

**ARTS & SCIENCE COUNCIL CHARLOTTE/MECKLENBURG, INC.**

**FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2022 AND 2021**



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**ARTS & SCIENCE COUNCIL CHARLOTTE/MECKLENBURG, INC.**  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Arts & Science Council Charlotte/Mecklenburg, Inc.  
Charlotte, North Carolina

### Report on the Audit of the Financial Statements

#### ***Opinion***

We have audited the accompanying financial statements of Arts & Science Council Charlotte/Mecklenburg, Inc. (ASC), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, 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 financial position of ASC as of June 30, 2022 and 2021, and the results of its operations 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of ASC 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 ASC's ability to continue as a going concern for one year after the date 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 auditors' 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 GAAS 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 GAAS, 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 ASC'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 ASC'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.

Board of Directors  
Arts & Science Council Charlotte/Mecklenburg, Inc.

***Emphasis of Matter***

We draw attention to the fact that as a result of net losses without donor restrictions for several years, ASC has a deficit in net assets without donor restrictions of \$693,030 and \$2,703,355 as of June 30, 2022 and 2021, respectively. As discussed more fully in Note 2, ASC has taken action designed to reduce the deficit in net assets with donor restrictions and to improve its cash flow and liquidity. Our opinion is not modified with respect to that matter.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Charlotte, North Carolina  
May 10, 2023

**ARTS & SCIENCE COUNCIL CHARLOTTE/MECKLENBURG, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Cash and Cash Equivalents:		
Operating Cash	\$ 1,654,664	\$ 904,885
Held for Public Art	3,491,906	3,258,483
Annual Campaign Contributions Receivable, Net	288,179	418,513
Grants and Other Receivables	312,460	759,178
Prepaid Expenses and Other Assets	65,717	3,960
Other Contributions Receivable	999,949	1,999,949
Beneficial Interests in Trust:		
Endowment Investments	26,573,419	30,731,842
Endowment Note Receivable	2,500,000	3,000,000
Property and Equipment, Net	<u>1,181,393</u>	<u>1,384,895</u>
Total Assets	<u><u>\$ 37,067,687</u></u>	<u><u>42,461,705</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 893,909	\$ 1,387,111
Payable to Designated Beneficiaries	991,423	1,991,422
Note Payable to Endowment	2,500,000	3,000,000
Deferred Support	2,294,043	2,292,192
Other Deferred Revenue	65,000	-
Deferred Lease Payments	563,621	602,426
Notes Payable	<u>-</u>	<u>610,310</u>
Total Liabilities	7,307,996	9,883,461
<b>NET ASSETS</b>		
Without Donor Restrictions:		
Undesignated	(693,030)	(2,703,355)
With Donor Restrictions:		
Annual Fund Drive Available for Subsequent Years' Operations	1,379,302	1,549,757
Restricted Endowments	<u>29,073,419</u>	<u>33,731,842</u>
Total With Donor Restrictions	<u>30,452,721</u>	<u>35,281,599</u>
Total Net Assets	<u>29,759,691</u>	<u>32,578,244</u>
Total Liabilities and Net Assets	<u><u>\$ 37,067,687</u></u>	<u><u>\$ 42,461,705</u></u>

See accompanying Notes to Financial Statements.

