

ARTIST TRUST

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT**

DECEMBER 31, 2020 AND 2019



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 statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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, 2020 and 2019, 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.

Jones & Associates PLLC, CPAs

Jones & Associates PLLC, CPAs
May 24, 2021

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ARTIST TRUST
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 944,123	\$ 254,889
Pledges and grants receivable	299,506	444,199
Prepaid expenses	33,529	25,744
Inventory	183,065	-
Total current assets	1,460,223	724,832
Cash and cash equivalents held for long-term purposes	338,226	365,481
Pledges and grants receivable, long-term, net	622,062	887,218
Investments held by Vanguard	2,596,831	2,339,951
Assets held in trust	199,263	184,792
Property and equipment, net	270,571	297,199
	\$ 5,487,176	\$ 4,799,473
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued liabilities	\$ 31,324	\$ 19,305
Mortgage note payable	12,925	11,441
Total current liabilities	44,249	30,746
Mortgage note payable, long-term	150,362	163,285
Total liabilities	194,611	194,031
 NET ASSETS		
Without donor restrictions - undesignated	893,652	344,995
Without donor restrictions - Board designated	481,547	482,300
Total net assets without donor restrictions	1,375,199	827,295
With donor restrictions - purpose and time	2,285,646	2,146,427
With donor restrictions - perpetual in nature	1,631,720	1,631,720
Total net assets with donor restrictions	3,917,366	3,778,147
Total net assets	5,292,565	4,605,442
	\$ 5,487,176	\$ 4,799,473

ARTIST TRUST
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020

	Total	Without donor restrictions		With donor restrictions	
		Undesignated	Board Designated	Purpose and time	Perpetual in nature
SUPPORT AND REVENUE					
Contributions	\$ 1,598,709	\$ 675,101	\$ 136,904	\$ 786,704	\$ -
Grants from government agencies	238,027	238,027	-	-	-
In-kind contributions	187,976	4,911	-	183,065	-
Program income	2,127	2,127	-	-	-
Other interest income	398	398	-	-	-
	<u>2,027,237</u>	<u>920,564</u>	<u>136,904</u>	<u>969,769</u>	<u>-</u>
Net assets released from restrictions	-	1,152,176	-	(1,152,176)	-
Transfers of board designated funds	-	147,385	(147,385)	-	-
Total support and revenue	<u>2,027,237</u>	<u>2,220,125</u>	<u>(10,481)</u>	<u>(182,407)</u>	<u>-</u>
EXPENSES					
Program services					
Artist grants	976,456	976,456	-	-	-
Creative Career Center	216,754	216,754	-	-	-
	<u>1,193,210</u>	<u>1,193,210</u>	<u>-</u>	<u>-</u>	<u>-</u>
Supporting services					
Management and general	194,628	194,628	-	-	-
Fundraising	211,277	211,277	-	-	-
Auction	79,053	79,053	-	-	-
Total expenses	<u>1,678,168</u>	<u>1,678,168</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets before other gains	<u>349,069</u>	<u>541,957</u>	<u>(10,481)</u>	<u>(182,407)</u>	<u>-</u>
OTHER GAINS					
Endowment investment gains	301,952	-	8,676	293,276	-
Endowment investment income, net of fees	36,102	-	1,052	35,050	-
Distribution from assets held in trust	-	6,700	-	(6,700)	-
Total other gains	<u>338,054</u>	<u>6,700</u>	<u>9,728</u>	<u>321,626</u>	<u>-</u>
CHANGE IN NET ASSETS	687,123	548,657	(753)	139,219	-
NET ASSETS					
Beginning of the year	<u>4,605,442</u>	<u>344,995</u>	<u>482,300</u>	<u>2,146,427</u>	<u>1,631,720</u>
End of the year	<u>\$ 5,292,565</u>	<u>\$ 893,652</u>	<u>\$ 481,547</u>	<u>\$ 2,285,646</u>	<u>\$ 1,631,720</u>

