



THE MARSTON GROUP, PLC

# ARTSmemphis<sup>®</sup>

**FINANCIAL STATEMENTS**

**JUNE 30, 2023 and 2022**

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

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# ARTSMEMPHIS

*Contents*  
*June 30, 2023 and 2022*

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|  | <u>Page</u> |
|--|-------------|
| Independent Auditor's Report                       | 1           |
| Financial Statements                               |             |
| Statements of Financial Position                   | 3           |
| Statements of Activities and Changes in Net Assets | 4           |
| Statements of Functional Expenses                  | 6           |
| Statements of Cash Flows                           | 8           |
| Notes to Financial Statements                      | 9           |



## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
ARTSmemphis  
Memphis, Tennessee

### Opinion

We have audited the accompanying financial statements of ARTSmemphis (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years 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 statement of financial position of ARTSmemphis as of June 30, 2023 and 2022, and the changes in its net assets, functional expenses, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of ARTSmemphis and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

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

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

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

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

aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

A handwritten signature in blue ink that reads "The Crispin Group, PLC". The signature is written in a cursive, flowing style.

Memphis, Tennessee  
December 18, 2023

## ARTSMEMPHIS

### Statements of Financial Position June 30, 2023 and 2022

|                                      | <u>2023</u>          | <u>2022</u>          |
|--------------------------------------|----------------------|----------------------|
| <b>ASSETS</b>                        |                      |                      |
| Cash                                 | \$ 735,902           | \$ 1,442,478         |
| Contributions receivable, net        | 1,211,267            | 3,947,280            |
| Prepaid expenses                     | 31,610               | 11,755               |
| Investments                          | 25,593,063           | 21,724,927           |
| Right-of-use assets-operating leases | 57,645               | 120,468              |
| Property and equipment, net          | <u>71,150</u>        | <u>9,758</u>         |
| Total assets                         | <u>\$ 27,700,637</u> | <u>\$ 27,256,666</u> |
| <b>LIABILITIES AND NET ASSETS</b>    |                      |                      |
| Liabilities                          |                      |                      |
| Accounts payable                     | \$ 73,138            | \$ 100,661           |
| Assets held for other organizations  | 5,283,396            | 5,155,815            |
| Deferred revenue                     | 124,490              | 66,250               |
| Grants and allocations payable       | 15,419               | 202,250              |
| Lease obligation - operating         | 59,641               | 120,468              |
| Lease obligation - financing         | <u>26,436</u>        | <u>3,590</u>         |
| Total liabilities                    | 5,582,520            | 5,649,034            |
| Net assets                           |                      |                      |
| Without donor restrictions           | 16,044,972           | 15,798,071           |
| With donor restrictions              | <u>6,073,145</u>     | <u>5,809,561</u>     |
| Total net assets                     | <u>22,118,117</u>    | <u>21,607,632</u>    |
| Total liabilities and net assets     | <u>\$ 27,700,637</u> | <u>\$ 27,256,666</u> |

See notes to financial statements.

## ARTSMEMPHIS

### Statements of Activities and Changes in Net Assets Year Ended June 30, 2023

|  | Net Assets<br>without Donor<br>Restrictions | Net Assets<br>with Donor<br>Restrictions | Total         |
|--|---|--|---------------|
| Revenues and other support                                       |   |  |               |
| Total amounts raised   | \$ 2,466,777                                | \$ 1,363,875                             | \$ 3,830,652  |
| Less: amounts designated<br>by donors for specific organizations | 1,086,980                                   | -  | 1,086,980     |
| Total contributions  | 1,379,797                                   | 1,363,875                                | 2,743,672     |
| Interest and dividends   | 86,497                                      | 19,370                                   | 105,867       |
| In-kind  | 109,489                                     | -  | 109,489       |
| Events   | 548,366                                     | -  | 548,366       |
| Net realized and unrealized<br>gain on investments               | 1,017,674                                   | 532,486                                  | 1,550,160     |
| Net assets released from<br>restrictions                         | 1,652,147                                   | (1,652,147)                              | -             |
| Total revenues and<br>other support                              | 4,793,970                                   | 263,584                                  | 5,057,554     |
| Functional expenses  |   |  |               |
| Program services   | 3,751,381                                   | -  | 3,751,381     |
| Management and general   | 232,428                                     | -  | 232,428       |
| Fundraising  | 563,260                                     | -  | 563,260       |
| Total expenses   | 4,547,069                                   | -  | 4,547,069     |
| Change in net assets   | 246,901                                     | 263,584                                  | 510,485       |
| Net assets at beginning of year                                  | 15,798,071                                  | 5,809,561                                | 21,607,632    |
| Net assets at end of year  | \$16,044,972                                | \$ 6,073,145                             | \$ 22,118,117 |

Continued

## ARTSMEMPHIS

### Statements of Activities and Changes in Net Assets Year Ended June 30, 2022

|  | Net Assets<br>without Donor<br>Restrictions | Net Assets<br>with Donor<br>Restrictions | Total         |
|--|---|--|---------------|
| Revenues and other support                                       |   |  |               |
| Total amounts raised   | \$ 3,229,467                                | \$ 2,122,453                             | \$ 5,351,920  |
| Less: amounts designated<br>by donors for specific organizations | 793,451                                     | -  | 793,451       |
| Total contributions  | 2,436,016                                   | 2,122,453                                | 4,558,469     |
| Interest and dividends   | 23,485                                      | 48,509                                   | 71,994        |
| In-kind  | 58,115                                      | -  | 58,115        |
| Events   | 42,993                                      | -  | 42,993        |
| Net realized and unrealized<br>loss on investments               | (1,191,566)                                 | (316,480)                                | (1,508,046)   |
| Net assets released from<br>restrictions                         | 10,050,240                                  | (10,050,240)                             | -             |
| Total revenues and<br>other support                              | 11,419,283                                  | (8,195,758)                              | 3,223,525     |
| Functional expenses  |   |  |               |
| Program services   | 2,807,941                                   | -  | 2,807,941     |
| Management and general   | 271,704                                     | -  | 271,704       |
| Fundraising  | 381,402                                     | -  | 381,402       |
| Total expenses   | 3,461,047                                   | -  | 3,461,047     |
| Change in net assets   | 7,958,236                                   | (8,195,758)                              | (237,522)     |
| Net assets at beginning of year                                  | 7,839,835                                   | 14,005,319                               | 21,845,154    |
| Net assets at end of year  | \$15,798,071                                | \$ 5,809,561                             | \$ 21,607,632 |