**ARTS & SCIENCE COUNCIL CHARLOTTE/MECKLENBURG, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>OPERATING REVENUE</b>			
Public Support:			
Fund Drive and General Contributions	\$ 31,739	\$ 1,359,486	\$ 1,391,225
Government Grants:			
City of Charlotte	1,617,061	-	1,617,061
Mecklenburg County	2,267,803	-	2,267,803
NC Arts Council	304,111	-	304,111
Other Municipalities	475,000	-	475,000
Public Art Funds	1,415,917	-	1,415,917
Forgiveness of Debt	610,310	-	610,310
Total Public Support	<u>6,721,941</u>	<u>1,359,486</u>	<u>8,081,427</u>
Allocation of Allowable Endowment Before Spending	1,311,017	-	1,311,017
Net Assets Released from Restriction	<u>1,529,941</u>	<u>(1,529,941)</u>	<u>-</u>
Total Operating Revenue	9,562,899	(170,455)	9,392,444
<b>OPERATING EXPENSES</b>			
Program Services Expense:			
Grants and Allocations	3,723,041	-	3,723,041
Public Art	1,593,426	-	1,593,426
Grant Support and Other Services	<u>896,057</u>	<u>-</u>	<u>896,057</u>
Total Program Services Expenses	6,212,524	-	6,212,524
Supporting Services Expense:			
General and Administrative	787,914	-	787,914
Fundraising	<u>819,153</u>	<u>-</u>	<u>819,153</u>
Total Supporting Services Expenses	<u>1,607,067</u>	<u>-</u>	<u>1,607,067</u>
Total Operating Expenses	<u>7,819,591</u>	<u>-</u>	<u>7,819,591</u>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	1,743,308	(170,455)	1,572,853
<b>OTHER CHANGES</b>			
Change in Beneficial Interest	-	(3,347,406)	(3,347,406)
Allocation of Allowable Endowment Balance for Spending	-	(1,311,017)	(1,311,017)
Rental Income	266,078	-	266,078
Investment Income	<u>939</u>	<u>-</u>	<u>939</u>
Total Other Changes	<u>267,017</u>	<u>(4,658,423)</u>	<u>(4,391,406)</u>
<b>CHANGE IN NET ASSETS</b>	2,010,325	(4,828,878)	(2,818,553)
Net Assets - Beginning of Year	<u>(2,703,355)</u>	<u>35,281,599</u>	<u>32,578,244</u>
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$ (693,030)</u></u>	<u><u>\$ 30,452,721</u></u>	<u><u>\$ 29,759,691</u></u>

See accompanying Notes to Financial Statements.

**ARTS & SCIENCE COUNCIL CHARLOTTE/MECKLENBURG, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>OPERATING REVENUE</b>			
Public Support:			
Fund Drive and General Contributions	\$ 409,449	\$ 1,549,757	\$ 1,959,206
Government Grants:			
City of Charlotte	4,348,823	-	4,348,823
Mecklenburg County	1,700,000	-	1,700,000
NC Arts Council	335,236	-	335,236
Other Municipalities	552,500	-	552,500
Public Art Funds	3,062,752	-	3,062,752
Total Public Support	10,408,760	1,549,757	11,958,517
Allocation of Allowable Endowment Before Spending	1,727,710	-	1,727,710
Net Assets Released from Restriction	2,877,070	(2,877,070)	-
Total Operating Revenue	15,013,540	(1,327,313)	13,686,227
<b>OPERATING EXPENSES</b>			
Program Services Expense:			
Grants and Allocations	7,663,840	-	7,663,840
Public Art	4,117,789	-	4,117,789
Grant Support and Other Services	1,381,977	-	1,381,977
Total Program Services Expenses	13,163,606	-	13,163,606
Supporting Services Expense:			
General and Administrative	711,165	-	711,165
Fundraising	680,942	-	680,942
Total Supporting Services Expenses	1,392,107	-	1,392,107
Total Operating Expenses	14,555,713	-	14,555,713
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	457,827	(1,327,313)	(869,486)
<b>OTHER CHANGES</b>			
Change in Beneficial Interest	-	7,434,962	7,434,962
Allocation of Allowable Endowment Balance for Spending	-	(1,727,710)	(1,727,710)
Investment Income	(3,701)	-	(3,701)
Total Other Changes	(3,701)	5,707,252	5,703,551
<b>CHANGE IN NET ASSETS</b>	454,126	4,379,939	4,834,065
Net Assets - Beginning of Year	(3,157,481)	30,901,660	27,744,179
<b>NET ASSETS - END OF YEAR</b>	<u>\$ (2,703,355)</u>	<u>\$ 35,281,599</u>	<u>\$ 32,578,244</u>

See accompanying Notes to Financial Statements.



