

**Waco Cultural  
Arts Fest**  
Waco, Texas

*Audited Financial Statements*  
December 31, 2024

**Shawnee Miller, CPA, P.C.**  
*Certified Public Accountant*  
3413 East Main Street  
Gatesville, Texas 76528

Waco Cultural Arts Fest  
Audited Financial Statements  
For the Year Ended December 31, 2024

Table of Contents

	<u>Page</u>
Independent Auditor's Report.....	1-2
Financial Statements	
Statement of Financial Position.....	3
Statement of Activities and Changes in Net Assets.....	4
Statement of Functional Expenses.....	5
Statement of Cash Flows.....	6
Notes to the Financial Statements.....	7-14



## Shawnee Miller, CPA, P.C.

CERTIFIED PUBLIC ACCOUNTANT

### INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
of Waco Cultural Arts Fest

#### **Opinion**

We have audited the accompanying financial statements of Waco Cultural Arts Fest (a nonprofit organization), which comprise the statement of financial position as of December 31, 2024, and the related statements of activities and changes in net assets, 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 Waco Cultural Arts Fest as of December 31, 2024, 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 Waco Cultural Arts Fest 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 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 Waco Cultural Arts Fest's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the 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 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 Waco Cultural Arts Fest'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 Waco Cultural Arts Fest'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.

**Emphasis of Matter**

As discussed in the notes to the financial statements, the Organization has a deficit in net assets without donor restrictions as of December 31, 2024. Management's plans to address this deficit are also described in the notes. Our opinion is not modified with respect to this matter.

*Shawnee Miller, CPA, P.C.*

*Shawnee Miller, CPA, P.C.*

Gatesville, Texas  
November 13, 2025

Waco Cultural Arts Fest  
Statement of Financial Position  
As of December 31, 2024

Assets

Current Assets	
Operating Cash	\$ 14,672
Restricted Cash	
Ravenscroft Foundation and Yellow Cottage	5,970
Central Texas Heritage Foundation	760
Total Restricted Cash	<u>6,730</u>
Total Operating and Restricted Cash	21,402
Pledges Receivable	200
Restricted Certificate of Deposit	<u>5,176</u>
Total Current Assets	26,778
Property and Equipment	
Furniture and Equipment	12,511
Less Accumulated Depreciation	<u>(12,221)</u>
Total Property and Equipment	290
Other Assets	
Endowment Cash	2,414
Beneficial Interest in assets held by Waco Foundation	2
Ravenscroft Foundation Assets - Art Place	<u>229,315</u>
Total Other Assets	<u>231,731</u>
<b>Total Assets</b>	<b><u>\$ 258,799</u></b>

Liabilities & Net Assets

Current Liabilities	
Accounts Payable	\$ 12,374
Line of Credit	<u>13,610</u>
Total Current Liabilities	<u>25,984</u>
Net Assets	
Without Donor Restrictions	
Invested in Capital Assets	290
For Use in Operations	<u>(11,110)</u>
Total Net Assets Without Donor Restrictions	(10,820)
Net Assets With Donor Restrictions	<u>243,635</u>
Total Net Assets	<u>232,815</u>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 258,799</u></b>

See accompanying audit report and notes to financial statements.

Waco Cultural Arts Fest  
Statement of Activities and Changes in Net Assets  
For the year ended December 31, 2024

Net Assets Without Donor Restrictions

Revenue

Contributions of Cash and Other Financial Assets	\$ 153,807
Contributions of Non-Financial Assets	10,491
Event Income	12,144
Fundraising Income	15,854
Membership Fees	3,050
Interest Income	188
Net Assets Released from Restrictions	<u>24,026</u>

Total Revenue 219,560

Expenses

Program Expenses	188,220
Administrative Expenses	11,190
Fundraising Expenses	<u>3,176</u>

Total Expenses 202,586

Increase (Decrease) in Net Assets Without Donor Restrictions 16,974

Net Assets With Donor Restrictions

Contributions	29,315
Net Assets Released from Restrictions	<u>(24,026)</u>

Increase (Decrease) in Net Assets With Donor Restrictions 5,289

**Increase (Decrease) in Net Assets 22,263**

Net Assets Beginning of Year 210,552

**Net Assets at End of Year \$ 232,815**

See accompanying audit report and notes to financial statements.