## ARTSMEMPHIS

### Statements of Functional Expenses Year Ended June 30, 2023

|  | Program<br>Services | Management<br>and General | Fundraising       | Total               |
|--|---------------------|---------------------------|-------------------|---------------------|
| Grants and allocations   | \$ 4,464,077        | \$ -                      | \$ -              | \$ 4,464,077        |
| Less: amounts designated by<br>donors for specific organizations | <u>1,086,980</u>    | <u>-</u>                  | <u>-</u>          | <u>1,086,980</u>    |
| Total grants and allocations                                     | 3,377,097           | -                         | -                 | 3,377,097           |
| Salaries   | 172,298             | 121,074                   | 172,298           | 465,670             |
| Development support  | -                   | -                         | 146,423           | 146,423             |
| Rent   | 29,370              | 20,639                    | 29,370            | 79,379              |
| Group insurance  | 10,071              | 7,077                     | 10,071            | 27,219              |
| Equipment maintenance  | 12,330              | 8,665                     | 12,330            | 33,325              |
| Depreciation and amortization                                    | 6,091               | 4,280                     | 6,090             | 16,461              |
| Payroll taxes  | 14,828              | 10,420                    | 14,828            | 40,076              |
| Marketing  | 77,672              | -                         | 132,251           | 209,923             |
| Professional fees  | -                   | 25,295                    | -                 | 25,295              |
| Retirement plan  | 6,034               | 4,240                     | 6,034             | 16,308              |
| Office expense   | 2,529               | 1,777                     | 2,529             | 6,835               |
| Printing and copying   | 112                 | 79                        | 15,718            | 15,909              |
| Telephone  | 3,578               | 2,514                     | 3,578             | 9,670               |
| Interest   | -                   | 2,709                     | -                 | 2,709               |
| Bank fees  | -                   | 7,609                     | -                 | 7,609               |
| Utilities  | 2,669               | 1,876                     | 2,669             | 7,214               |
| Other insurance  | 4,183               | 2,939                     | 4,183             | 11,305              |
| Postage  | -                   | -                         | 2,137             | 2,137               |
| Dues and subscriptions   | 1,509               | 1,060                     | 1,509             | 4,078               |
| Travel and entertainment   | -                   | 4,973                     | -                 | 4,973               |
| Copier expense   | 1,242               | 873                       | 1,242             | 3,357               |
| Payroll processing   | -                   | 3,133                     | -                 | 3,133               |
| Miscellaneous  | 8,189               | 1,196                     | -                 | 9,385               |
| Advocacy for art groups  | <u>21,579</u>       | <u>-</u>                  | <u>-</u>          | <u>21,579</u>       |
| Total functional expenses  | <u>\$ 3,751,381</u> | <u>\$ 232,428</u>         | <u>\$ 563,260</u> | <u>\$ 4,547,069</u> |

Continued



## ARTSMEMPHIS

### Statements of Functional Expenses Year Ended June 30, 2022

|  | Program<br>Services | Management<br>and General | Fundraising       | Total               |
|--|---------------------|---------------------------|-------------------|---------------------|
| Grants and allocations   | \$ 3,306,572        | \$ -                      | \$ -              | \$ 3,306,572        |
| Less: amounts designated by<br>donors for specific organizations | 793,451             | -                         | -                 | 793,451             |
| Total grants and allocations                                     | 2,513,121           | -                         | -                 | 2,513,121           |
| Salaries   | 146,622             | 154,871                   | 177,912           | 479,405             |
| Development support  | 415                 | -                         | 16,416            | 16,831              |
| Rent   | 21,958              | 23,193                    | 26,643            | 71,794              |
| Group insurance  | 5,304               | 5,603                     | 6,436             | 17,343              |
| Equipment maintenance  | 8,499               | 8,978                     | 10,313            | 27,790              |
| Depreciation and amortization                                    | 6,509               | 6,875                     | 7,899             | 21,283              |
| Payroll taxes  | 11,436              | 12,079                    | 13,877            | 37,392              |
| Marketing  | 47,446              | -                         | 80,402            | 127,848             |
| Professional fees  | -                   | 26,407                    | -                 | 26,407              |
| Retirement plan  | 4,026               | 4,253                     | 4,886             | 13,165              |
| Office expense   | 2,776               | 2,932                     | 3,369             | 9,077               |
| Printing and copying   | -                   | -                         | 18,670            | 18,670              |
| Telephone  | 2,801               | 2,958                     | 3,398             | 9,157               |
| Interest   | -                   | 765                       | -                 | 765                 |
| Bank fees  | -                   | 8,791                     | -                 | 8,791               |
| Utilities  | 2,415               | 2,551                     | 2,930             | 7,896               |
| Other insurance  | 3,391               | 3,581                     | 4,114             | 11,086              |
| Postage  | -                   | 95                        | 2,442             | 2,537               |
| Dues and subscriptions   | 498                 | 526                       | 604               | 1,628               |
| Travel and entertainment   | -                   | 3,401                     | -                 | 3,401               |
| Copier expense   | 899                 | 949                       | 1,091             | 2,939               |
| Payroll processing   | -                   | 2,555                     | -                 | 2,555               |
| Miscellaneous  | 4,266               | 341                       | -                 | 4,607               |
| Advocacy for art groups  | 25,559              | -                         | -                 | 25,559              |
| Total functional expenses  | <u>\$ 2,807,941</u> | <u>\$ 271,704</u>         | <u>\$ 381,402</u> | <u>\$ 3,461,047</u> |

