

**ARTIST TRUST**

**FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITORS' REPORT**

**DECEMBER 31, 2017**



## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
Artist Trust  
Seattle, Washington

We have audited the accompanying financial statements of Artist Trust (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### *Management's Responsibility 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; this includes 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Artist Trust as of December 31, 2017, 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.

A handwritten signature in cursive script that reads "Jones &amp; Associates PLLC, CPAs".

Jones & Associates, PLLC CPAs  
May 19, 2018

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**ARTIST TRUST**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2017**

**ASSETS**

Cash and cash equivalents	\$ 208,085
Pledges and grants receivable	409,916
Prepaid expenses	18,269
Total current assets	636,270
Cash and cash equivalents held for long-term purposes	139,552
Pledges and grants receivable, long-term	619,542
Certificate of deposit	105,631
Investments held by The Seattle Foundation	1,887,544
Assets held in trust	178,861
Property and equipment, net	328,123
	\$ 3,895,523

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts payable and accrued liabilities	\$ 27,283
Grants payable	4,000
Deferred revenue	2,350
Mortgage note payable	10,527
Total current liabilities	44,160
Mortgage note payable, long-term	185,710
Total liabilities	229,870

**NET ASSETS**

Unrestricted	
Undesignated	493,039
Board designated	306,564
	799,603
Temporarily restricted	1,205,469
Permanently restricted	1,660,581
Total net assets	3,665,653
	\$ 3,895,523

**ARTIST TRUST**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2017**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>SUPPORT AND REVENUE</b>				
Contributions	\$ 692,848	\$ 489,149	\$ -	\$ 1,181,997
Benefit events, net	380,998	-	-	380,998
Grants from government agencies	67,780	-	-	67,780
In-kind contributions	33,488	-	-	33,488
Program income	15,135	-	-	15,135
Endowment investment income, net of fees	-	-	2,729	2,729
Other interest income	434	-	-	434
	<u>1,190,683</u>	<u>489,149</u>	<u>2,729</u>	<u>1,682,561</u>
Net assets released from purpose restriction	571,844	(571,844)	-	-
Total support and revenue	<u>1,762,527</u>	<u>(82,695)</u>	<u>2,729</u>	<u>1,682,561</u>
<b>EXPENSES</b>				
Program services				
Artist grants	531,626	-	-	531,626
Creative Career Center	272,035	-	-	272,035
	<u>803,661</u>	<u>-</u>	<u>-</u>	<u>803,661</u>
Supporting services				
Management and general	155,137	-	-	155,137
Fundraising	233,100	-	-	233,100
Auction	166,888	-	-	166,888
Total expenses	<u>1,358,786</u>	<u>-</u>	<u>-</u>	<u>1,358,786</u>
Change in net assets before gains (losses)	<u>403,741</u>	<u>(82,695)</u>	<u>2,729</u>	<u>323,775</u>
<b>GAINS (LOSSES)</b>				
Loss on uncollectible promises to give	(4,881)	-	-	(4,881)
Transfer of net assets for pledge write off	4,500	-	(4,500)	-
Endowment investment gains	10,431	258,577	25,876	294,884
Distribution from assets held in trust	6,400	-	(6,400)	-
Total gains (losses)	<u>16,450</u>	<u>258,577</u>	<u>14,976</u>	<u>290,003</u>
CHANGE IN NET ASSETS	420,191	175,882	17,705	613,778
<b>NET ASSETS</b>				
Beginning of the year	379,412	1,029,587	1,642,876	3,051,875
End of the year	<u>\$ 799,603</u>	<u>\$ 1,205,469</u>	<u>\$ 1,660,581</u>	<u>\$ 3,665,653</u>

