

ARTIST TRUST

FINANCIAL STATEMENTS
With Independent Auditor's Report

YEARS ENDED DECEMBER 31, 2022 AND 2021

ARTIST TRUST
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Artist Trust
Seattle, Washington

Opinion

We have audited the accompanying financial statements of Artist Trust (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Artist Trust as of December 31, 2022, 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 audits 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 Artist Trust and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Artist Trust's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Artist Trust'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 Artist Trust'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.

Other Matter - Prior Period Financial Statements

The financial statements of Artist Trust as of and for the year ended December 31, 2021, were audited by Jones & Associates PLLC, whose partners and professional staff joined Jacobson Jarvis & Co PLLC as of September 1, 2022, and has subsequently ceased operations. Jones & Associates PLLC expressed an unmodified opinion on those statements in their report dated May 18, 2022.

Jacobson Jarvis & Co, PLLC

Jacobson Jarvis & Co, PLLC
Seattle, Washington
May 20, 2023

ARTIST TRUST

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2022 AND 2021

	<u>ASSETS</u>	
	<u>2022</u>	<u>2021</u>
Current Assets		
Cash and cash equivalents	\$ 923,167	\$ 962,227
Pledges and grants receivable	154,084	186,250
Prepaid expenses	8,815	8,642
Inventory	11,900	47,400
	<u>1,097,966</u>	<u>1,204,519</u>
Cash and cash equivalents held for long-term purposes	524,910	525,172
Pledges and grants receivable, long-term, net	482,394	533,649
Investments held by Vanguard	2,645,222	3,298,068
Assets held in trust	179,204	217,804
Property and Equipment, net	235,619	264,009
	<u>\$ 5,165,315</u>	<u>\$ 6,043,221</u>
	<u>LIABILITIES AND NET ASSETS</u>	
Current Liabilities		
Accounts payable and accrued liabilities	\$ 20,771	\$ 25,158
Mortgage note payable	13,073	12,582
	<u>33,844</u>	<u>37,740</u>
Mortgage note payable, long-term	<u>125,713</u>	<u>138,739</u>
	<u>Total Liabilities</u>	<u>176,479</u>
Net Assets		
Without donor restrictions	1,602,372	1,613,611
With donor restrictions	3,403,386	4,253,131
	<u>Total Net Assets</u>	<u>5,866,742</u>
	<u>\$ 5,165,315</u>	<u>\$ 6,043,221</u>

ARTIST TRUST

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2022

	Without donor restrictions			With donor restrictions			Total
	Undesignated	Board Designated	Total	Purpose and time	Perpetual in nature	Total	
SUPPORT AND REVENUE							
Contributions	\$ 550,235	\$ -	\$ 550,235	\$ 214,099	\$ -	\$ 214,099	\$ 764,334
Benefit events, net of \$72,916 direct donor benefit	164,898	-	164,898	-	-	-	164,898
Grants from government agencies	136,599	-	136,599	-	-	-	136,599
In-kind contribution	-	-	-	-	-	-	-
Program income	4,058	-	4,058	-	-	-	4,058
	855,790	-	855,790	214,099	-	214,099	1,069,889
Net assets released from restrictions	465,814	-	465,814	(465,814)	-	(465,814)	-
Transfers of board designated funds	9,110	(9,110)	-	-	-	-	-
Total support and revenue	1,330,714	(9,110)	1,321,604	(251,715)	-	(251,715)	1,069,889
EXPENSES							
Program Services							
Artist grants	644,556	-	644,556	-	-	-	644,556
Creative Career Center	232,565	-	232,565	-	-	-	232,565
	877,121	-	877,121	-	-	-	877,121
Supporting services							
Management and general	201,090	-	201,090	-	-	-	201,090
Fundraising	164,677	-	164,677	-	-	-	164,677
Auction	148,294	-	148,294	-	-	-	148,294
Total Expenses	1,391,182	-	1,391,182	-	-	-	1,391,182
Change in net assets before other gains	(60,468)	(9,110)	(69,578)	(251,715)	-	(251,715)	(321,293)
OTHER GAINS							
Endowment investment gains	-	-	-	(598,030)	-	(598,030)	(598,030)
Endowment investment income, net of fees	58,339	-	58,339	-	-	-	58,339
Total other gains	58,339	-	58,339	(598,030)	-	(598,030)	(539,691)
CHANGE IN NET ASSETS	(2,129)	(9,110)	(11,239)	(849,745)	-	(849,745)	(860,984)
Net Assets - Beginning of Year	985,133	628,478	1,613,611	2,131,411	2,121,720	4,253,131	5,866,742
Net Asset - End of Year	\$ 983,004	\$ 619,368	\$ 1,602,372	\$ 1,281,666	\$ 2,121,720	\$ 3,403,386	\$ 5,005,758