ARTIST TRUST
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019

	Total	Without donor restrictions		With donor restrictions	
		Undesignated	Board Designated	Purpose and time	Perpetual in nature
SUPPORT AND REVENUE					
Contributions	\$ 796,434	\$ 381,196	\$ 38,114	\$ 377,124	\$ -
Benefit events, net	429,559	429,559	-	-	-
Grants from government agencies	73,376	73,376	-	-	-
In-kind contributions	21,642	21,642	-	-	-
Program income	33,197	33,197	-	-	-
Other interest income	1,504	1,504	-	-	-
	<u>1,355,712</u>	<u>940,474</u>	<u>38,114</u>	<u>377,124</u>	<u>-</u>
Net assets released from restrictions	-	556,665	-	(556,665)	-
Transfers of board designated funds	-	(20,200)	20,200	-	-
Total support and revenue	<u>1,355,712</u>	<u>1,476,939</u>	<u>58,314</u>	<u>(179,541)</u>	<u>-</u>
EXPENSES					
Program services					
Artist grants	460,438	460,438	-	-	-
Creative Career Center	335,803	335,803	-	-	-
	<u>796,241</u>	<u>796,241</u>	<u>-</u>	<u>-</u>	<u>-</u>
Supporting services					
Management and general	163,522	163,522	-	-	-
Fundraising	202,535	202,535	-	-	-
Auction	177,315	177,315	-	-	-
Total expenses	<u>1,339,613</u>	<u>1,339,613</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets before other gains	<u>16,099</u>	<u>137,326</u>	<u>58,314</u>	<u>(179,541)</u>	<u>-</u>
OTHER GAINS					
Endowment investment gains	362,040	-	10,283	351,757	-
Endowment investment income, net of fees	52,134	-	1,511	50,623	-
Distribution from assets held in trust	-	6,600	-	(6,600)	-
Total other gains	<u>414,174</u>	<u>6,600</u>	<u>11,794</u>	<u>395,780</u>	<u>-</u>
CHANGE IN NET ASSETS	430,273	143,926	70,108	216,239	-
NET ASSETS					
Beginning of the year	<u>4,175,169</u>	<u>201,069</u>	<u>412,192</u>	<u>1,930,188</u>	<u>1,631,720</u>
End of the year	<u>\$4,605,442</u>	<u>\$ 344,995</u>	<u>\$ 482,300</u>	<u>\$2,146,427</u>	<u>\$1,631,720</u>

ARTIST TRUST
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020

	Program Services			Support Services			
	Artist Grants	Creative Career Center	Total	Management and General	Fundraising	Auction	Total
Salaries and wages	\$ 127,878	\$ 121,475	\$ 249,353	\$ 116,703	\$ 129,405	\$ 26,763	\$ 522,224
Employee benefits	14,247	12,907	27,154	10,583	13,015	3,090	53,842
Payroll taxes	11,313	10,693	22,006	10,299	11,447	2,411	46,163
Total payroll and related	153,438	145,075	298,513	137,585	153,867	32,264	622,229
COVID-19 Artist Trust Relief Fund	683,500	-	683,500	-	-	-	683,500
Arts Innovator Award	50,000	-	50,000	-	-	-	50,000
Lifetime Achievement Award	10,000	-	10,000	-	-	-	10,000
SOLA Award	9,000	-	9,000	-	-	-	9,000
Grant/stipend scholarships	6,000	60	6,060	-	-	-	6,060
Fellowship awards	1,050	-	1,050	-	-	-	1,050
Professional fees	22,085	14,046	36,131	43,608	4,393	31,168	115,300
Bad debt expense	16,500	-	16,500	-	21,687	7,099	45,286
Depreciation	5,238	15,879	21,117	2,204	3,307	-	26,628
Telecommunications	6,240	12,246	18,486	1,614	1,495	203	21,798
Occupancy	3,654	12,587	16,241	1,894	2,436	-	20,571
Miscellaneous	4,255	7,773	12,028	2,099	3,148	10	17,285
Marketing and public relations	3,015	6,426	9,441	1,516	2,284	-	13,241
Postage, printing, copying	-	328	328	207	7,974	4,493	13,002
Bank charges	-	108	108	607	10,094	1,792	12,601
Supplies and materials	1,137	2,114	3,251	3,112	435	502	7,300
Travel	1,344	112	1,456	182	157	1,522	3,317
Total functional expenses	\$ 976,456	\$ 216,754	\$ 1,193,210	\$ 194,628	\$ 211,277	\$ 79,053	\$ 1,678,168