**ARTIST TRUST**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2017**

	Program Services			Support Services			
	Artist Grants	Creative Career Center	Total Program Services	Management and General	Fundraising	Auction	Total
Salaries and wages	\$ 100,576	\$ 136,376	\$ 236,952	\$ 92,583	\$ 166,164	\$ 52,677	\$ 548,376
Payroll taxes	11,594	16,033	27,627	10,650	18,340	6,023	62,640
Employee benefits	11,750	15,540	27,290	14,587	14,437	4,826	61,140
Total payroll and related	<u>123,920</u>	<u>167,949</u>	<u>291,869</u>	<u>117,820</u>	<u>198,941</u>	<u>63,526</u>	<u>672,156</u>
Fellowship awards	117,500	-	117,500	-	-	-	117,500
GAP awards	91,000	-	91,000	-	-	-	91,000
James W Ray Award	80,000	3,729	83,729	-	-	-	83,729
Arts Innovator Award	50,000	-	50,000	-	-	-	50,000
Gar LaSalle	10,000	-	10,000	-	-	-	10,000
Lifetime Achievement Award	10,000	-	10,000	-	-	-	10,000
Conductive Garboil Grant	6,000	-	6,000	-	-	-	6,000
Grant/stipend scholarships	-	1,060	1,060	-	-	-	1,060
Total grant awards	<u>364,500</u>	<u>4,789</u>	<u>369,289</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>369,289</u>
Professional fees	11,983	43,624	55,607	22,624	3,641	29,836	111,708
Miscellaneous expenses	5,119	8,743	13,862	4,485	16,491	21,182	56,020
Occupancy	4,468	15,985	20,453	1,322	4,164	18,916	44,855
Telecommunications	8,033	9,839	17,872	2,173	3,367	1,995	25,407
Depreciation	4,498	15,143	19,641	1,979	2,968	-	24,588
Supplies and materials	3,579	2,887	6,466	3,358	2,784	8,700	21,308
Postage, printing, copying	616	-	616	274	408	17,977	19,275
Travel	4,910	3,076	7,986	1,102	336	4,756	14,180
Total expenses	<u>\$ 531,626</u>	<u>\$ 272,035</u>	<u>\$ 803,661</u>	<u>\$ 155,137</u>	<u>\$ 233,100</u>	<u>\$ 166,888</u>	<u>\$ 1,358,786</u>

*See accompanying notes to financial statements.*

**ARTIST TRUST**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2017**

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from contributions, benefit events and grants	\$ 1,144,992
Cash received from program income	17,485
Cash received from interest	434
Cash paid to employees	(667,523)
Cash paid to grantees	(372,289)
Cash paid to suppliers	(270,676)
Cash paid for interest	(8,557)
	<u>(156,134)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Sale of certificates of deposit	112,013
Endowment investment distributions	67,900
	<u>179,913</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Principal payments on lease payable	(1,877)
Principal payments on mortgage note payable	(10,089)
	<u>(11,966)</u>

NET CHANGE IN CASH AND CASH EQUIVALENTS 11,813

**CASH AND CASH EQUIVALENTS**

Beginning of the year	<u>335,824</u>
End of the year	<u>\$ 347,637</u>

**ARTIST TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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**Note 1 – Nature of Activities and Summary of Significant Accounting Policies**

**Nature of Activities** – Artist Trust is a statewide, nonprofit corporation established in October 1986 to provide support for Washington State artists in all disciplines. Artist Trust raises funds from multiple sources in order to support the individual artist through such programs and services as information services, grant programs, and public education about the work of artists. Artist Trust has invested over \$10 million in grants, resources, and career training to thousands of Washington's most promising and respected musicians, visual artists, writers, dancers, craft artists, filmmakers, cross-disciplinary artists, and more.

**Basis of Accounting and Presentation** – The financial statements of Artist Trust have been prepared on the accrual basis of accounting and report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Unrestricted, undesignated – Net assets which are free of board designations and donor imposed restrictions including all revenues, expenses, gains and losses that are not changes in temporarily or permanently restricted net assets.

Unrestricted, Board designated – Net assets whose use by Artist Trust is limited by Board action consisting of a board designated endowment and a board designated operating reserve. At December 31, 2017 the balance of the board designated endowment was \$225,210 and the balance of the board designated operating reserve was \$81,354.