ARTIST TRUST

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2021

	Without donor restrictions			With donor restrictions			Total
	Undesignated	Board Designated	Total	Purpose and time	Perpetual in nature	Total	
SUPPORT AND REVENUE							
Contributions	\$ 527,507	\$ 89,416	\$ 616,923	\$ 321,999	\$ 490,000	\$ 811,999	\$ 1,428,922
Benefit events, net of \$111,927 direct donor benefit	402	-	402	-	-	-	402
Grants from government agencies	192,926	-	192,926	-	-	-	192,926
In-kind contribution	6,516	-	6,516	-	-	-	6,516
Program income	300	-	300	-	-	-	300
	727,651	89,416	817,067	321,999	490,000	811,999	1,629,066
Net assets released from restrictions	711,140	-	711,140	(711,140)	-	(711,140)	-
Transfers of board designated funds	(57,515)	57,515	-	-	-	-	-
Total support and revenue	1,381,276	146,931	1,528,207	(389,141)	490,000	100,859	1,629,066
EXPENSES							
Program Services							
Artist grants	667,699	-	667,699	-	-	-	667,699
Creative Career Center	198,379	-	198,379	-	-	-	198,379
	866,078	-	866,078	-	-	-	866,078
Supporting services							
Management and general	143,982	-	143,982	-	-	-	143,982
Fundraising	236,459	-	236,459	-	-	-	236,459
Auction	100,144	-	100,144	-	-	-	100,144
Total Expenses	1,346,663	-	1,346,663	-	-	-	1,346,663
Change in net assets before other gains	34,613	146,931	181,544	(389,141)	490,000	100,859	282,403
OTHER GAINS							
Endowment investment gains	-	-	-	234,906	-	234,906	234,906
Endowment investment income, net of fees	56,868	-	56,868	-	-	-	56,868
Total other gains	56,868	-	56,868	234,906	-	234,906	291,774
CHANGE IN NET ASSETS	91,481	146,931	238,412	(154,235)	490,000	335,765	574,177
Net Assets - Beginning of Year	893,652	481,547	1,375,199	2,285,646	1,631,720	3,917,366	5,292,565
Net Asset - End of Year	\$ 985,133	\$ 628,478	\$ 1,613,611	\$ 2,131,411	\$ 2,121,720	\$ 4,253,131	\$ 5,866,742

ARTIST TRUST

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2022

	Program Services			Support Services			
	Artist Grants	Creative Carrer Center	Total Program	Management and General	Fundraising	Auction	Total
Salaries and wages	\$ 137,943	\$ 132,040	\$ 269,983	\$ 115,928	\$ 96,226	\$ 47,890	\$ 530,027
Employee benefits	17,671	14,373	32,044	17,736	13,653	7,029	70,462
Payroll taxes	14,017	13,269	27,286	11,173	9,653	4,972	53,084
Total payroll and related	169,631	159,682	329,313	144,837	119,532	59,891	653,573
Fellowship awards	150,000	-	150,000	-	-	-	150,000
Endurance Grants	100,000	-	100,000	-	-	-	100,000
GAP Awards	97,500	-	97,500	-	-	-	97,500
Arts Innovator Award	53,000	-	53,000	-	-	-	53,000
SOLA Award	20,000	-	20,000	-	-	-	20,000
Lifetime Achievement Award	10,000	-	10,000	-	-	-	10,000
Professional fees	19,690	10,910	30,600	24,080	2,410	44,158	101,248
Occupancy	4,988	16,899	21,887	4,606	4,801	12,236	43,530
Depreciation	6,448	17,701	24,149	2,608	3,912	-	30,669
Miscellaneous	3,320	8,108	11,428	4,904	5,114	7,424	28,870
Telecommunications	6,474	7,645	14,119	4,675	1,645	2,456	22,895
Postage, printing, copying	-	212	212	58	12,657	8,176	21,103
Supplies and materials	1,445	3,406	4,851	6,884	7,776	1,575	21,086
Marketing and public relations	2,034	3,747	5,781	2,858	3,449	5,200	17,288
Travel	26	3,985	4,011	2,415	852	4,728	12,006
Bank charges	-	270	270	3,165	2,529	2,450	8,414
Total expenses	644,556	232,565	877,121	201,090	164,677	148,294	1,391,182
Plus expenses included with revenues on the statement of activities							
Cost of direct benefits to donors	-	-	-	-	-	72,916	72,916
Total functional expenses	\$ 644,556	\$ 232,565	\$ 877,121	\$ 201,090	\$ 164,677	\$ 221,210	\$ 1,464,098