ARTIST TRUST
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	Program Services			Support Services			Total
	Artist Grants	Creative Career Center	Total	Management and General	Fundraising	Auction	
Salaries and wages	\$ 78,543	\$ 178,075	\$ 256,618	\$ 89,704	\$ 135,982	\$ 52,930	\$ 535,234
Employee benefits	7,457	18,179	25,636	12,179	12,962	5,058	55,835
Payroll taxes	7,187	16,751	23,938	8,777	12,519	4,999	50,233
Total payroll and related	93,187	213,005	306,192	110,660	161,463	62,987	641,302
Arts Innovator Award	50,000	-	50,000	-	-	-	50,000
Lifetime Achievement Award	10,000	-	10,000	-	-	-	10,000
SOLA Award	9,000	-	9,000	-	-	-	9,000
Grant/stipend scholarships	16,000	905	16,905	-	-	-	16,905
Fellowship awards	133,950	-	133,950	-	-	-	133,950
GAP awards	91,500	-	91,500	-	-	-	91,500
Gar LaSalle	10,000	-	10,000	-	-	-	10,000
Professional fees	15,869	55,799	71,668	19,795	4,583	55,272	151,318
Bad debt expense	-	-	-	-	3,875	9	3,884
Depreciation	5,238	15,879	21,117	2,083	3,307	-	26,507
Telecommunications	7,117	7,183	14,300	2,485	2,396	406	19,587
Occupancy	4,426	16,910	21,336	3,944	2,951	20,812	49,043
Miscellaneous	6,520	8,993	15,513	6,546	2,991	5,822	30,872
Marketing and public relations	1,436	4,902	6,338	1,501	2,405	67	10,311
Postage, printing, copying	81	200	281	404	13,205	13,282	27,172
Bank charges	40	1,202	1,242	988	3,018	12,003	17,251
Supplies and materials	2,082	3,490	5,572	7,154	1,811	3,833	18,370
Travel	3,992	7,335	11,327	7,962	530	2,822	22,641
Total expenses	460,438	335,803	796,241	163,522	202,535	177,315	1,339,613
Plus expenses included with revenues on the statement of activities							
Cost of direct benefits to donors	-	-	-	-	-	68,634	68,634
Total functional expenses	\$ 460,438	\$ 335,803	\$ 796,241	\$ 163,522	\$ 202,535	\$ 245,949	\$ 1,408,247

See accompanying notes to financial statements.

ARTIST TRUST
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributions, benefit events and grants	\$ 2,246,585	\$ 1,400,766
Cash received from program income	2,127	31,101
Cash received from interest	398	1,504
Cash paid to employees	(622,260)	(644,767)
Cash paid to grantees	(759,610)	(321,355)
Cash paid to suppliers	(253,319)	(329,507)
Cash paid for interest	(7,206)	(7,662)
	606,715	130,080
 CASH FLOWS FROM INVESTING ACTIVITIES		
Endowment investment distributions	66,700	65,600
Proceeds from sale of securities	114,933	109,528
Purchase of securities	(114,930)	(196,147)
	66,703	(21,019)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on mortgage note payable	(11,439)	(10,526)
	(11,439)	(10,985)
 NET CHANGE IN CASH AND CASH EQUIVALENTS	661,979	98,076
 CASH AND CASH EQUIVALENTS		
Beginning of the year	620,370	522,294
End of the year, including restricted	1,282,349	620,370
Less restricted cash and cash equivalents held for long-term purposes	(338,226)	(365,481)
End of the year	\$ 944,123	\$ 254,889

ARTIST TRUST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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 two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor- (or certain grantor-) restrictions. The Board has designated certain otherwise net assets without donor restrictions as a Board designated endowment and a Board designated operating reserve fund. These funds are approved by the Board to be held for specific purposes and require Board approval to designate for any other purpose.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents – 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. Cash and cash equivalents consist of checking and money market accounts. Deposits with a single financial institution occasionally exceed federally insured limits, which subject Artist Trust to a concentration of deposit risk. Artist Trust has not experienced losses due to this concentration.

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.