## ARTSMEMPHIS

### Statements of Cash Flows Years Ended June 30, 2023 and 2022

|   | 2023        | 2022         |
|---|-------------|--------------|
| Cash flows from operating activities  |             |              |
| Change in net assets  | \$ 510,485  | \$ (237,522) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |             |              |
| Depreciation and amortization   | 16,462      | 21,283       |
| Amortization of right-of-use assets-operating leases  | 57,646      | -            |
| Net realized and unrealized (gain) loss on investments                                      | (1,550,160) | 1,508,046    |
| Changes in operating assets and liabilities   |             |              |
| Contributions receivable  | 2,736,013   | 1,335,931    |
| Prepaid expenses  | (19,855)    | (29)         |
| Accounts payable  | (27,523)    | 58,779       |
| Deferred revenue  | 58,240      | 41,750       |
| Grants and allocations payable  | (186,831)   | 111,125      |
| Decrease in operating lease liability obligations   | (55,650)    | -            |
| Net cash provided by operating activities   | 1,538,827   | 2,839,363    |
| Cash flows from investing activities  |             |              |
| Net change in investments   | (2,317,976) | (1,251,252)  |
| Purchase of property and equipment  | (51,418)    | (6,410)      |
| Net cash used for investing activities  | (2,369,394) | (1,257,662)  |
| Cash flows from financing activities  |             |              |
| Change in assets held for other organizations   | 127,581     | (728,669)    |
| Payments on finance lease obligation  | (3,590)     | (19,836)     |
| Net cash provided by (used for) financing activities  | 123,991     | (748,505)    |
| Net change in cash  | (706,576)   | 833,196      |
| Cash at the beginning of year   | 1,442,478   | 609,282      |
| Cash at the end of year   | \$ 735,902  | \$ 1,442,478 |
| Supplemental disclosure of cash flow information:   |             |              |
| Cash paid for interest  | \$ 2,709    | \$ 765       |

See notes to financial statements.

## ARTSMEMPHIS

*Notes to Financial Statements  
June 30, 2023 and 2022*

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### *Nature of Organization*

ARTSmemphis (the organization) is a not-for-profit corporation that supports the arts to strengthen our community. ARTSmemphis' purpose as a granting organization is to work behind the scenes to expand the foundation of Memphis' art through diligent and diverse support. While distributing funds to artists and art organizations, the organization's support is not simply through good stewardship of donor dollars but also by providing financial guidance, organizational advice, marketing support, and networking opportunities and connections.

#### *Net Assets*

The Organization prepares its financial statements on the accrual basis in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and presents balances and transactions according to the existence or absence of donor-imposed restrictions. This also conforms to the industry accounting guide, *Not-for-Profit Entities Audit and Accounting Guide*, of the American Institute of Certified Public Accountants.

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Without donor restrictions - Net assets that are not subject to donor-imposed restrictions or the donor-imposed restrictions have expired.

With donor restrictions - Net assets that are subject to donor-imposed restrictions. These include net assets that are subject to time or purpose restrictions and donor restricted endowments. Assets with time or purpose restrictions are satisfied either by the passage of time or actions of the Organization. Donor restricted endowments must be maintained permanently by the Organization and only the income may be used as specified by the donor. Donor restricted endowments consist primarily of the historical dollar value of contributions to donor restricted endowment funds.

Revenue is reported as increases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expiration of temporary restrictions on net assets (i.e., the donor-imposed stipulated purpose has been fulfilled or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. During the years ended June 30, 2023 and 2022, the Organization released certain restricted net assets primarily for the purpose of program services.

#### *Use of Estimates*

U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management believes that its estimates provided in the financial statements are reasonable. However, actual results could differ from those estimates.

## ARTSMEMPHIS

*Notes to Financial Statements  
June 30, 2023 and 2022*

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

#### *Concentrations of Credit Risks*

Due to the nature of its business and the volume of revenue activity, the Organization can accumulate, from time to time, bank balances in excess of the insurance provided by federal deposit insurance authorities. The Federal Deposit Insurance Corporation (FDIC) has insured balances up to \$250,000 per account. The risk of maintaining deposits in excess of amounts insured by federal deposit authorities is managed by maintaining such deposits in high quality financial institutions.

#### *Donated Materials and Services*

Donated materials are recorded as contributions at their estimated fair values at the date of donation. Contributions of services are recognized in the financial statements only if the services enhance or create non-financial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. In addition to these types of services, a substantial number of volunteers have donated significant amounts of their time in the Organization's program services and its fundraising campaigns. The amount recognized in the accompanying financial statements for donated materials and services totaled \$109,489 and \$58,115 for the years ended June 30, 2023 and 2022, respectively.

#### *Contributions Receivable*

All contributions receivable are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods, or restricted by the donor for specific purposes, are reported as net assets with donor restrictions that increases those net asset classes. When a temporary restriction expires donor restricted net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions receivable which are due in the next year are recorded at their net realizable value. Contributions receivable which are due in subsequent years have been discounted to the present value of their net realizable value, using credit adjusted rates applicable to the years in which the contributions are to be received. The contributions receivable consist primarily of receivables due from contributors as a result of fundraising activities.

Contributions receivable are stated at the amount management expects to collect from outstanding balances. Management monitors outstanding balances and provides for probable uncollectible amounts through a valuation allowance based on its assessments of the current status of individual accounts. Balances still outstanding after a reasonable period of time has elapsed and that have been deemed uncollectible are generally written off.

#### *Investments*

The Organization's investments are stated at fair value. Fair value is the price that would be received to sell an asset in an ordinary transaction between market participants at the measurement date. See Note 4 for discussion of fair value measurements.