ARTIST TRUST

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2021

	Program Services			Support Services			
	Artist Grants	Creative Career Center	Total	Management and General	Fundraising	Auction	Total
Salaries and wages	\$ 137,114	\$ 103,932	\$ 241,046	\$ 81,216	\$ 100,965	\$ 28,124	\$ 451,351
Employee benefits	13,526	8,462	21,988	9,506	8,415	2,837	42,746
Payroll taxes	11,678	8,841	20,519	6,937	8,644	2,402	38,502
Total payroll and related	162,318	121,235	283,553	97,659	118,024	33,363	532,599
Fellowship awards	90,000	-	90,000	-	-	-	90,000
GAP Awards	97,500	-	97,500	-	-	-	97,500
Arts Innovator Award	53,000	-	53,000	-	-	-	53,000
Lifetime Achievement Award	10,000	-	10,000	-	-	-	10,000
SOLA Award	9,000	-	9,000	-	-	-	9,000
COVID-19 Artist Trust Relief Fund	199,500	-	199,500	-	-	-	199,500
Professional fees	21,611	20,514	42,125	24,623	14,511	5,952	87,211
Occupancy	3,582	12,189	15,771	1,716	2,378	-	19,865
Depreciation	5,238	15,879	21,117	2,204	3,307	-	26,628
Miscellaneous	5,907	11,742	17,649	3,350	3,925	-	24,924
Telecommunications	5,963	9,709	15,672	1,662	2,134	2,409	21,877
Postage, printing, copying	791	1,437	2,228	443	10,287	4	12,962
Supplies and materials	1,777	2,959	4,736	8,477	15,052	265	28,530
Marketing and public relations	1,512	2,500	4,012	3,277	16,142	500	23,931
Travel	-	155	155	232	118	22	527
Bank charges	-	60	60	339	5,631	999	7,029
Bad debt expense	-	-	-	-	44,950	-	44,950
Loss on gift in-kind	-	-	-	-	-	56,630	56,630
Total expenses	667,699	198,379	866,078	143,982	236,459	100,144	1,346,663
Plus expenses included with revenues on the statement of activities							
Cost of direct benefits to donors	-	-	-	-	-	111,927	111,927
Total functional expenses	\$ 667,699	\$ 198,379	\$ 866,078	\$ 143,982	\$ 236,459	\$ 212,071	\$ 1,458,590

ARTIST TRUST

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities		
Cash received from:		
Contributions, benefit events and government grants	\$ 1,149,252	\$ 1,823,919
Programs	4,058	300
Interest	4,230	-
Cash paid for:		
Personnel	(656,078)	(532,599)
Grantees	(430,500)	(501,125)
Suppliers	(237,002)	(118,738)
Interest	<u>(5,993)</u>	<u>(6,671)</u>
Net Cash Provided (Used) by Operating Activities	(172,033)	665,086
Cash Flows from Investing Activities		
Endowment investment distributions	53,197	61,996
Proceeds from sale of securities	197,624	116,339
Purchase of securities	(103,296)	(606,339)
Purchase of property and equipment	<u>(2,279)</u>	<u>(20,066)</u>
Net Cash Provided (Used) by Investing Activities	145,246	(448,070)
Cash Flows from Financing Activities		
Repayments on long-term debt	<u>(12,535)</u>	<u>(11,966)</u>
Net Cash (Used) Provided by Financing Activities	(12,535)	(11,966)
Changes in Cash and Cash Equivalents	(39,322)	205,050
Cash and Cash Equivalents - beginning of year	<u>1,487,399</u>	<u>1,282,349</u>
End of the year, including restricted	1,448,077	1,487,399
Less restricted cash and cash equivalents held for long-term purposes	<u>(524,910)</u>	<u>(525,172)</u>
Cash and Cash Equivalents - end of year	<u>\$ 923,167</u>	<u>\$ 962,227</u>

ARTIST TRUST

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE A - ORGANIZATION AND 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 \$15 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.