Inventory – Inventory primarily consists of donated artwork for Artist Trust's benefit event that was cancelled in 2020 due to the COVID-19 pandemic and is recognized at estimated fair value. Artist Trust held a virtual auction in 2021 using the donated artwork on hand at December 31, 2020.

ARTIST TRUST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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

Investments Held by Vanguard – Investments held by Vanguard represent endowment funds that Artist Trust has invested with Vanguard Institutional Advisory Services. 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. Distributions from the fund are available for general operating purposes.

Artist Trust's beneficial interest is reported in the accompanying statements of financial position as a net asset with donor restrictions of a perpetual nature carried at fair value reported by the Trustee at year end. Fair value is measured as the underlying value of the assets held in perpetuity for the Artist Trust's benefit (Level 3 inputs as described in Note 3). Artist Trust's interest in gains or losses in the trust's value is recognized in the statements of activities and is included in the change in net assets with donor restrictions of a perpetual nature. Artist Trust records receipts of distributions from the trust as investment return without donor restrictions.

Property and Equipment – Property and equipment is carried at cost. Depreciation is computed using the straight-line method over a period of 3 to 5 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 – Revenue is recognized when earned. Contributions (including those received at special events) are recognized when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Program revenue from training and usage fees is recognized when control of these services is transferred to its customers, in an amount that reflects the consideration Artist Trust expects to be entitled to in exchange for the services provided. Amounts received in advance are deferred to the applicable period in which the related services are performed.

All program income is based on performance obligations satisfied at a point in time and primarily consists of ticket sales from workshops, classes, or partnership events. For related performance obligations, control transfers to the customer at a point in time. Payment is typically due in full when the customer completes registration, the contract does not have a significant financing component, and the consideration amount is not variable. Artist Trust records revenue when the event occurs.

ARTIST TRUST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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

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.

Functional Allocation of Expenses – The costs of providing various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The allocation of expenses was done using one of the following four methods: (a) payroll expenses are allocated according to the timesheet provided each payroll period by all employees with the exception of the Acting Director who uses a percentage allocation; (b) split based on pre-determined percentages based on estimates of time and effort; (c) split based on pre-determined percentages based on square footage; or (d) when known, allocations are made to specific programs or functions, at the time the expense is incurred.

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 24, 2021, which is the date the financial statements were available to be issued.

ARTIST TRUST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Note 2 – Liquidity and Availability

Financial assets available for general expenditure within one year of the statement of financial position date are as follows at December 31:

	2020	2019
Financial Assets		
Cash and cash equivalents	\$ 1,282,349	\$ 620,370
Pledges and grants receivable	921,568	1,331,417
Investments and assets held in trust	2,796,094	2,524,743
Total financial assets	5,000,011	4,476,530
Less those unavailable for general expenditures within one year:		
Receivable balances to be collected in future years	(622,062)	(887,218)
Restricted by donors with purpose restrictions	(969,877)	(768,922)
Restricted by donors with perpetual restrictions	(1,631,720)	(1,631,720)
Board designated endowment	(388,193)	(388,946)
Board reserve fund (unavailable without Board approval)	(93,354)	(93,354)
	(3,705,206)	(3,770,160)
Add endowment funds expected to be appropriated for general use:		
Cash from fund expected to be available for use	86,500	73,500
Financial assets available within one year	\$ 1,381,305	\$ 779,870

Artist Trust's financial assets have seasonal variations during the year attributed to the timing of receipt of contributions from fundraising appeals and events. Artist Trust has an operating reserve of undesignated cash on hand for mission delivery. The fiscal goal of the undesignated operating reserve is to establish and maintain three months of cash for core operating costs. In the face of unforeseen budget shortfalls, the Strategic Vision Committee has identified core programs to mission delivery in order to make quick decisions about how to cut expenses should the need arise.

In addition, Artist Trust has a board-restricted operating reserve, to provide readily available and separately identified funds to assist in managing cash flow needs in the operating budget or to provide funding in the event of a breach of the routine income to Artist Trust. The fiscal goal of the board-restricted operating reserve is to establish and maintain an amount in reserve approximately equal to twenty-five percent of the general operations portion of the annual budget, excluding depreciation, in-kind expenses, grants, auction cost of goods sold, and half of professional fees.