## ARTSMEMPHIS

*Notes to Financial Statements  
June 30, 2023 and 2022*

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

Purchases and sales of investments are recorded on a trade-date basis. Interest income is recorded when earnings are recorded on the ex-dividend date. Net realized and unrealized gains (losses) on investments include the Organization's gains and losses on investments bought and sold as well as held during the year. Net realized and unrealized gains (losses) are reported in the statement of activities as increases or decreases in net assets without donor restrictions, unless restricted by the donor or by law.

The Organization has significant investments in equities, bond funds, real estate funds, private equity funds and limited partnerships and is, therefore, subject to concentration of credit risk. Investments are made by investment managers engaged by the Organization and the investments are monitored for the Organization by an investment advisor and the Endowment Committee. Management believes the investment policy is prudent for the long-term welfare of the Organization and its beneficiaries. Direct investment management fees were \$13,576 and \$23,695 for the years ended June 30, 2023 and 2022, respectively.

#### *Long-Lived Assets*

Property and equipment are reported at cost at date of acquisition or fair value at date of donation in the case of gifts. Depreciation and amortization are provided on the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the lesser of the lease term or asset life. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. When items of property or equipment are sold or retired, the related cost and accumulated depreciation and amortization are removed from the accounts and any gain or loss is included in the determination of revenue and expenses.

#### *Grants and Allocations Payable*

Grants and allocations payable to selected or designated organizations and the related expense are recorded when the grants are approved by the Board of Directors for payment. Certain grant payments are contingent on the grantee submitting acceptable reporting documentation such as quarterly narratives and financial reports as outlined in the grant agreements by specified dates. Some grants are paid in installments and payments may be withheld if reporting requirements are not met. Grant decisions are made by a dedicated group of board members and volunteer grant panelists who conduct site visits and interview applicants.

#### *Endowment Funds*

The Organization classifies net assets of donor-restricted endowment funds in accordance with U.S. GAAP. U.S. GAAP provides guidance on net asset classification of donor-restricted endowment funds and improves disclosures on both an organization's donor-restricted and board-designated endowment funds. The Uniform Prudent Management of Institutional Funds Act (UPMIFA) established guidelines for prudent management of costs and expenditures of funds in relation to the whole economic situation of the charitable institution and was enacted by the State of Tennessee effective July 1, 2007. An organization, whether or not it is subject to an enacted version of UPMIFA, shall disclose information to enable users of financial statements to understand net asset classification, net asset composition, changes in net asset composition, spending policies, and related investment policies of its endowment funds. See Note 7 for required disclosure of endowment funds.

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11

## ARTSMEMPHIS

*Notes to Financial Statements  
June 30, 2023 and 2022*

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### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

#### *Income Taxes*

The Internal Revenue Service has ruled that the Organization qualifies under Section 501(c)(3) of the Internal Revenue Code and is, therefore, not subject to federal income tax under present income tax laws.

In accordance with U.S. GAAP, if applicable, the Organization recognizes interest expense and penalties related to uncertain tax positions in operating expense. No amounts have been recognized in expenses for the years ended June 30, 2023 and 2022. Informational tax returns for 2019 and subsequent years are subject to examinations by tax authorities.

#### *Advertising*

Advertising costs are expensed as incurred.

#### *Functional Allocation of Expenses*

The cost of providing various program services has been summarized on the functional basis in the statement of activities. Accordingly, certain costs have been allocated based upon management's estimates, principally on an indirect basis, among the program, management, and fundraising categories. Indirect costs are allocated primarily on salary expense allocated to each functional area.

#### *Deferred Revenue*

Deferred Revenue consists of revenue received in advance for the 60th anniversary event to take place in November of 2023. The services that will be performed in this future period are recognized as revenue in the period earned.

#### *Statement of Cash Flows*

For purposes of the statement of cash flows, the Organization considers unrestricted cash on hand and cash on deposit as cash. Money markets related to the investment accounts are not included in cash.

## ARTSMEMPHIS

Notes to Financial Statements  
June 30, 2023 and 2022

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### *Recent Accounting Pronouncements*

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which supersedes existing guidance in Topic 840, Leases. The FASB subsequently issued the following additional ASUs, which amend and clarify Topic 842: ASU 2018-01, Land Easement Practical Expedient for Transition to Topic 842; ASU 2018-10, Codification Improvements to Topic 842, Leases; ASU 2018-11, Leases (Topic 842): Targeted Improvements; ASU 2018-20, Narrow-scope Improvements for Lessors; ASU 2019-01, Leases (Topic 842): Codification Improvements; ASU 2020-05, Leases (Topic 842): Lessors—Certain Leases with Variable Lease Payments; and ASU 2021-09, Leases (Topic 842): Discount Rate for Lessees That Are Not Public Business Entities. Topic 842 amends both lessor and lessee accounting with the most significant change being the requirement for lessees to recognize right-to-use (ROU) assets and lease liabilities on the statement of financial position for operating leases.

The Organization adopted the leasing standards effective July 1, 2022, using the modified retrospective approach with July 1, 2022 as the initial date of application. The Organization elected to use all available practical expedients provided in the transition guidance. These allowed the Organization to not reassess the identification, classification and initial direct costs of lessor agreements and to use hindsight in lessee and lessor agreements for determining lease term and right-of-use asset impairment. As of July 1, 2022, adoption of Topic 842 did not result in any material adjustments to statement of financial position accounts related to lessor accounting, but it did result in an increase in operating lease ROU assets of \$120,468, an increase in operating lease liabilities of \$120,468.

#### *Subsequent Events*

Management has reviewed events occurring through December 18, 2023, the date the financial statements were available to be issued, and no subsequent events have occurred requiring accrual or disclosure.