**ARTS & SCIENCE COUNCIL CHARLOTTE/MECKLENBURG, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2022**

	Program Services				Supporting Services			Total
	Grants and Allocations	Public Art	Grant Support and Other Services	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	
Grants, Allocations, and Direct Expenses	\$ 3,391,494	\$ 800	\$ -	\$ 3,392,294	\$ -	\$ -	\$ -	\$ 3,392,294
Arts and Science Education	312,325	-	-	312,325	-	-	-	312,325
Indirect and Other Grant Expenses	19,222	152	-	19,374	280	375	655	20,029
Artist Contracts	-	1,256,712	-	1,256,712	-	-	-	1,256,712
Salaries	-	130,435	371,526	501,961	102,116	296,921	399,037	900,998
Payroll Taxes and Benefits	-	113,812	174,379	288,191	126,905	69,099	196,004	484,195
Promotions and Public Relations	-	11,612	42,392	54,004	3,600	7,598	11,198	65,202
Professional Fees and Contracted Services	-	-	16,048	16,048	88,177	1,950	90,127	106,175
Professional Development	-	-	1,099	1,099	11,610	1,008	12,618	13,717
Office Rent	-	35,452	111,729	147,181	140,397	102,135	242,532	389,713
Interest Expense	-	15,012	47,180	62,192	8,936	43,248	52,184	114,376
Depreciation	-	26,710	83,945	110,655	15,899	76,950	92,849	203,504
Technology	-	105	35,235	35,340	68,241	63,785	132,026	167,366
Office and Meetings	-	19	4,138	4,157	21,754	11,630	33,384	37,541
Dues and Subscriptions	-	1,630	96	1,726	2,500	1,750	4,250	5,976
Telephone	-	62	1,069	1,131	10,088	-	10,088	11,219
Processing Fees	-	913	6,221	7,134	187,391	46,905	234,296	241,430
Discretionary	-	-	1,000	1,000	-	-	-	1,000
Other	-	-	-	-	20	95,799	95,819	95,819
<b>Total Expenses by Function</b>	<b>\$ 3,723,041</b>	<b>\$ 1,593,426</b>	<b>\$ 896,057</b>	<b>\$ 6,212,524</b>	<b>\$ 787,914</b>	<b>\$ 819,153</b>	<b>\$ 1,607,067</b>	<b>\$ 7,819,591</b>

See accompanying Notes to Financial Statements.

**ARTS & SCIENCE COUNCIL CHARLOTTE/MECKLENBURG, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2021**

	Program Services				Supporting Services			Total
	Grants and Allocations	Public Art	Grant Support and Other Services	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	
Grants, Allocations, and								
Direct Expenses	\$ 7,605,606	\$ -	\$ -	\$ 7,605,606	\$ -	\$ -	\$ -	\$ 7,605,606
Arts and Science Education	22,492	800	-	23,292	-	-	-	23,292
Indirect and Other Grant Expenses	35,742	4,129	-	39,871	493	-	493	40,364
Artist Contracts	-	3,445,636	-	3,445,636	-	-	-	3,445,636
Salaries	-	347,921	676,389	1,024,310	353,709	302,159	655,868	1,680,178
Payroll Taxes and Benefits	-	87,053	143,406	230,459	96,345	98,783	195,128	425,587
Promotions and Public Relations	-	15,234	44,892	60,126	876	11,355	12,231	72,357
Professional Fees and Contracted								
Services	-	24,639	40,362	65,001	48,885	17,956	66,841	131,842
Professional Development	-	338	305	643	3,419	3,724	7,143	7,786
Office Rent	-	70,277	171,541	241,818	71,497	61,033	132,530	374,348
Interest Expense	-	30,142	58,577	88,719	30,666	26,178	56,844	145,563
Depreciation	-	46,046	89,485	135,531	46,846	39,990	86,836	222,367
Technology	-	35,863	123,785	159,648	35,496	37,105	72,601	232,249
Office and Meetings	-	1,322	1,913	3,235	4,551	1,807	6,358	9,593
Dues and Subscriptions	-	1,479	109	1,588	12,995	7,624	20,619	22,207
Telephone	-	2,933	5,338	8,271	2,233	1,906	4,139	12,410
Processing Fees	-	3,977	14,875	18,852	3,154	71,302	74,456	93,308
Discretionary	-	-	11,000	11,000	-	20	20	11,020
Total Expenses	<u>\$ 7,663,840</u>	<u>\$ 4,117,789</u>	<u>\$ 1,381,977</u>	<u>\$ 13,163,606</u>	<u>\$ 711,165</u>	<u>\$ 680,942</u>	<u>\$ 1,392,107</u>	<u>\$ 14,555,713</u>

See accompanying Notes to Financial Statements.