ARTIST TRUST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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, 2020:

	Level 1	Level 2	Level 3	Total
Investments held by Vanguard	\$ -	\$ -	\$ 2,596,831	\$ 2,596,831
Assets held in trust	-	-	199,263	199,263
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,796,094</u>	<u>\$ 2,796,094</u>

The following table summarizes the valuation of Artist Trust’s financial investments and interests under the fair value hierarchy at December 31, 2019:

	Level 1	Level 2	Level 3	Total
Investments held by Vanguard	-	-	\$ 2,339,951	\$ 2,339,951
Assets held in trust	-	-	184,792	184,792
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,524,743</u>	<u>\$ 2,524,743</u>

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

	2020	2019
Balance, beginning of year	\$ 2,524,743	\$ 2,089,550
Transfers	-	86,619
Interest and dividends, net of fees	36,102	52,134
Realized and unrealized gains	301,949	362,040
Distributions	(66,700)	(65,600)
Balance, end of year	<u>\$ 2,796,094</u>	<u>\$ 2,524,743</u>

ARTIST TRUST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Note 4 – Pledges and Grants Receivable

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

	2020	2019
Receivable in less than one year	\$ 299,506	\$ 464,199
Receivable in one to five years	422,550	593,096
Receivable in greater than five years	295,000	354,000
	1,017,056	1,411,295
Less discount to net present value	(75,488)	(59,878)
Less allowance for uncollectible pledges	(20,000)	(20,000)
	\$ 921,568	\$ 1,331,417

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

Note 5 – Conditional Grants

During the year ended December 31, 2020, Artist Trust received notice of two multi-year government grant awards totaling \$30,000, of which no amount was recognized before December 31, 2020. The awards will be received in subsequent years, contingent on Artist Trust's completion of terms and conditions set forth in the grant agreements. As these awards represent conditional promises to give, the awards will not be recognized as revenue until the grantor conditions are met.

Note 6 – Property and Equipment

Property and equipment consist of the following at December 31:

	2020	2019
Condominium	\$ 687,553	\$ 687,553
Furniture, equipment and software	18,500	18,500
Artwork	9,300	9,300
	715,353	715,353
Less accumulated depreciation	(444,782)	(418,154)
	\$ 270,571	\$ 297,199

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DECEMBER 31, 2020 AND 2019

Note 7 – 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. The interest rate was 4.20% for the years ended December 31, 2020 and 2019. Interest expense totaled \$7,206 and \$7,662 for the years ended December 31, 2020 and 2019, respectively, 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:

2021	\$	12,925
2022		12,582
2023		13,121
2024		13,682
2025		14,268
Thereafter		96,709
		\$ 163,287

Note 8 – Net Assets without Donor Restrictions – Board Designated

Net assets without donor restrictions – Board designated consist of the following at December 31:

	2020	2019
Board Designated Endowment	\$ 388,193	\$ 388,946
Operating Reserve	93,354	93,354
	\$ 481,547	\$ 482,300

ARTIST TRUST
NOTES TO FINANCIAL STATEMENTS
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Note 9 – Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following at December 31:

	2020	2019
Restricted for a specified purpose or passage of time:		
Endowment - unappropriated investment return	\$ 969,877	\$ 720,922
Arts Innovator Award	550,000	600,000
Benefit Event	205,040	-
Time Restricted (Campaign for a Creative Future)	193,600	339,146
Time Restricted (Other)	160,950	241,148
CERF+ Artist Readiness Project	61,889	-
Kreielsheimer Artist Trust Fund - unappropriated investment return	49,263	34,792
Ambassador Project	35,000	65,000
SOLA Award	30,661	28,042
Vadon Native Fellowship Award	12,523	25,000
Lit GAP	10,000	-
GAP - Latino Scholarship Fund	3,300	3,300
WAHIP Artist Clinics	2,575	2,575
Filipino Scholarship Fund	510	510
POC Scholarship Fund	350	350
EDGE for Film	69	69
Latino Scholarship Fund	39	39
Technology Improvements	-	48,000
Latham Statewide Outreach	-	20,000
Storyteller	-	16,500
Bali Purnati Residency	-	641
Emergency Relief Grant	-	393
	2,285,646	2,146,427