### NOTE 2 - CONTRIBUTIONS RECEIVABLE

Contributions receivable are summarized as follows as of June 30:

|                                      | <u>2023</u>         | <u>2022</u>         |
|--------------------------------------|---------------------|---------------------|
| Within one year                      | \$ 1,215,578        | \$ 3,994,551        |
| One to five years                    | -                   | -                   |
| Total contributions receivable       | <u>1,215,578</u>    | <u>3,994,551</u>    |
| Less present value discount          | -                   | 42,271              |
| Less allowance for doubtful accounts | <u>4,311</u>        | <u>5,000</u>        |
|                                      | <u>\$ 1,211,267</u> | <u>\$ 3,947,280</u> |

Continued

13

## ARTSMEMPHIS

Notes to Financial Statements  
June 30, 2023 and 2022

### NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows as of June 30:

|  | <u>2023</u>      | <u>2022</u>     |
|--|------------------|-----------------|
| Computer equipment                             | \$ 56,386        | \$ 162,968      |
| Furniture, fixtures, and equipment             | 192,910          | 192,911         |
| Right- of-use lease asset                      | 26,436           | -               |
| Leasehold improvements                         | <u>2,845</u>     | <u>2,844</u>    |
|  | 278,577          | 358,723         |
| Less accumulated depreciation and amortization | <u>207,427</u>   | <u>348,965</u>  |
|  | <u>\$ 71,150</u> | <u>\$ 9,758</u> |

### NOTE 4 - FAIR VALUE MEASUREMENTS

U.S. GAAP defines fair value and establishes a framework for measuring fair value. Fair value measurements apply to financial assets and liabilities, as well as non-financial assets and liabilities which are re-measured at least annually.

U.S. GAAP establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable market data, when available, and minimizes the use of unobservable inputs when determining fair value. Observable inputs reflect assumptions market participants would use in pricing an asset or liability based on market data obtained from independent sources. Unobservable inputs reflect the Organization's assumptions about the data and methods market participants would use in pricing an asset or liability based on the best information available in the circumstances.

The Organization groups its assets and liabilities measured at fair value in three levels based on the reliability of valuation inputs used to determine fair value. The proper level of fair value measurement is determined based on the lowest level of significant input. The levels are as follows:

Level 1 valuations are based on quoted prices in active markets for identical assets or liabilities.

Level 2 valuations are based on inputs other than quoted prices included in Level 1 that are observable for assets or liabilities, either directly or indirectly. These inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active (i.e., markets in which there are few transactions for the assets or liabilities, the prices are not current, or price quotes vary substantially either over time or among market makers), and modeling techniques based on inputs that are observable for the assets or liabilities.

Level 3 valuations are based on modeling techniques using significant assumptions that are not observable in the market. The assumptions reflect the Organization's own assumptions that market participants would use in pricing the assets or liabilities.

Continued

14



## ARTSMEMPHIS

*Notes to Financial Statements  
June 30, 2023 and 2022*

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### **NOTE 4 - FAIR VALUE MEASUREMENTS – CONTINUED**

The availability of observable inputs varies from investment to investment and is affected by a variety of factors, including the type of investment, whether the investment is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment that would be exercised by the Organization in determining fair value is greatest if any instruments were categorized in Level 3.

Investments measured at fair value using the net asset value (NAV) per share (or its equivalent) practical expedient have not been categorized within the fair value hierarchy. ASU 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset per Share (or its Equivalent)*, eliminated the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the NAV per share practical expedient. The fair value amounts included in the fair value hierarchy are included to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

*Money market funds:* Valued at \$1 per share.

*Mutual funds:* Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement as of the reporting date.

## ARTSMEMPHIS

*Notes to Financial Statements  
June 30, 2023 and 2022*

### NOTE 4 - FAIR VALUE MEASUREMENTS – CONTINUED

Information pertaining to investments measured at fair value on a recurring basis aggregated by valuation input level follows:

#### Assets at Fair Value as of June 30, 2023

|  | Level 1      | Level 2 | Level 3 | Total         |
|--|--------------|---------|---------|---------------|
| Money market                             | \$ 29,517    | \$ -    | \$ -    | \$ 29,517     |
| Mutual funds:                            |              |         |         |               |
| Fixed income                             | 1,013,783    | -       | -       | 1,013,783     |
| Core value                               | 1,111,311    | -       | -       | 1,111,311     |
| Total assets in the fair value hierarchy | 2,154,611    | -       | -       | 2,154,611     |
| Investments measured at net asset value  | -            | -       | -       | 23,438,452    |
|  | \$ 2,154,611 | \$ -    | \$ -    | \$ 25,593,063 |

#### Assets at Fair Value as of June 30, 2022

|  | Level 1      | Level 2 | Level 3 | Total         |
|--|--------------|---------|---------|---------------|
| Money market                             | \$ 18,257    | \$ -    | \$ -    | \$ 18,257     |
| Mutual funds:                            |              |         |         |               |
| Fixed income                             | 764,986      | -       | -       | 764,986       |
| Core value                               | 1,035,845    | -       | -       | 1,035,845     |
| Total assets in the fair value hierarchy | 1,819,088    | -       | -       | 1,819,088     |
| Investments measured at net asset value  | -            | -       | -       | 19,905,839    |
|  | \$ 1,819,088 | \$ -    | \$ -    | \$ 21,724,927 |

*Continued*

## ARTSMEMPHIS

*Notes to Financial Statements  
June 30, 2023 and 2022*

### NOTE 4 - FAIR VALUE MEASUREMENTS – CONTINUED

The following table summarizes investments measured at fair value based on net asset value per share as of June 30, 2023 and 2022, respectively.