Waco Cultural Arts Fest  
Statement of Functional Expenses  
For the year ended December 31, 2024

	Program Services	Support Services		Total Support	Total
	Festivals and Exhibitions	Administrative	Fundraising		
Advertising	\$ 3,472	\$ -	\$ -	\$ -	\$ 3,472
Awards to Artists	9,295	-	400	400	\$ 9,695
Depreciation	346	38	-	38	\$ 384
Fundraising Events	-	-	112	112	\$ 112
Dues	1,161	-	-	-	\$ 1,161
Exhibitions and Other Festival Expenses	32,470	-	-	-	\$ 32,470
Insurance	4,612	410	-	410	\$ 5,022
Interest	4,369	-	-	-	\$ 4,369
Rent, Parking, and Other Occupancy	18,802	2,356	1,295	3,651	\$ 22,453
Equipment Rental	33,389	-	35	35	\$ 33,424
Performance Fees	52,779	-	739	739	\$ 53,518
Professional Fees	1,800	7,595	-	7,595	\$ 9,395
Supplies and Office Expense	16,787	791	370	1,161	\$ 17,948
Security	8,938	-	225	225	\$ 9,163
Total Expenses	\$ 188,220	\$ 11,190	\$ 3,176	\$ 14,366	\$ 202,586

See accompanying audit report and notes to financial statements.

Waco Cultural Arts Fest  
Statement of Cash Flows  
For the year ended December 31, 2024

Cash flows from operating activities:	
Increase (decrease) in net assets	\$ 22,263
Adjustments to reconcile decrease in net assets to net cash used by operating activities:	
Depreciation	384
(Increase) Decrease in:	
Receivables	7,709
Increase (Decrease) in:	
Accounts Payable	(10,566)
Total Adjustments	<u>(2,473)</u>
Net cash used by operating activities	<u>19,790</u>
Cash flows from investing activities:	
Beneficial interest in Waco Foundation Endowment	226
Investment in CD	(5,176)
Ravenscroft Foundation Art Place	(40)
Net cash used by investing activities	<u>(4,990)</u>
Cash flows from financing activities:	
Decrease in Memorial Endowment	(104)
Payments on Line of Credit	(3,350)
Net cash used by financing activities	<u>(3,454)</u>
Net decrease in cash, cash equivalents, and restricted cash	11,346
Cash, cash equivalents, and restricted cash at beginning of year	<u>10,056</u>
Cash, cash equivalents, and restricted cash at end of year	<u><u>\$ 21,402</u></u>
Supplemental disclosures:	
Cash paid during the year for interest	\$ 4,369
Cash paid during the year for income taxes	None

See accompanying audit report and notes to financial statements.

Waco Cultural Arts Fest  
Notes to Financial Statements  
December 31, 2024

Summary of Significant Accounting Policies

Nature of Activities

Waco Cultural Arts Fest (WCAF) is a Texas nonprofit corporation whose mission is to engage and enrich the community by providing outstanding arts and cultural activities that inspire creativity and participation. WCAF carries out its mission primarily through an annual three-day festival of visual art, music, performance, food, and arts activities for all ages (the “Festival”). In addition, WCAF contracts with individual artists and administers contributions to support the placement of public art in Waco and the surrounding Central Texas communities.

Method of Accounting

The records of account are maintained on an accrual basis.

Estimates

Preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires use of estimates and assumptions by management. Accordingly, actual results can differ from these estimates.

Financial Statement Presentation

In accordance with FASB ASC 958, contributions received are recorded as without and with donor restrictions depending on the existence and nature of the donor restrictions. Net assets and revenues are classified based on donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions*

Net assets without donor restrictions represent resources over which the Board of Directors has discretionary control and can be used currently for the general purposes of WCAF in accordance with its by-laws. WCAF may voluntarily designate unrestricted resources for land, buildings, and equipment or other purposes, but this is a voluntary action of the governing board that can be modified or reversed at its discretion. These designations of resources without donor restrictions by the governing board do not have the same legal requirements as do funds with donor restrictions.

*Net Assets With Donor Restrictions*

Net assets with donor restrictions represent resources currently available for use, but expendable only for those operation purposes specified by the donor. Such contributions are reported as increases in net assets with donor restrictions. When the restrictions are met (either by passage of time or by use) the net assets are reported as “net assets released from restrictions” on the statement of activities.