(Continued on next page)

ARTIST TRUST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Note 9 – Net Assets with Donor Restrictions (Continued)

	<u>2020</u>	<u>2019</u>
Perpetual in nature:		
General Endowment	702,364	702,364
Lifetime Achievement Endowment	357,856	357,856
Shirley Endowment	150,000	150,000
Kreielsheimer Artist Trust Fund	150,000	150,000
Panaca Endowment	100,000	100,000
Gurvich Endowment	100,000	100,000
Shari Behnke Endowment	40,000	40,000
Campaign for a Creative Future	21,500	21,500
Mills Endowment	10,000	10,000
	<u>1,631,720</u>	<u>1,631,720</u>
Total net assets with donor restrictions	<u>\$ 3,917,366</u>	<u>\$ 3,778,147</u>

Note 10 – In-kind Donations

In-kind donations consist of the following for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Auction items	\$ 183,065	\$ -
Professional fees	4,108	16,449
Printing	803	1,492
Supplies and equipment	-	3,701
	<u>\$ 187,976</u>	<u>\$ 21,642</u>

In-kind donations were used for the following purposes for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Fundraising	\$ 184,640	\$ 20,342
Management and general	410	800
Program	2,926	500
	<u>\$ 187,976</u>	<u>\$ 21,642</u>

ARTIST TRUST
NOTES TO FINANCIAL STATEMENTS
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Note 11 – Endowments

Nature of Endowments and Applicable Laws – The Endowments consist of donor restricted and Board designated endowments in which the investment return is to be used to support the programs and operations of Artist Trust. The Endowments are included primarily as investments and assets held in trust. These investment funds are held at Vanguard.

The Board of Directors 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 fund absent explicit donor stipulations to the contrary. As a result of this interpretation, Artist Trust retains in perpetuity (a) the original value of initial and subsequent gifts donated to the endowment, and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added.

Donor-restricted amounts that are not retained in perpetuity are subject to appropriation 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.

Investment Return Objectives, Risk Parameters and Strategies – The funds are designated under various names and are collectively referred to as the Artist Trust Endowment Fund (the Fund). Artist Trust has engaged Vanguard to manage the Fund in accordance with the terms of the Discretionary Investment Management Agreement. 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, Artist Trust submits a request to Vanguard to release and distribute funds to Artist Trust for its operations.

Spending Policy and How the Investment Objectives Relate to Spending Policy – The Fund is under permanent management at Vanguard through a Discretionary Investment Management Agreement, as noted above, in order to provide for professional long-term management of these funds. Artist Trust has adopted investment and spending policies for endowment assets that intend 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 Artist Trust, 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.

ARTIST TRUST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Note 11 – Endowments (Continued)

Funds with Deficiencies – From time to time, the fair value of assets associated with individual donor restricted endowment funds may have fallen 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.

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 31st 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.

ARTIST TRUST
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DECEMBER 31, 2020 AND 2019

Note 11 – Endowments (Continued)

Changes in endowment net assets are as follows for the years ended December 31:

	Without donor restrictions	With donor restrictions		Total
		Purpose and time	Perpetual in nature	
Endowment net assets, 12/31/2018	\$ 340,838	\$ 417,134	\$ 1,631,720	\$ 2,389,692
Contributions	38,114	-	-	38,114
Investment income, net of fees	1,511	50,623	-	52,134
Net appreciation	10,283	351,757	-	362,040
Amounts appropriated for expenditure	(1,800)	(57,200)	-	(59,000)
Distribution from asset held in trust	-	(6,600)	-	(6,600)
Endowment net assets, 12/31/2019	\$ 388,946	\$ 755,714	\$ 1,631,720	\$ 2,776,380
Contributions	136,904	-	-	136,904
Investment income, net of fees	1,052	35,050	-	36,102
Net appreciation	8,676	293,276	-	301,952
Amounts appropriated for expenditure	(147,385)	(58,200)	-	(205,585)
Distribution from asset held in trust	-	(6,700)	-	(6,700)
Endowment net assets, 12/31/2020	\$ 388,193	\$ 1,019,140	\$ 1,631,720	\$ 3,039,053

Note 12 – 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 years ended December 31:

	2020	2019
Gross special events revenue	\$ -	\$ 498,193
Less cost of direct donor benefits	-	(68,634)
	<u>\$ -</u>	<u>\$ 429,559</u>

Note 13 – 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 \$13,260 and \$8,084 to the Plan during the years ended December 31, 2020 and 2019, respectively.