**ARTS & SCIENCE COUNCIL CHARLOTTE/MECKLENBURG, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (2,818,553)	\$ 4,834,065
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided by Operating Activities:		
Depreciation Expense	203,502	222,367
Change in Allowance for Uncollectible Contributions Receivable	(353,431)	(19,816)
Forgiveness of Note Payable	(610,310)	-
Change in Beneficial Interest	3,347,406	(7,434,962)
Allocation of Allowable Endowment Balance for Spending	1,311,017	1,727,710
Changes in Operating Assets and Liabilities:		
Annual Campaign Pledges Receivable	483,765	1,101,783
Grant and Other Receivables	446,718	1,224,974
Prepaid Expenses	(61,757)	84,666
Other Pledges Receivable	1,000,000	1,000,000
Endowment Receivable	-	750,000
Accounts Payable and Accrued Expenses	(493,202)	(987,626)
Payable to Designated Beneficiaries	(999,999)	(1,086,126)
Payable to Endowment	(500,000)	(250,000)
Deferred Support	1,851	35,119
Other Deferred Revenue	65,000	-
Deferred Lease	(38,805)	(30,032)
Net Cash Provided by Operating Activities	<u>983,202</u>	<u>1,172,122</u>
<b>NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>	983,202	1,172,122
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	<u>4,163,368</u>	<u>2,991,246</u>
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR</b>	<u><u>\$ 5,146,570</u></u>	<u><u>\$ 4,163,368</u></u>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS</b>		
Operating Cash	\$ 1,654,664	\$ 904,885
Held for Public Art	3,491,906	3,258,483
Total Cash and Cash Equivalents	<u><u>\$ 5,146,570</u></u>	<u><u>\$ 4,163,368</u></u>

See accompanying Notes to Financial Statements.

**ARTS & SCIENCE COUNCIL CHARLOTTE/MECKLENBURG, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization and Nature of Activities**

Arts & Science Council Charlotte/Mecklenburg, Inc. (ASC) is a nonprofit umbrella grants, services, and fundraising organization incorporated under the laws of North Carolina for the purpose of building appreciation, participation, and support for the arts, sciences, history, and heritage throughout the city of Charlotte and Mecklenburg County. ASC receives its support through contributions from the general public and government grants. Primary support for Public Art, a separate department within ASC's operations, comes from the city of Charlotte, Mecklenburg County, and the private sector. The majority of these funds are then distributed to organizations and artists for support of their programs.

**Basis of Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). 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 and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets that are not subject to donor-imposed restrictions and are currently available for use in the day-to-day operations of ASC and those resources invested in property and equipment. From time to time, the board of directors may designate certain amounts to be utilized or invested to meet specific objectives of ASC. There were no board-designated net assets as of June 30, 2022 or 2021.

*Net Assets With Donor Restrictions* – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of ASC or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. As of June 30, 2022 and 2021, ASC's net assets with donor restrictions include contributions to the annual fund drive that are available for subsequent years' operations and the endowment corpus and unspent endowment investment earnings.

Revenue is reported as increases in net assets without donor restrictions unless use of the related assets 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 with donor restrictions based on explicit donor stipulation or by law, or if no such restrictions exist, as net assets without donor restrictions. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as released from net assets with donor restrictions to net assets without donor restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period in which they are received as reported as net assets without donor restrictions.

**ARTS & SCIENCE COUNCIL CHARLOTTE/MECKLENBURG, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Public Support and Revenue**

Annual campaign contributions are generally available for unrestricted use in the related campaign year unless specifically restricted by the donor. Unconditional promises to give are recorded when the promise is made. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are recorded at the present value of their net realizable value, using risk-adjusted interest rates applicable to the years in which the contributions are received. Amortization of the resulting discount is taken into revenue as a contribution in subsequent years.

The majority of the promises to give are received from a broad base of contributors from the city of Charlotte and Mecklenburg County as a result of the campaigns. An allowance for uncollectible contributions receivable is provided based on management's evaluation of potential uncollectible contributions receivable at year-end.

Contributions received are recorded as net assets with or without donor restrictions depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are released to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. Conditional contributions with conditions met in the same reporting period in which they are received are reported as unconditional contributions.

Contributions of donated assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. There were no contributions of donated assets and services during the year ended June 30, 2022 or 2021. Contributions of donated assets and services are included in general contributions without donor restrictions on the statements of activities.