| June 30, 2023            | Fair Value   | Unfunded<br>Commitments | Redemption Frequency<br>(if currently eligible) | Redemption<br>Notice Period |
|--------------------------|--------------|-------------------------|---|-----------------------------|
| U.S. Equity (a)          | \$ 2,904,333 | \$ -                    | Daily   | N/A                         |
| International Equity (b) | 3,787,040    | -                       | Quarterly                                       | 60 days                     |
| Emerging Markets (c)     | 1,278,316    | -                       | Annually  | 90 days                     |
| Hedged Strategies (d)    | 9,600,509    | -                       | Annually  | 90 days                     |
| Private Equity (f)       | 2,958,482    | 1,195,723               | Manager's Discretion                            | N/A                         |
| Real Assets Fund (g)     | 2,013,786    | 1,440,000               | Manager's Discretion                            | N/A                         |
| Opportunistic (h)        | 895,986      | -                       | Annually  | 90 days                     |

  

| June 30, 2022            | Fair Value   | Unfunded<br>Commitments | Redemption Frequency<br>(if currently eligible) | Redemption<br>Notice Period |
|--------------------------|--------------|-------------------------|---|-----------------------------|
| U.S. Equity (a)          | \$ 2,185,593 | \$ -                    | Daily   | N/A                         |
| International Equity (b) | 3,453,170    | -                       | Quarterly                                       | 60 days                     |
| Emerging Markets (c)     | 844,198      | -                       | Annually  | 90 days                     |
| Hedged Strategies (d)    | 7,671,261    | -                       | Annually  | 90 days                     |
| Private Equity (f)       | 3,259,292    | 820,000                 | Manager's Discretion                            | N/A                         |
| Real Assets Fund (g)     | 1,621,159    | 626,000                 | Manager's Discretion                            | N/A                         |
| Opportunistic (h)        | 871,166      | -                       | Annually  | 90 days                     |

- (a) Includes investments in U.S. equity and long/short equity hedge funds. The long/short equity funds include short positions as well as long positions and use leverage. Managers in this allocation pursue diversified strategies covering multiple capitalizations, and styles.
- (b) Includes investments in international equity and long/short equity hedge funds. The long/short equity funds include short positions as well as long positions and use leverage. Managers in this allocation pursue diversified strategies covering multiple capitalizations, styles, and geographic focus.
- (c) Includes investments in emerging markets and long/short equity hedge funds. The long/short equity funds include short positions as well as long positions and use leverage. Managers in this allocation pursue diversified strategies covering multiple capitalizations, styles, and geographic focus.

*Continued*

## ARTSMEMPHIS

*Notes to Financial Statements  
June 30, 2023 and 2022*

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### **NOTE 4 - FAIR VALUE MEASUREMENTS – CONTINUED**

- (d) Includes funds, partnerships, and funds of funds that make long and short position equity investments. Securities utilized in this strategy include equity securities of publicly traded and privately held global companies.
- (e) Consists of US Treasury securities employing a constant duration strategy and is liquid on a daily basis.
- (f) Includes funds, partnerships, and funds of funds that make long and short position private equity investments. Securities utilized in this strategy include equity securities of privately held global companies.
- (g) Includes investments in real assets and securities of companies that are engaged in activities related to, or have substantial ownership of, real assets. Real assets include any assets that have physical properties, real estate, basic materials, equipment, utilities and infrastructure, and commodities. Managers in this allocation pursue diversified strategies covering multiple capitalizations, styles, and geographic focus.
- (h) Includes hedge fund strategies such as hedged equity, multi-strategy, arbitrage, global macro, distressed securities, and open mandate strategies. Underlying investments are primarily liquid instruments and their derivatives in fixed income, asset-backed securities, currencies, trade claims, commodities, and equities. The funds include short positions as well as long positions and use leverage.

### **NOTE 5 - LINE OF CREDIT**

The Organization has an agreement for an unsecured line of credit for \$1,500,000 with a bank, which employs one member of the Organization's Board of Directors. Interest is payable monthly based on the Bank prime of 8.25% at June 30, 2023. The line of credit is set to mature on January 31, 2024. At June 30, 2023 and 2022, the outstanding balance was \$0 and \$0, respectively. The line of credit is occasionally used to bridge the timing of cash received from donors and funding to organizations. The Organization intends to renew the line of credit annually.

### **NOTE 6 - ASSETS HELD FOR OTHER ORGANIZATIONS**

Contributions from donors who specify the use of such funds or the earnings thereon to provide support for specific agencies or institutions are recorded as assets held for other organizations in the statement of financial position.

## ARTSMEMPHIS

*Notes to Financial Statements  
June 30, 2023 and 2022*

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### **NOTE 7 - ENDOWMENT FUNDS**

The Organization's endowment was established for a variety of purposes and is invested in approximately 15 individual funds. The approved maximum distribution was 5% of the rolling average of the unrestricted and permanently restricted funds over the prior three years. Appropriation up to this amount is at the discretion of management and the board in alignment with the operating budget and cash needs. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence of donor-imposed restrictions.

#### *Interpretation of relevant law*

The Organization follows the Tennessee Uniform Prudent Management of Institutional Funds Act (TUPMIFA) that requires the preservation of the original gift amount of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies net assets of a perpetual nature with donor restrictions as (a) the original value of gifts donated to the donor restricted endowment, (b) the original value of subsequent gifts to the donor restricted endowment and (c) accumulations to the donor restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not held in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by TUPMIFA.