Adoption of Accounting Principle

On January 1, 2022, Artist Trust adopted ASU 2016-02 (Topic 842), using the modified prospective method. This standard requires lessees to recognize a right of use asset and lease liability for material lease arrangements. The adoption of this standard did not have a material impact on Artist Trust's financial statements.

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.

ARTIST TRUST

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

ARTIST TRUST

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

ARTIST TRUST

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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).

NOTE B - 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:

	<u>2022</u>	<u>2021</u>
Financial Assets		
Cash and cash equivalents	\$ 1,448,077	\$ 1,487,399
Pledges and grants receivable	636,478	719,899
Investments and assets held in trust	<u>2,824,426</u>	<u>3,515,872</u>
Total financial assets	4,908,981	5,723,170
Less those unavailable for general expenditures within one year:		
Receivable balances to be collected in future years	(482,394)	(533,649)
Restricted by donors with purpose restrictions	(539,743)	(1,190,683)
Restricted by donors with perpetual restrictions	(2,121,720)	(2,121,720)
Board designated endowment	(436,014)	(475,124)
Board reserve fund (unavailable without Board approval)	<u>(183,354)</u>	<u>(153,354)</u>
	(3,763,225)	(4,474,530)
Add endowment funds expected to be appropriated for general use:		
Cash from fund expected to be available for use	<u>-</u>	<u>118,448</u>
Financial assets available within one year	<u>\$ 1,145,756</u>	<u>\$ 1,367,088</u>

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.

ARTIST TRUST

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE B - LIQUIDITY AND AVAILABILITY (Continued)

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.

NOTE C - 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, 2022:

	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<u>Total</u>
Investments held by Vanguard	\$ -	\$ -	\$ 2,645,222	\$ 2,645,222
Assets held in trust	-	-	179,204	179,204
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,824,426</u>	<u>\$ 2,824,426</u>

The following table summarizes the valuation of Artist Trust's financial investments and interests under the fair value hierarchy at December 31, 2021:

	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<u>Total</u>
Investments held by Vanguard	\$ -	\$ -	\$ 3,298,068	\$ 3,298,068
Assets held in trust	-	-	217,804	217,804
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,515,872</u>	<u>\$ 3,515,872</u>

ARTIST TRUST

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE C - FAIR VALUE MEASUREMENTS AND INVESTMENTS (Continued)

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

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 3,515,872	\$ 2,796,094
Additions	-	490,000
Interest and dividends, net of fees	58,339	56,868
Realized and unrealized gains	(598,030)	234,906
Distributions	<u>(151,755)</u>	<u>(61,996)</u>
Balance, end of year	<u>\$ 2,824,426</u>	<u>\$ 3,515,872</u>

NOTE D - PLEDGES AND GRANTS RECEIVABLE

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

	<u>2022</u>	<u>2021</u>
Receivable in less than one year	\$ 161,955	\$ 223,950
Receivable in one to five years	357,500	359,250
Receivable in greater than five years	<u>177,000</u>	<u>236,000</u>
	696,455	819,200
Less discount to net present value	(52,106)	(61,601)
Less allowance for uncollectible pledges	<u>(7,871)</u>	<u>(37,700)</u>
	<u>\$ 636,478</u>	<u>\$ 719,899</u>

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

NOTE E - CONDITIONAL GRANTS

During the year ended December 31, 2020, Artist Trust received notice of a multi-year government grant award totaling \$75,000, of which \$25,000 was recognized in the year ended December 31, 2021 and \$25,000 was recognized in the year ended December 31, 2022. The remaining \$25,000 is scheduled to be recognized in the year ended December 31, 2023, contingent on Artist Trust's completion of terms and conditions set forth in the grant agreements. As this award represents a conditional promise to give, the award will not be recognized as revenue until the grantor conditions are met.