Federal Income Tax

WCAF is exempt from Income Tax under Internal Revenue Code Section 501(c)(3). However, a Form 990, Return of Organization Exempt from Income Tax, is required to be filed each year. WCAF is also required to comply with other Internal Revenue reporting requirements regarding contributions received, payroll, and payments to independent contractors, as applicable. WCAF’s Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending 2022, 2023, and 2024, are subject to examination by the IRS, generally for three years after they were filed.

Waco Cultural Arts Fest  
Notes to Financial Statements  
December 31, 2024

Uncertain Tax Positions

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires recognition for uncertain tax positions. For the year ended December 31, 2024, there are no cumulative effect adjustments required. The Organization has analyzed tax positions taken for filings with the Internal Revenue Service and believes that all tax filings would be sustained upon examination and does not anticipate any adjustments that would result in a material adverse affect on the Organization's financial condition, statement of activities, or cash flows. Accordingly, the Organization has not recorded any reserves, or related accruals for interest and penalties for uncertain tax positions at December 31, 2024.

Statement of Cash Flows

The indirect method is used to report cash flows from operating activities. Disclosure is made of the amount of cash paid for interest and income taxes, if any. Non-cash investing and financing activities are excluded from the body of the statement of cash flows but are disclosed, if any.

Restrictions on Net Assets

Support that is restricted by the donor may be reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions depending on the nature of the restriction. When the restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Net Assets With Donor Restrictions as of December 31, 2024, consisted of the following:

<u>Category</u>	<u>Total</u>
Ravenscroft Foundation (RF) Projects Cash	\$11,146
Central Texas Heritage Foundation Cash	760
Endowment	2,414
Invested in Art Place Project	229,315
Total	<u>\$243,635</u>

Grants and Contributions

The WCAF receives donations and grants from individuals and foundations in support of certain art projects in Waco and the surrounding communities. The timing of recognition of contribution and grant income depends on the nature of the donation. If funds are received from the individual or grantor after WCAF shows evidence of certain expenditures, then it is considered reimbursable, and revenue is recognized when expenditures are made in accordance with provisions. If funds are received in advance of expenditures, then revenue is recognized when funds are received. Such donations are reported as increases in net assets with donor restrictions unless the restrictions are met in the same reporting period as the donations are received, in which case, the donations may be reported as increases in net assets without donor restrictions.

ASU 2018-08's, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, purpose is to provide guidance in evaluating whether transactions should be accounted for as contributions or exchanges. In applying ASU 2018-08, the Organization follows the following procedures on each donation agreement:

Waco Cultural Arts Fest  
Notes to Financial Statements  
December 31, 2024

Grants and Contributions - Continued

- Determine whether the transaction is an exchange or contribution based on multiple factors.
- If the transaction is a contribution, identify any donor-imposed conditions or restrictions regarding its use.
- Distinguish between barriers and donor-imposed restrictions.
- Conclude that all conditions are resolved prior to recognizing the contribution as revenue.

In-Kind Contributions and Donated Services

ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, requires nonprofits to expand their financial statement presentation and disclosure of contributed nonfinancial assets, including in-kind contributions. The standard includes disclosure of information on an entity's policies on contributed nonfinancial assets about monetization and utilization during the reported period, information on donor-imposed restrictions, and valuation techniques.

The Organization receives various forms of gifts-in-kind (GIK) including supplies and other items for events, exhibitions, and fundraisers. GIK are reported as contributions at their estimated fair value on the date of receipt and reported as expenses when utilized. GIK are valued based upon estimates of fair market value or garage sale value considering their condition and utility for use at the time the goods are contributed by the donor. Donated GIK are not sold and goods are only distributed for program use.

<u>Non-financial contributions category</u>	<u>2024 Contributions</u>
Supplies for events and exhibitions	<u>10,491</u>
Total	<u>\$10,491</u>

In-Kind contributions are reflected as contributions at their estimated fair value at the date of donation and are reported as support without donor restrictions unless explicit donor stipulations specify how donated assets must be used. WCAF recognizes the fair values of contributed services received if such services create or enhance non-financial assets, or require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed.

Additionally, WCAF's directors and officers have made a significant contribution of their time to develop the organization and its programs. No amounts have been recognized in the accompanying statement of activities because the criteria for recognition discussed have not been satisfied.