Temporarily restricted – Net assets whose use by Artist Trust is limited by donor imposed stipulations that either expire by passage of time or that can be fulfilled by actions of Artist Trust pursuant to those stipulations. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

Permanently restricted – Net assets whose use by Artist Trust is limited by donor imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of Artist Trust.

**Cash and Cash Equivalents** – For purposes of the statements of cash flows, Artist Trust considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents. At December 31, 2017, cash and cash equivalents consist of checking and money market accounts. Artist Trust maintains cash deposits in bank accounts which may exceed federally insured limits during the year. Artist Trust has not experienced any losses in these accounts.

**Pledges and Grants Receivable** – Pledges and grants receivable consist primarily of pledges due from donors and grantors. All balances are unsecured. Unconditional promises to give are recognized as revenue or gains in the period received. Balances that are expected to be collected in more than one year are recorded at the present value of estimated cash flows. An allowance for uncollectible balances has been established by management based upon Artist Trust's historical experience in the collection of balances due.

**ARTIST TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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**Note 1 – Nature of Activities and Summary of Significant Accounting Policies (Continued)**

**Certificate of Deposit** – The certificate of deposit is held at a local financial institution and is reported at fair value in the statements of financial position. The certificate of deposit has an interest rate of 1.391% and will mature in 2018.

**Investments Held by The Seattle Foundation** – Investments held by The Seattle Foundation represent endowment funds that Artist Trust has invested with The Seattle Foundation. These funds are stated at their fair value in the statements of financial position. Investment return is included in the accompanying statements of activities.

**Assets Held in Trust** – Assets held in trust represent endowment assets held by a third party with the stipulation that certain amounts as determined by the Trustee are provided to Artist Trust annually. Assets held in trust are stated at the fair value of the underlying trust assets.

**Property and Equipment** – Property and equipment is carried at cost. Depreciation is computed using the straight-line method over a period of three to five years for furniture and equipment and 30 years for the condominium. Property and equipment also includes artwork for display which was recorded at the estimated fair value at the time of donation. Artist Trust follows a policy whereby it capitalizes purchases of property and equipment of \$500 or greater that provide future benefits over a period longer than one year.

**Revenue Recognition** – Contributions, benefit events, and grants from government agencies are recorded as increases in unrestricted or temporarily restricted net assets, depending on the existence and/or nature of any donor restrictions. When a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

Program revenue from training and usage fees is recognized in the period in which the related training or service is performed. Accordingly, fees received for future training is deferred until the training occurs.

**In-kind Contributions** – Donations of facilities, goods and services are recognized as revenue at the estimated fair value at the date of donation if they meet the criteria for recognition. Artist Trust recognizes donated services if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated.

For the year ended December 31, 2017, Artist Trust received \$19,931 in donated services, including \$5,900 for program services, \$535 for management and general, and \$13,496 for the auction.



**ARTIST TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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**Note 1 – Nature of Activities and Summary of Significant Accounting Policies (Continued)**

**Expense Allocation** – The costs of providing various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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

**Income Tax Status** – Artist Trust is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Artist Trust qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization other than a private foundation under Section 509(a)(1).

**Subsequent Events** – Subsequent events were evaluated through May 19, 2018, which is the date the financial statements were available to be issued.

**Note 2 – Cash Flow Information**

The following reconciles the changes in net assets to net cash used by operating activities for the year ended December 31:

Change in net assets	\$ 613,778
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	24,588
Endowment gain	(294,884)
Reinvested endowment earnings, net	(2,729)
Change in:	
Pledges and grants receivable	(480,902)
Prepaid expenses	(5,256)
Accounts payable and accrued liabilities	(10,079)
Grants payable	(3,000)
Deferred revenue	2,350
	<u>\$ (156,134)</u>

**ARTIST TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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**Note 3 – Fair Value Measurements and Investments**

Fair value is defined as the price received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Accounting standards establish a hierarchy for measuring fair value that gives the highest priority to unadjusted quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are as follows:

- Level 1      Unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2      Quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in inactive markets, or other inputs that can be corroborated by observable market data.
- Level 3      Inputs that are not observable that reflect management’s assumptions and estimates.