In accordance with TUPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization
- Funds with deficiencies

## ARTSMEMPHIS

*Notes to Financial Statements  
June 30, 2023 and 2022*

### NOTE 7 - ENDOWMENT FUNDS – CONTINUED

The Organization's disclosure of its endowment net asset composition by type of fund as of June 30, 2023 is as follows:

|                                     | Net Assets<br>Without Donor<br>Restrictions | Net Assets<br>With Donor<br>Restrictions | Agency<br>Funds | Total         |
|-------------------------------------|---|--|-----------------|---------------|
| Donor-restricted<br>endowment funds | \$ -  | \$ 6,073,145                             | \$ 5,283,396    | \$ 11,356,541 |
| Board-designated<br>endowment funds | 14,236,522                                  | -  | -               | 14,236,522    |
| Total funds                         | \$ 14,236,522                               | \$ 6,073,145                             | \$ 5,283,396    | \$ 25,593,063 |

The Organization's disclosure of changes in endowment net assets for the fiscal year ended June 30, 2023 is as follows:

|   | Net Assets<br>Without Donor<br>Restrictions | Net Assets<br>With Donor<br>Restrictions | Agency<br>Funds | Total         |
|---|---|--|-----------------|---------------|
| Beginning of year                                       | \$ 13,175,009                               | \$ 3,394,103                             | \$ 5,155,815    | \$ 21,724,927 |
| Investment income                                       | 1,061,513                                   | 552,287                                  | 402,639         | 2,016,439     |
| Transfers to (from) donor<br>restricted endowment funds | -   | 2,500,000                                | -               | 2,500,000     |
| Appropriation of<br>endowment funds<br>for expenditure  | -   | (373,245)                                | (275,058)       | (648,303)     |
| End of year   | \$ 14,236,522                               | \$ 6,073,145                             | \$ 5,283,396    | \$ 25,593,063 |

*Continued*

## ARTSMEMPHIS

*Notes to Financial Statements  
June 30, 2023 and 2022*

### NOTE 7 - ENDOWMENT FUNDS – CONTINUED

The Organization's disclosure of its endowment net asset composition by type of fund as of June 30, 2022 is as follows:

|                                     | Net Assets<br>Without Donor<br>Restrictions | Net Assets<br>With Donor<br>Restrictions | Agency<br>Funds | Total         |
|-------------------------------------|---|--|-----------------|---------------|
| Donor-restricted<br>endowment funds | \$ -  | \$ 3,394,103                             | \$ 5,155,815    | \$ 8,549,918  |
| Board-designated<br>endowment funds | 13,175,009                                  | -  | -               | 13,175,009    |
| Total funds                         | \$ 13,175,009                               | \$ 3,394,103                             | \$ 5,155,815    | \$ 21,724,927 |

The Organization's disclosure of changes in endowment net assets for the fiscal year ended June 30, 2022 is as follows:

|   | Net Assets<br>Without Donor<br>Restrictions | Net Assets<br>With Donor<br>Restrictions | Agency<br>Funds | Total         |
|---|---|--|-----------------|---------------|
| Beginning of year                                       | \$ 4,507,378                                | \$ 11,589,859                            | \$ 5,884,484    | \$ 21,981,721 |
| Investment income                                       | (1,168,075)                                 | (310,247)                                | (445,473)       | (1,923,795)   |
| Transfers to (from) donor<br>restricted endowment funds | 10,116,144                                  | (7,621,759)                              | -               | 2,494,385     |
| Appropriation of<br>endowment funds<br>for expenditure  | (280,438)                                   | (263,750)                                | (283,196)       | (827,384)     |
| End of year   | \$ 13,175,009                               | \$ 3,394,103                             | \$ 5,155,815    | \$ 21,724,927 |

#### *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 the Organization to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are reported in net assets with donor restrictions. These deficiencies result from unfavorable market fluctuations that occur after the investment of permanently restricted contributions and/or continued appropriation for fees and previously approved budgeted expenditures. There were no such deficiencies as of June 30, 2023 and 2022.

*Continued*

## ARTSMEMPHIS

*Notes to Financial Statements  
June 30, 2023 and 2022*

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### **NOTE 7 - ENDOWMENT FUNDS – CONTINUED**

#### *Return objectives and risk parameters*

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce consistent long-term growth of capital without undue exposure to risk. The Organization expects its endowment funds, over time, to provide a return to match funds disbursed under the Organization's spending policy plus the rate of inflation.

#### *Strategies employed for achieving objectives*

To satisfy its long-term rate-of-return objectives, the Organization 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 Organization 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 relationship to investment objectives*

The Organization has a policy of annually appropriating a portion of its endowment fund to cover operating costs. In each of the fiscal years ended June 30, 2023 and 2022, this approved distribution was 5% of the rolling average of the unrestricted and permanently restricted funds over the prior three years, not all of which was distributed in fiscal year 2023 and 2022. The same percentage was appropriated to the organizations whose funds are held in the Organization's endowment. In establishing this spending policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow endowment growth. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through investment return. Additionally, a portion of temporarily restricted endowment funds are appropriated each year based on a schedule provided by the donor to fund capacity building grants for various arts organizations.

### **NOTE 8 - RETIREMENT PLAN**

Effective January 1, 2016 the Organization adopted the Adams Keegan Retirement Savings Plan, a multiple employer plan. Each employee may contribute a percentage of their annual compensation to the plan and the Organization will contribute an amount not less than the "safe harbor" matching contribution. The Organization's contributions to the plans were \$16,308 and \$13,165 for the years ended June 30, 2023 and 2022, respectively.



## ARTSMEMPHIS

Notes to Financial Statements  
June 30, 2023 and 2022

### NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes for the years ended June 30:

|                  | <u>2023</u>         | <u>2022</u>         |
|------------------|---------------------|---------------------|
| Grants           | \$ -                | \$ 2,415,458        |
| Endowment corpus | <u>6,073,145</u>    | <u>3,394,103</u>    |
|                  | <u>\$ 6,073,145</u> | <u>\$ 5,809,561</u> |

During the years ended June 30, 2023 and 2022, the Organization released certain restricted net assets for the purpose of program services and as part of a review of previously restricted assets.

### NOTE 10 - LEASES

The Organization has operating and finance leases for real estate and equipment. The Organization determines if an arrangement is a lease at the inception of a contract and recognizes operating lease expense on a straight-line basis over the lease term. Leases with an initial term of twelve months or less are not recorded on the statement of financial position and are expensed on a straight-line basis.

