricted endowment funds	$ -	$ 2,280,827	$ 14,372,845	$ 16,653,672
Board-designated endowment funds	243,509	-	-	243,509
Total funds	$ 243,509	$ 2,280,827	$ 14,372,845	$ 16,897,181

Note 8. Grants from Stark Community Foundation

The Organization is an income beneficiary of a designated fund, held by Stark Community Foundation. Distributions of income relating to the assets in the fund are made at the discretion of the Distribution Committee of Stark Community Foundation. Income distributed to the Organization is recorded as investment return in the Statements of Activities. At June 30, 2023 and 2022, the market value of the assets in this fund totaled $417,621 and $404,962, respectively.

Note 9. Conditional Grants

The Organization was notified in August 2022 that the Arts in Stark Park was earmarked for $500,000 in the State of Ohio's capital budget. The Organization must apply for a grant from the State of Ohio to be awarded these funds. The grant is conditional upon the incurrence of allowable qualifying expenses. As of June 30, 2023, no qualifying expenses had been incurred, and the grant had not been applied for yet.

Note 10. Facilities Agreement

The Organization provides space in the Cultural Center for the Arts to four arts organizations at no charge. One of the arts organizations vacated the facility in August 2022. The estimated fair market value to rent these spaces is $673,991 and $959,375 for the years ended June 30, 2023 and 2022, respectively. These amounts are recognized as both rental income and expense on the accompanying Statements of Activities.

The Organization is to maintain the space and is responsible for the repair and replacement of all fixtures that are physically attached to the premises. The four arts organizations must pay a pro-rata share of utilities, cleaning, and insurance costs. However, during the year ended June 30, 2023, the arts organizations were not required pay the pro-rata share of utilities and insurance. The value of the donated utilities and insurance is approximately $90,800 and is recognized as both income and expense on the accompanying Statement of Activities for the year ended June 30, 2023.

Note 11. Commitments and Contingency

The Organization is subject to certain claims that arise in the normal course of operations. In the opinion of management, the ultimate disposition of litigation and claims, if any, will not have a material adverse effect on the Organization's operations or financial position.

Note 12. Liquidity and Availability

The Organization regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities of granting and supporting the arts to create smarter kids, new jobs and healthier communities, as well as the conduct of services undertaken to support those activities to be general expenditures.

The financial assets available to meet general expenditures within one year as of June 30 are as follows:

	2023	2022
Financial assets:		
Cash and cash equivalents	$ 1,437,857	$ 863,455
Receivables	663,220	712,335
Financial assets at year-end	2,101,077	1,575,790
Donor-imposed restrictions:		
Funds restricted to capital expenditures	(187,904)	(106,581)
Funds functioning as endowment	(252,312)	(243,509)
Financial assets available to meet cash needs for general expenditures within one year	$ 1,660,861	$ 1,225,700

In addition to the financial assets available at June 30, 2023, Arts in Stark receives quarterly disbursements from its operating endowment at SCF to be used for general expenditures. For the year ended June 30, 2024, the Organization expects to receive approximately $492,000 from this endowment.

Note 13. Employee Retention Tax Credit

The CARES Act created the Employee Retention Tax Credit (ERTC) for a refundable payroll tax credit subject to certain conditions. The Organization has applied to the IRS for an ERTC for the periods July 1, 2020 through September 30, 2021. The Organization believes the conditions of the ERTC have been met, so the entire $322,688 was recorded as a receivable and other contributions on the accompanying 2023 statements.