**Grants and Other Receivables**

Grant awards are evaluated by management and determined to be unconditional contributions, exchange transactions, or conditional contributions. If considered to be an unconditional contribution, revenue from grants is recorded upon notification of the award. If considered to be an exchange transaction, revenue from grants is recorded as expenses are incurred under the terms of the respective grant agreement. If considered to be a conditional contribution, revenue from grants is recorded at the time the conditions on which they depend have been met.

**ARTS & SCIENCE COUNCIL CHARLOTTE/MECKLENBURG, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Grants and Other Receivables (Continued)**

A portion of the Organization's revenue is from fee-for-service arrangements. Management recognizes revenue from fee-for-service arrangements as services are provided at a point in time. Fees collected in advance of the completion of these services are reported as unearned revenue on the statements of financial position. Revenue is recorded at the transaction price, which does not include any price concessions. Sponsorship revenue is recognized when the event is held. Sponsorships are billed when contracts are signed, as a result, the Organization records deferred revenue and accounts receivable for any amounts for which the Organization has a right to invoice for which the events have not been held.

Grants and other receivables consist primarily of receivables related to Public Art and other projects managed by ASC. Management has determined that no allowance for doubtful accounts is considered necessary for these receivables.

**Other Contributions Receivable and Payable to Designated Beneficiaries**

During the year ended June 30, 2011, ASC received \$15,000,000 in promises to give that were designated for other cultural organizations. Accordingly, as of June 30, 2022 and 2021, the remaining contributions receivable and amounts payable to the other cultural organizations of approximately \$1,000,000 and \$2,000,000, respectively, are shown in the accompanying statements of financial position as both an other contributions receivable and payable to designated beneficiaries. These transactions have no effect on changes in net assets in the accompanying statements of activities for the year ended June 30, 2022 and 2021 and, therefore, are not recorded at the present value of the future cash flows.

**Income Taxes**

ASC is exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code (IRC). In accordance with IRC regulations, ASC is taxed on unrelated business income, which consists of earnings from activities not related to the exempt purpose of ASC. ASC accounts for tax uncertainties based on a more likely than not recognition threshold whereby tax benefits are only recognized when ASC believes that they have a greater than 50% likelihood of being sustained upon examination by taxing authorities.

**Cash and Cash Equivalents**

Highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents except those cash equivalents maintained as part of the investment and endowment portfolio.

**ARTS & SCIENCE COUNCIL CHARLOTTE/MECKLENBURG, INC.**  
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**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Investments**

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued in the accompanying statements of financial position at their fair value. Fair value is determined by reference to exchange or dealer-quoted market prices. If a quoted market price is not available, fair value is estimated using quoted market prices for similar investment securities. Changes in the fair value of securities are reflected as investment income in the accompanying statements of activities.

**Beneficial Interest in Trust**

ASC recognizes contribution revenue from assets held by a recipient organization for the sole benefit of ASC (see Note 5).

**Property and Equipment, Net**

Property and equipment primarily include leasehold improvements, office furniture, technology equipment, and software, which are stated at cost for purchased items and at estimated fair value at the date received for donated items. ASC capitalizes expenditures in excess of \$500 with useful lives of one year or more. Depreciation expense is based on a straight-line method over the estimated life of the respective asset, ranging from two to five years and over the lease term for leasehold improvements. Property and equipment is presented net of accumulated depreciation of approximately \$425,000 and \$1,799,000 at June 30, 2022 and 2021, respectively.

**Deferred Support and Restricted Cash**

Certain grants and Public Art payments received or billed are not considered earned until expended for their stated purposes and, accordingly, are recorded as deferred income until such time. Consequently, cash and cash equivalents and certain receivables are considered restricted for use in satisfying the conditions of the grants. At June 30, 2022 and 2021, ASC is holding approximately \$3,492,000 and \$3,258,000, respectively, in a separate cash account for Public Art.

**Payable to Endowment**

As discussed in Note 7, endowment funds are subject to appropriation using a board-approved annual spending rate of up to a maximum of 4% of the average fair value over the prior 12 quarters through the calendar year preceding the fiscal year in which the appropriation is planned. In addition to the appropriation, the board of the ASC approved a loan from the endowment in an amount not to exceed \$3,500,000 that is to be repaid with interest at 4.5% over a seven-year period beginning December 31, 2020. Accordingly, the amount payable on the endowment loan is \$2,500,000 and \$3,000,000 as of June 30, 2022 and 2021, respectively.