Right-of-use assets and lease liabilities as of June 30:

|                             | <u>2023</u>      | <u>2022</u>       |
|-----------------------------|------------------|-------------------|
| Right-of-use assets:        |                  |                   |
| Operating lease assets      | \$ 57,645        | \$ 120,468        |
| Finance lease obligation    | 26,436           | -                 |
| Lease liabilities:          |                  |                   |
| Current                     |                  |                   |
| Operating lease liabilities | 59,641           | 62,823            |
| Finance lease obligations   | 9,348            | -                 |
| Noncurrent                  |                  |                   |
| Operating lease liabilities | -                | 57,645            |
| Finance lease obligations   | <u>18,696</u>    | <u>-</u>          |
|                             | <u>\$ 87,685</u> | <u>\$ 120,468</u> |

Continued

23

## ARTSMEMPHIS

*Notes to Financial Statements  
June 30, 2023 and 2022*

### NOTE 10 - LEASES - CONTINUED

Operating expenses for the leasing activity of the Organization for the years ended June 30:

|                       | 2023      | 2022      |
|-----------------------|-----------|-----------|
| Operating lease cost  | 59,472    | 59,472    |
| Short-term lease cost | 19,907    | 12,322    |
| Total lease cost      | \$ 79,379 | \$ 71,794 |

The aggregate future lease payments below summarize the remaining future undiscounted cash flows for leases as of June 30, 2023, and a reconciliation to leases reported on the statement of financial position:

|                                  | Finance   | Operating | Total     |
|----------------------------------|-----------|-----------|-----------|
| 2024                             | \$ 9,348  | \$ 60,996 | \$ 70,344 |
| 2025                             | 9,348     | -         | 9,348     |
| 2026                             | 9,348     | -         | 9,348     |
|                                  | 28,044    | 60,996    | 89,040    |
| Less interest                    | (1,608)   | (1,355)   | (2,963)   |
| Present value of lease liability | \$ 26,436 | \$ 59,641 | \$ 86,077 |

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lease terms and discount rate at June 30, 2023 and 2022, were as follows:

|                              | 2023 | 2022 |
|------------------------------|------|------|
| Remaining lease term (years) |      |      |
| Operating leases             | 1    | 2    |
| Finance leases               | 3    | 1    |
| Discount rate                |      |      |
| Operating leases             | 4.1% | 4.1% |
| Finance leases               | 4.1% | 4.1% |

*Continued*

24

## ARTSMEMPHIS

*Notes to Financial Statements  
June 30, 2023 and 2022*

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### NOTE 10 - LEASES - CONTINUED

The following summarizes cash paid for lease liabilities and other non-cash information as of June 30:

|  | <u>2023</u> | <u>2022</u> |
|--|-------------|-------------|
| Cash paid for amounts included in the measurement of operating lease liability | \$ 59,472   | \$ 59,472   |
| Right-of-use assets obtained in exchange for operating lease obligations       | -           | 120,468     |
| Right-of-use assets obtained in exchange for finance lease obligations         | 26,436      | -           |

### NOTE 11 - RELATED PARTY

At June 30, 2023 and 2022, receivables totaling \$27,440 and \$23,187, respectively, were due from members of the Board of Directors and employees. For the years ended June 30, 2023 and 2022 approximately \$110,862 and \$151,946 in contributions were received from members of the Board of Directors and employees. All board members and employees made a financial contribution during these periods.

The Organization utilizes third-party investment management services to assist the Board of Directors in management of the Organization's investments. The Organization is invested in a fund managed by a firm that employs two members of the Organization's Board of Directors, neither of which is a member of the Board's Endowment Committee. Investment management services were obtained through a competitive award and negotiation process and, in the opinion of management, the services obtained were the most favorable to the organization.

The Organization made one donation to the National Civil Rights Museum of \$2,250 in which a board member of ARTSmemphis also serves as President of the National Civil Rights Museum.

### NOTE 12 - LIQUIDITY AND AVAILABILITY

The Organization regularly monitors liquidity required to meet needs and other financial commitments, while also striving to maximize the investment of its available funds. The Organization maintains a financial resources policy that outlines acceptable investment vehicles for working capital, which includes reserves to be spent in the short-term on current activities, donor restricted funds meant to be spent down over a relatively short period of time to fund programs, a \$225,000 operating reserve, and operating cash, which includes gifts without donor restrictions and with restriction or funds for operating needs. Per the policy, the Organization invests available cash needed for its general expenditures, liabilities, and other obligations in short-term investments, specifically interest bearing checking accounts, money market funds, and money market mutual funds.

## ARTSMEMPHIS

*Notes to Financial Statements  
June 30, 2023 and 2022*

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### NOTE 12 - LIQUIDITY AND AVAILABILITY - CONTINUED

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities to sustain Memphis' world-renowned cultural vitality and strengthen local communities through the arts, as well as the conduct of activities to support those service operations to be general expenditures. In addition to the financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient funds to cover general expenditures not covered by donor-restricted resources.

Financial assets for general expenditures available within one year from June 30 are as follows:

|  | <u>2023</u>              | <u>2022</u>              |
|--|--------------------------|--------------------------|
| Cash   | \$ 735,902               | \$ 1,442,478             |
| Unconditional promises to give, net  | 1,211,267                | 3,947,280                |
| Investments  | <u>25,593,063</u>        | <u>21,724,927</u>        |
| <br>Total financial assets   | <br>27,540,232           | <br>27,114,685           |
| <br>Less amounts unavailable for programming and<br>general expenditures within one year:        |                          |                          |
| Endowment funds restricted by donors<br>of a perpetual nature                                    | <u>(11,356,541)</u>      | <u>(8,549,918)</u>       |
| <br>Total financial assets available for programming<br>and general expenditures within one year | <br><u>\$ 16,183,691</u> | <br><u>\$ 18,564,767</u> |