Revenue Recognition

The Organization adopted FASB Accounting Standards Codification (ASC) Topic 606, Revenue from Contracts with Customers, in 2019. The core principle of ASC 606 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which it expects to be entitled in exchange for those goods or services. To apply this principle, the Organization follows a five-step model:

- Identify the contract(s) with a customer.
- Identify the performance obligations in the contract.
- Determine the transaction price.
- Allocate the transaction price to the performance obligations in the contract.
- Recognize revenue when (or as) the Organization satisfies a performance obligation.

Waco Cultural Arts Fest  
Notes to Financial Statements  
December 31, 2024

WCAF's contracts with customers primarily consist of event ticket sales and annual membership fees. These activities take place in Waco, Texas, and the related performance obligations include providing access to events and ongoing member benefits that support and promote the arts in the community. Ticket prices are established as each event is planned, and membership fees are set at the beginning of each year. Because the performance obligations associated with ticket sales and membership fees are short-term and are satisfied within the fiscal year, revenue from these sources is recognized when the tickets or memberships are sold. No fees received as of December 31, 2024 were held for services to be provided in a subsequent year.

Contributions and grants that do not represent an exchange of commensurate value are accounted for as contributions in accordance with ASC 958, Not-for-Profit Entities, rather than under ASC 606. No amounts included in grants receivable as of December 31, 2024 relate to contracts with customers within the scope of ASC 606.

Grant and Pledges Receivable - Promises to Give

Unconditional promises to give are recognized in the period depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unless otherwise noted, all promises are expected to be collected in full within one year of the date of the statement of financial position, and therefore no allowance for doubtful accounts has been estimated.

Unconditional promises to give beginning and ending balances:

January 1, 2024 - \$7,909

December 31, 2024 - \$200

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers investments available for current use with an initial maturity date of three months or less to be cash equivalents. The statement of cash flows presents general operating cash and restricted cash.

Concentration of Credit Risk

The Organization is subject to risk on its cash and investments. The bank insures account holders of interest-bearing accounts through the Federal Deposit Insurance Corporation (FDIC) up to a total of \$250,000. The organization did not exceed these limits at any banks during 2024.

Fair Value Measurements

Certain assets and liabilities are reported in the financial statements at fair value, in accordance with FASB Statement No. 157, *Fair Value Measurements*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Statement establishes a framework for measuring fair value in GAAP, identifying three levels of measurements: quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3). Level 1 receives the highest priority when measuring fair value. Waco Foundation uses other observable inputs and an active market. Fair values of assets are measured on a recurring basis and were as follows at December 31:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (level 2)	Significant Unobservable Inputs (level 3)
Waco Foundation	\$27	-0-	\$27	-0-
Total	\$27	-0-	\$27	-0-

Waco Cultural Arts Fest  
Notes to Financial Statements  
December 31, 2024

Beneficial Interest in Assets Held by Waco Foundation

The Organization maintains a beneficial interest in assets held and administered by the Waco Foundation (the "Foundation"). This fund has been established to support WCAF's "Doris Miller" project, as described elsewhere in the notes to the financial statements. Contributions received by WCAF for the Doris Miller project are periodically transferred to the Foundation to be held and invested for the benefit of that project. Once transferred, the assets are the property of the Foundation and are held in a trustee capacity in accordance with the Foundation's governing documents and policies.

Income earned on the fund, net of investment fees, is retained and reinvested with the corpus of the fund. WCAF may from time to time make nonbinding recommendations to the Foundation regarding distributions from the fund. The Foundation will give due consideration to such recommendations; however, all distribution decisions remain at the discretion of the Foundation's governing body. The fund is intended to be used for the benefit of WCAF and its projects as long as such needs exist, but the assets are ultimately subject to the Foundation's variance power, including the right to substitute another beneficiary without the approval of WCAF.

In addition, the Foundation holds certain funds that were donated directly to the Foundation for the benefit of WCAF and its projects. Because these amounts were not received by WCAF and the Foundation retains responsibility and discretion over those funds, such amounts are not reflected in these financial statements.

WCAF's beneficial interest in assets held by the Foundation is reported as an asset and is measured at the fair value of the underlying invested cash and investments. At December 31, 2024, WCAF's beneficial interest held by the Foundation related to the "Doris Miller Statue Fund (Waco Foundation Net Asset)" totaled \$26.  
Doris Miller

During 2009, "Branding the Brazos" became the umbrella project for the "Doris Miller" project, which involved erecting a memorial to World War II hero, Doris Miller, in Bledsoe-Miller Park, across the river from Indian Spring Park. This was completed during 2023. WCAF continues to maintain a Doris Miller account and will continue to develop and celebrate the site as donor intended. As discussed, the Waco Foundation maintains separate funds to support the "Doris Miller" project.