The following table summarizes the valuation of Artist Trust’s financial investments and interests under the fair value hierarchy at December 31, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ 105,631	\$ -	\$ -	\$ 105,631
Investments held by The Seattle Foundation	-	-	1,887,544	1,887,544
Assets held in trust	-	-	178,861	178,861
	<u>\$ 105,631</u>	<u>\$ -</u>	<u>\$ 2,066,405</u>	<u>\$ 2,172,036</u>

The changes in financial investments and interests measured at fair value using level 3 inputs are reflected below for the year ended December 31, 2017:

Balance, beginning of year	\$ 1,836,692
Interest and dividends, net of fees	2,729
Gains	294,884
Distributions received	(67,900)
Balance, end of year	<u>\$ 2,066,405</u>

**ARTIST TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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**Note 3 – Fair Value Measurements and Investments (Continued)**

Investment return is as follows for the year ended December 31, 2017:

Interest and dividends	\$ 6,325
Interest and dividends - endowment	29,723
Realized gains - endowment	75,169
Unrealized gains - endowment	219,715
Investment fees - endowment	(32,885)
	<u>\$ 298,047</u>

**Note 4 – Pledges and Grants Receivable**

Pledges and grants receivable consist of the following at December 31, 2017:

Receivable in less than one year	\$ 429,916
Receivable in one to five years	656,100
	<u>1,086,016</u>
Less discount to net present value	(36,558)
Less allowance for uncollectible pledges	(20,000)
	<u>\$ 1,029,458</u>

Artist Trust uses a rate of 2% to calculate the present value of receivables that are due in more than one year.

**Note 5 – Property and Equipment**

Property and equipment consist of the following at December 31, 2017:

Condominium	\$ 687,553
Furniture, equipment and software	18,393
Artwork	9,300
	<u>715,246</u>
Less accumulated depreciation	(387,123)
	<u>\$ 328,123</u>

**ARTIST TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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**Note 6 – Loan Payable**

Artist Trust has a loan payable to a bank with an original balance of \$350,000. The loan is secured by a deed of trust on Artist Trust’s condominium office, payable in monthly installments of \$1,554. Interest may be adjusted on this loan every five years based on the changes in an independent index such that the loan bears interest at 2.5% over the index. In 2017, the rate decreased from 4.41% to 4.20%. Interest expense totaled \$8,557 for the year ended December 31, 2017, and is included in occupancy expense. The loan matures in December 2031.

The following is a schedule of future minimum principal payments under the loan for the years ending December 31:

2018	\$	10,527
2019		10,985
2020		11,441
2021		11,959
2022		12,478
Thereafter		138,847
		\$ 196,237

**Note 7 – Temporarily Restricted Net Assets**

Temporarily restricted net assets consist of the following at December 31, 2017:

Campaign for a Creative Future - to be received in future year	\$	493,523
Accumulated Endowment Earnings		367,227
James W Ray Grant		128,323
Spokane Project		63,968
Arts Innovator Award		63,440
Venture Fund		30,100
Storyteller		40,450
Conductive Garboil Grant		11,152
GAP - Latino Scholarship Fund		3,300
WAHIP Artist Clinics		2,575
Filipino Scholarship Fund		505
Latino Scholarship Fund		444
Emergency Relief Grant		393
EDGE for Film		69
		\$ 1,205,469

**Note 8 – Board Designated and Permanently Restricted Net Assets**

**Nature of Board Designated and Permanently Restricted Net Assets and Applicable Laws –**

Board designated and permanently restricted net assets are included primarily as investments and assets held in trust and consist of board and donor restricted endowments in which the investment return is to be used to support the programs and operations of Artist Trust.