ARTIST TRUST

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE F - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2022</u>	<u>2021</u>
Condominium	\$ 687,553	\$ 687,553
Furniture, equipment and software	40,845	38,566
Artwork	<u>9,300</u>	<u>9,300</u>
	737,698	735,419
Less accumulated depreciation	<u>(502,079)</u>	<u>(471,410)</u>
	<u>\$ 235,619</u>	<u>\$ 264,009</u>

NOTE G - 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 4.07% for the year ended December 31, 2022. Interest expense totaled \$5,993 and \$6,671 for the years ended December 31, 2022 and 2021, 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:

2023	\$ 13,073
2024	13,682
2025	14,268
2026	14,879
2027	15,516
Thereafter	<u>67,368</u>
	<u>\$ 138,786</u>

NOTE H - NET ASSETS WITHOUT DONOR RESTRICTIONS - BOARD DESIGNATED

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

	<u>2022</u>	<u>2021</u>
Board Designated Endowment	\$ 436,014	\$ 475,124
Operating Reserve	<u>183,354</u>	<u>153,354</u>
	<u>\$ 619,368</u>	<u>\$ 628,478</u>

ARTIST TRUST

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE I - NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2022</u>	<u>2021</u>
Restricted for a specified purpose or passage of time:		
Endowment - unappropriated investment return	\$ 539,743	\$ 1,190,683
Arts Innovator Award	450,000	500,000
Time Restricted (Other)	84,956	130,500
Trans and Indigiquee Fellowship	62,500	-
SOLA Award	44,000	33,781
Tremaine Statewide Programs	30,000	30,000
Kreielsheimer Artist Trust Fund - unappropriated investment return	29,203	67,804
Vadon Native Fellowship Award	25,000	37,500
Benefit Event	11,900	47,400
WAHIP Artist Clinics	2,575	2,575
Time Restricted (Campaign for a Creative Future)	1,250	90,200
Filipino Scholarship Fund	470	510
EDGE for Film	69	69
POC Scholarship Fund	-	350
Latino Scholarship Fund	-	39
Perpetual in nature:		
General Endowment	1,192,364	1,192,364
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 Endowmen	40,000	40,000
Campaign for a Creative Future	21,500	21,500
Mills Endowment	10,000	10,000
	<u>\$ 3,403,386</u>	<u>\$ 4,253,131</u>

ARTIST TRUST

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE J - 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 C 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.

ARTIST TRUST

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE J - ENDOWMENTS (Continued)

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.

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 C 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

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE J - ENDOWMENTS (Continued)

	Without Donor Restriction	With donor restrictions		Total
		Purpose and time	Perpetual in nature	
Endowment net assets, 12/31/2020	\$ 388,193	\$ 1,019,140	\$ 1,631,720	\$ 3,039,053
Contributions	81,500	-	490,000	571,500
Investment income, net of fees	1,747	67,144	-	68,891
Net appreciation	6,169	216,343	-	222,512
Amounts appropriated for expenditure	(2,485)	(37,140)	-	(39,625)
Distribution from asset held in trust	-	(7,000)	-	(7,000)
Endowment net assets, 12/31/2021	\$ 475,124	\$ 1,258,487	\$ 2,121,720	\$ 3,855,331
Contributions	77,000	-	-	77,000
Investment income, net of fees	(13,255)	(526,972)	-	(540,227)
Amounts appropriated for expenditure	(102,855)	(162,569)	-	(265,424)
Endowment net assets, 12/31/2022	\$ 436,014	\$ 568,946	\$ 2,121,720	\$ 3,126,680

NOTE K - 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:

	<u>2022</u>	<u>2021</u>
Gross special events revenue	\$ 237,814	\$ 112,329
Less cost of direct donor benefits	(72,916)	(111,927)
	<u>\$ 164,898</u>	<u>\$ 402</u>

NOTE L - 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 \$14,022 and \$11,816 to the Plan during the years ended December 31, 2022 And 2021, respectively.

NOTE M - 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 \$312,971 and \$336,603 for the years ended December 31, 2022 And 2021, respectively.

ARTIST TRUST

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE N - CONCENTRATIONS

A pledge receivable from one donor made up approximately 82% and 72% of the pledges and grants receivable balance as of December 31, 2022 And 2021, respectively.

NOTE O - SUBSEQUENT EVENTS

Management has evaluated events occurring subsequent to December 31, 2022 through May 20, 2023, which is the date the financial statements were available to be issued and has recognized in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at December 31, 2022, including the estimates inherent in the processing of financial statements.