Endowment

The Organization's endowment consists of one donor-restricted fund established to provide annual funding for specific activities and general operations. The board of directors has interpreted the Texas enactment of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment, absent explicit donor stipulations to the contrary. At December 31, 2024, there were no such donor stipulations.

As a result of this interpretation, the Organization classifies as net assets with donor restrictions in perpetuity (a) the original value of initial and subsequent gifts (including unconditional promises to give, net of discount and allowance for doubtful accounts) to the endowment and (b) any required accumulations to the endowment made in accordance with applicable donor instructions. Donor-restricted amounts not required to be maintained in perpetuity are subject to appropriation for expenditure by WCAF in a manner consistent with the standard of prudence prescribed by UPMIFA.

*Investment and Spending Policies*

The board of directors has adopted investment and spending policies for the endowment that are intended to provide a predictable stream of support for operations while preserving the purchasing power of the endowment assets over the long term. Over time, the long-term rate of return is expected to be sufficient to (1) maintain the real value of the endowment, (2) fund the approved spending policy, and (3) cover the costs of managing the investments. The target minimum long-term rate of return is the Consumer Price Index plus 5 percent annually, recognizing that actual results may vary from year to year.

Waco Cultural Arts Fest  
Notes to Financial Statements  
December 31, 2024

As of December 31, 2024, the endowment consisted of cash, and the donor did not require the funds to be invested in an interest-bearing or other securities account. The original gift amount is to be maintained in perpetuity, and earnings on the endowment are available to support general operations in accordance with donor restrictions and board policy.

When endowment funds are invested in other types of securities, the Organization will apply a spending-rate formula to determine the maximum annual amount to be appropriated from the endowment, including from endowments that may be deemed to be underwater. The spending rate, which is determined and adjusted from time to time by the board of directors, will be applied to the average fair value of the endowment investments over the prior 12 quarters at December 31 of each year to determine the spending amount for the following year. In establishing this policy, the Organization considers the long-term expected return on the endowment and sets the rate with the objective of maintaining the purchasing power of the endowment over time.

Change in the endowment net assets for the year ended December 31, 2024, is as follows:

Year ended December 31, 2024	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	-0-	\$2,310	\$2,310
Contributions	-0-	104	104
Investment return, net	-0-	-0-	-0-
Appropriation of endowment assets pursuant to spending policy	-0-	-0-	-0-
Other changes:			
Distribution from board – designated endowment pursuant to spending policy	-0-	-0-	-0-
Endowment net assets, end of year	-0-	\$2,414	\$2,414

Property and Equipment

Purchases of property and equipment are recorded at cost. Gifts or contributions of property and equipment are recorded at the asset's fair market value at the time received. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets: 40 years for buildings and improvements, 5 to 20 years for furniture, fixtures, and equipment. When items are disposed, the cost and accumulated depreciation are eliminated from the records of account, and a gain or loss is reported in current income. Repair and maintenance charges that do not increase the useful lives of the assets are charged to expenses as incurred.

Depreciable property and equipment consisted of the following at December 31:

Computer & Software	\$ 5,372
Equipment	<u>7,139</u>
	12,511
Less: Accumulated depreciation	<u>(12,221)</u>
Property and equipment, net	<u>\$ 290</u>

Non-depreciable property consisted of the following at December 31:

Building/Property not in service – Ravenscroft Foundation	\$ 229,315
--	------------

Waco Cultural Arts Fest  
Notes to Financial Statements  
December 31, 2024

Line of Credit

WCAF has a \$25,000 unsecured line of credit. Interest on the outstanding balance is payable quarterly at an annual rate of 5.61%. Interest charged to expense on the outstanding balance during the year ended December 31, 2024 was \$1,279.

Advertising

The policy is to expense any advertising costs as incurred.

Rent and Lease

In 2022, the Organization adopted Accounting Standards Update (ASU) No. 2016-02, Leases (codified in ASC Topic 842), which requires lessees to recognize most leases on the statement of financial position and to disclose key information about leasing arrangements. The standard was adopted effective January 1, 2022 using the available transition practical expedients. Upon adoption, the Organization determined that it did not have any noncancellable leases that required recognition of right-of-use (ROU) assets or lease liabilities.