Absent of explicit donor stipulations to the contrary, the Board of Trustees of Artist Trust has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds. As a result of this interpretation, Artist Trust classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment.

The remaining portion of the donor restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Artist Trust in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, Artist Trust considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of Artist Trust, and (7) Artist Trust's investment policies.

**Endowments Held by the Seattle Foundation** – Artist Trust invested its endowment funds with The Seattle Foundation. The Seattle Foundation was established in 1946 and since its formation has managed funds for many not-for-profit organizations in the Puget Sound Area. Under the terms of the agreement with the Seattle Foundation, the funds can be returned to Artist Trust only under rare circumstances and/or with the approval of both The Seattle Foundation's and Artist Trust's boards.

The funds are designated by The Seattle Foundation under various names and are collectively referred to as the Artist Trust Endowment Fund (the Fund). The Fund was established at The Seattle Foundation through a designated endowment fund agreement. The Fund is invested by The Seattle Foundation in its consolidated fund. The Fund is measured at fair value using Level 3 inputs as described in Note 3 above.

The Fund's purpose is to support the operations of Artist Trust in carrying out its mission. The intent is to ensure the long-term viability and sustainability of Artist Trust. From time to time and under its spending policy, The Seattle Foundation releases and distributes funds to Artist Trust for its operations.

Return Objectives and Risk Parameters – The Fund is under permanent management at The Seattle Foundation through a designated endowment fund agreement, as noted above, in order to provide for professional long term management of these funds. As a result, Artist Trust does not have control over the return objectives, risk parameters, investment objectives or spending policy for the Fund.

**ARTIST TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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**Note 8 – Board Designated and Permanently Restricted Net Assets (Continued)**

The Seattle Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by endowments while seeking to maintain the purchasing power of endowment assets. Under this policy, as approved by the board of directors of The Seattle Foundation, endowment assets are invested in a manner that is intended to produce results that, over time, will provide a real rate of return equal to the spending rate while assuming a reasonable level of investment risk. The Seattle Foundation expects its endowment funds, over time, to provide an average real rate of return of approximately 4.5%. Currently, the expected nominal rate of return is approximately 8%. Actual returns in any given year may vary from these amounts.

Strategies Employed for Achieving Objectives – The Seattle Foundation, as noted above, invests the Fund in its consolidated fund in which funds from all donors are commingled in a diversified asset allocation. To satisfy its long term rate of return objectives, The Seattle Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Seattle Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy – As noted above, the Fund is subject to the spending policy of The Seattle Foundation, and thus, Artist Trust does not control the timing or amount of release of funds. Artist Trust receives annual disbursements of all available funds under The Seattle Foundation’s spending policy. While The Seattle Foundation’s spending policy may be changed by its board at any time, The Seattle Foundation has a general policy of appropriating for distribution each year 4.5% of the Fund’s fair market value over the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, The Seattle Foundation considered the long-term expected return on any endowment funds. Accordingly, over the long term, The Seattle Foundation expects the current spending policy to allow the Fund to grow at a rate equal to inflation. This is consistent with Artist Trust’s objective to maintain the purchasing power of the Fund’s assets held in perpetuity.

Funds with Deficiencies – From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor requires Artist Trust to retain as a fund of perpetual duration.

**Endowment Held by ArtsFund Foundation** – The Kreielsheimer Remainder Foundation established the Kreielsheimer Artist Trust Fund, a permanent endowment fund for the benefit of Artist Trust. In 2012, the Kreielsheimer Artist Trust Fund was transferred to ArtsFund Foundation (ArtsFund). The purpose of the Kreielsheimer Artist Trust Fund is to provide general support of the programs and organizational operations of Artist Trust. Under the terms of the agreement with ArtsFund, the Kreielsheimer Artist Trust Fund is managed by ArtsFund, utilizing a total return asset management approach designed to achieve a maximum total return, including in the measurement thereof, unrealized appreciation and depreciation.