ARTIST TRUST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Note 14 – 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 \$290,330 and \$448,484 for the years ended December 31, 2020 and 2019, respectively.

Note 15 – Concentrations

A pledge receivable from one donor made up approximately 70% and 50% of the pledges and grants receivable balance as of December 31, 2020 and 2019, respectively.

Note 16 – Risks and Uncertainties

In December 2019, a novel strain of coronavirus (COVID-19) was reported in Wuhan, China. On March 11, 2020, the World Health Organization declared the outbreak to be a global pandemic, and on March 13, 2020, President Trump declared a nationwide emergency pursuant to Sec. 501(b) of the Robert T. Stafford Disaster Relief and Emergency Assistance Act. The extent of the impact of COVID-19 on Artist Trust’s operations will depend on certain developments, including the duration and spread of the outbreak and the impact to donors, employees, and Washington State artists, all of which are uncertain and cannot be determined.

Washington State artists were among the first to face career disruption and financial loss from the COVID-19 crisis. In response to artists’ urgent needs, Artist Trust pressed pause on business as usual to focus all resources on two things: The COVID-19 Artist Trust Relief Fund and COVID-19 Online Artist Relief and Recovery Resources. The COVID-19 Artist Trust Relief Fund is a rapid response program providing unrestricted cash grants to support working artists with disaster-related personal, family, and living expenses. The COVID-19 Online Artist Relief and Recovery Resources include articles, webinars, and other information on funding, housing, and legal issues, among other vital needs specific to the COVID-19 pandemic and its related impacts such as tenant rights and unemployment benefits for artists and creatives.

At the Organization’s request, four donors who funded a total of \$78,500 in 2020 for the Organization’s programs released or altered their restrictions as follows: \$20,000 for statewide outreach efforts will be available for general operations, \$16,000 for online programming and technology improvements will be available for staff hours that supported these efforts, \$30,000 for the Ambassador Project will be available for operations that support COVID-19 Online Artist Relief and Recovery Resources, and of \$12,500 for the Vadon Foundation Fellowship Award for Native Artists, \$10,000 will be available for the COVID-19 Relief Fund to support Native Artists with an additional \$2,500 available for operating expenses to administer the COVID-19 Relief Fund.

ARTIST TRUST
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

Note 16 – Risks and Uncertainties (Continued)

The Vadon Foundation Fellowship Award for Native Artists has resumed in 2021. However, the Ambassador Project and in-person statewide outreach efforts have been postponed indefinitely due to the duration and spread of the outbreak and subsequent conversations with the donors. Artist Trust will continue to expand its statewide reach through online programming, and the additional \$30,000 restricted for the Ambassador Project has been released by the donor to support Artist Trust’s programming and general operations. Artist Trust’s online programming technology improvements were quickly implemented in 2020 with a focus on providing COVID-19 Online Artist Relief and Recovery Resources and will continue to evolve and improve in response to feedback from its communities.

As a result of the cancellation of Artist Trust’s Annual Benefit Art Auction due to COVID-19 social distancing measures, support from benefit events decreased by \$280,848 from 2019 to 2020. Artist Trust was able to cover this shortfall with the incredible generosity of its donors, who contributed almost \$1.5 million in 2020 to support the COVID-19 Artist Trust Relief Fund and COVID-19 Online Artist Relief and Recovery Resources. Further, Artist Trust received a \$123,258 Payroll Protection Program loan through the Small Business Administration as part of the CARES Act, which was fully forgiven in 2020 and recorded as a government grant in the statement of activities.

The extent to which the COVID-19 pandemic will further impact Artist Trust going forward will depend on numerous evolving factors that cannot be reasonably predicted, including the duration and scope of the pandemic; governmental, business, and artists' actions in response to the pandemic; and the impact on economic activity including the possibility of recession or financial market instability. Overall, Artist Trust remains in strong financial position and does not project a cash shortfall in the next fiscal year.