WCAF occupies office space at 814 Elm Avenue under a month-to-month verbal agreement. Total rent expense for this space was \$6,000 for the year ended December 31, 2024. Because this agreement qualifies as a short-term lease under ASC 842, no ROU asset or lease liability has been recognized related to this arrangement.

On a go-forward basis, the Organization evaluates at the inception of an arrangement whether it contains a lease. For any leases with terms greater than 12 months, the Organization will recognize an ROU asset and a corresponding lease liability at the present value of future minimum lease payments over the lease term. Operating lease expense will be recognized on a straight-line basis over the lease term. Lease terms may include options to extend or terminate; such options are included in the measurement of lease assets and liabilities when it is reasonably certain that they will be exercised.

The Organization may enter into leasing arrangements that include both lease and non-lease components, such as common area maintenance or other variable fees. Non-lease components and variable lease payments (for example, amounts based on usage or exceeding specified limits) are expensed in the period in which the obligation for those payments is incurred.

Concentrations

WCAF operates their events solely within Waco, TX.

During 2024 WCAF had three donors, Texas Commission on the Arts, Creative Waco and Doreen Ravenscroft, that each gave contributions that exceeded 15% of the total revenue for the calendar year.

Fiduciary

WCAF originally anticipated serving as a fiduciary for the Ravenscroft Foundation while the Foundation completed its articles of incorporation and IRS application as a private foundation in order to receive potential grant funding. As of the date of the auditor's report, the Ravenscroft Foundation has not completed an IRS application for tax-exempt status. Doreen Ravenscroft, the founder of the Ravenscroft Foundation, also serves as the president of WCAF.

Historically, the Ravenscroft Foundation maintained a separate cash account and accounting records to track its funds and assets, with the WCAF board of directors overseeing its activities. As of December 31, 2024, the separate cash account for the Ravenscroft Foundation had been closed, and the Foundation is in the process of transferring its remaining assets to WCAF so that its activities are fully integrated under WCAF's umbrella and mission.

Waco Cultural Arts Fest  
Notes to Financial Statements  
December 31, 2024

At this time, the Ravenscroft Foundation is not seeking separate nonprofit status and is reported as a restricted program within WCAF. Accordingly, the Ravenscroft Foundation's program activity is included in its entirety in WCAF's financial statements and presented within net assets with donor restrictions.

The Art Place project associated with the Ravenscroft Foundation is presented as a restricted asset due to the nature of the fiduciary arrangement. Related property costs are reported as an "other asset" because the location is not yet completed or placed in service, and WCAF does not have the ability to sell or otherwise redirect this asset for general purposes.

WCAF also serves as fiscal sponsor for the Central Texas African American Heritage Foundation (the "Heritage Foundation"). As of the date of the auditor's report, the Heritage Foundation has not completed an IRS application for tax-exempt status. WCAF holds and reports \$760 of cash received for the benefit of the Heritage Foundation in its financial statements and classifies these funds as net assets with donor restrictions.

Statement of Functional Expenses

The organization allocated, on a reasonable basis, expenses between program and support services. All expenses are allocated to expense categories in which they are actually incurred as determined by management. Items that were not easily distinguishable between program and administrative were calculated based on an estimated percentage use.

Liquidity, Availability of Financial Assets, and Net Asset Deficit

As of December 31, 2024, WCAF had net assets with donor restrictions of \$243,635. These funds, listed in detail earlier in the footnotes, will be used to further the arts in Waco through improvements to the Art Place building and to support programs furthering the understanding of African American heritage in East Waco.

As of the same date, WCAF had a net asset deficiency in funds without donor restrictions in the amount of \$11,110. The deficiency primarily reflects reduced participation in events in recent years, which has resulted in operating losses. In response, management has adjusted the Organization's budget and continues to seek donations and grants from ongoing fundraising efforts, the general public, and local organizations to support budgeted expenditures for at least the twelve months following the date the financial statements are available to be issued.

Management has also developed a five-year strategic plan that includes goals to generate sufficient cash flows to meet and exceed required monthly payments on the Organization's line of credit and credit cards and to reduce outstanding debt. The \$17,358 improvement in the net asset deficiency without donor restrictions during 2024, as compared to 2023, reflects a positive trend consistent with these objectives.

Subsequent Events and Date of Management's Review

Management has considered subsequent events through November 13, 2025, the date the financial statements were available to be issued.