**ARTIST TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**Note 8 – Board Designated and Permanently Restricted Net Assets (Continued)**

The Kreielsheimer Artist Trust Fund is pooled along with ArtsFund’s other funds. The distribution policy is established by the ArtsFund Board of Directors. As a result, Artist Trust does not have control over the return objectives, risk parameters, investment objectives or spending policy for the Fund. As determined by the Arts Fund Board of Directors, annual distributions equal 5% of the fund balance as of December 31<sup>st</sup> of the previous year. The Kreielsheimer Artist Trust Fund is measured at fair value using Level 3 inputs as described in Note 3 above.

**Campaign for a Creative Future** – Artist Trust has embarked on a fundraising campaign which seeks to raise \$3.5 million to help build the sustainability of Artist Trust and fuel innovation for individual artists. An endowment has been created as part of this campaign, and endowed gifts received will support the increased capacity of Artist Trust. During the campaign, Artist Trust is holding endowed gifts in money market funds and pledges receivable. The investment strategies and spending policy will be determined at the conclusion of the campaign.

Endowment net assets composition by type of fund as of December 31, 2017 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Funds at The Seattle Foundation				
Board Designated Endowment	\$ 60,097	\$ -	\$ -	\$ 60,097
General Endowment	-	206,994	702,364	909,358
Lifetime Achievement Endowment	-	75,660	357,856	433,516
Panaca Endowment	-	32,165	100,000	132,165
Shirley Endowment	-	19,261	150,000	169,261
Gurvich Endowment	-	9,895	100,000	109,895
Shari Behnke Endowment	-	19,682	40,000	59,682
Mills Endowment	-	3,570	10,000	13,570
Total Funds at The Seattle Foundation	<u>60,097</u>	<u>367,227</u>	<u>1,460,220</u>	<u>1,887,544</u>
Kreielsheimer Artist Trust Fund	-	-	178,861	178,861
Campaign for a Creative Future	165,113	-	21,500	186,613
	<u>\$ 225,210</u>	<u>\$ 367,227</u>	<u>\$ 1,660,581</u>	<u>\$ 2,253,018</u>

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**Note 8 – Board Designated and Permanently Restricted Net Assets (Continued)**

Changes in endowment net assets are as follows for the year ended December 31, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, 12/31/2016	\$ 255,191	\$ 166,350	\$ 1,642,876	\$ 2,064,417
Contributions	35,524	-	-	35,524
Investment income, net of fees	-	-	2,729	2,729
Net appreciation	10,431	258,577	25,876	294,884
Write off of uncollectible pledge	-	-	(4,500)	(4,500)
Amounts appropriated for expenditure	(75,936)	(57,700)	-	(133,636)
Distribution from asset held in trust	-	-	(6,400)	(6,400)
Endowment net assets, 12/31/2017	<u>\$ 225,210</u>	<u>\$ 367,227</u>	<u>\$ 1,660,581</u>	<u>\$ 2,253,018</u>

**Note 9 – Benefit Events**

Benefit events revenue is shown in the statements of activities net of consumable costs that directly benefit the participants of the event. The net revenue is as follows for the year ended December 31, 2017:

Gross special events revenue	\$ 439,556
Less cost of direct donor benefits	(58,558)
	<u>\$ 380,998</u>

**Note 10 – Retirement Plan**

Artist Trust has a Simple IRA plan (the Plan) for employees who meet the Plan's eligibility requirements. Artist Trust matches a portion of employee contributions. Artist Trust contributed \$10,437 to the Plan during the year ended December 31, 2017.

**Note 11 – Fundraising Expenses**

In order to accomplish Artist Trust's mission of providing grants to artists, a significant amount of time must be spent raising grant money. As a result of these efforts and because of the nature of Artist Trust, the proportion of fundraising expenses may be higher than for other non-profit organizations. Total fundraising expenses were \$399,988 for the year ended December 31, 2017.



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**Note 12 – Concentration**

Pledges receivable from three donors made up approximately 58% of the pledges and grants receivable balance as of December 31, 2017.