**ARTS & SCIENCE COUNCIL CHARLOTTE/MECKLENBURG, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Functional Allocation of Expenses**

The costs of providing the various programs and activities have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Expenses are allocated based on time and effort with the exception of grants, allocations, and directed expenses, arts and science education, payments to organizations, and artist contracts, which are allocated directly.

**Use of Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Future Pronouncements**

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classifications affecting the pattern of expense recognition in the statement of activities. The new standard is effective for fiscal years beginning after December 15, 2021. This update will be effective for ASC's fiscal year 2023. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative. Management is currently evaluating the impact of this standard on ASC's financial statements.

**Subsequent Events**

ASC has evaluated subsequent events through May 10, 2023, which is the date the financial statements were available to be issued.



**ARTS & SCIENCE COUNCIL CHARLOTTE/MECKLENBURG, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 2 LIQUIDITY AND AVAILABILITY OF RESOURCES**

The table below represents financial assets available for general expenditures within one year at June 30:

	<u>2022</u>	<u>2021</u>
Operating Cash	\$ 1,654,664	\$ 904,885
Cash Held for Public Art	3,491,906	3,258,483
Annual Campaign Contributions Receivable, Net	288,179	418,513
Grants and Other Receivables	<u>312,460</u>	<u>759,178</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	5,747,209	5,341,059
Less: Amounts not Available to be Used for General Expenditures Within One Year Restricted for Public Art	<u>2,294,043</u>	<u>2,292,192</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u><u>\$ 3,453,166</u></u>	<u><u>\$ 3,048,867</u></u>

As part of ASC's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, including the subsequent year's operating grants, liabilities, and other obligations become due. The operating reserve fund referred to in the above table consists of short-term investments and money market funds held at Foundation for the Carolinas (FFTC).

Due to operating losses in several prior years, ASC experienced decreases in its net assets without donor restrictions. Consequently, ASC has a deficit in net assets without donor restrictions of approximately \$693,000 and \$2,703,000 at June 30, 2022 and 2021, respectively. As discussed in Note 7, endowment funds are subject to appropriation using a board-approved annual spending rate of up to a maximum of 4% of the average fair value over the prior 12 quarters through the calendar year preceding the fiscal year in which the appropriation is planned. To help offset the liquidity impact of the operating losses and deficit in net assets without restrictions referred to above, the board of ASC approved an additional spend of \$1.5 million from the endowment reserves and accumulated gains that is reflected as operating revenue for the year ending June 30, 2020. As discussed in Note 7, the ASC received a loan from the endowment in an amount not to exceed \$3,500,000 that is to be repaid with interest at 4.5% over a seven-year period beginning December 31, 2020. As of June 30, 2022 and 2021, the amount payable on the endowment loan is \$2,500,000 and \$3,000,000, respectively.

In an effort to reduce the decrease in net assets, ASC is pursuing new and additional funding from private organizations. During the year ended June 30, 2022, ASC entered into a sublease contract with an organization for the ASC's office space at Packard Place. See further discussion in Note 8.

**ARTS & SCIENCE COUNCIL CHARLOTTE/MECKLENBURG, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 3 ANNUAL CAMPAIGN CONTRIBUTIONS RECEIVABLE, NET**

Annual campaign contributions receivable are summarized as follows as of June 30:

	2022	2021
Total Annual Campaign Contributions Receivable	\$ 411,717	\$ 895,482
Less: Allowance for Uncollectible Contributions Receivable	(123,538)	(476,969)
Net Annual Campaign Contributions Receivable	<u>\$ 288,179</u>	<u>\$ 418,513</u>

All annual campaign contributions receivable are current; consequently, such receivables are not discounted to present value. Revenues from the annual campaign promises to give of approximately \$1,357,000 and \$1,550,000 for the years ended June 30, 2022 and 2021, respectively, are recorded as with donor restrictions within fund drive and general contributions on the accompanying statements of activities in the year the campaign is conducted since the revenues are restricted for the next fiscal year's operations.

**NOTE 4 PROPERTY AND EQUIPMENT, NET**

Major classes of property and equipment consist of the following as of June 30:

	2022	2021
Leasehold Improvements	\$ 1,564,480	\$ 1,564,480
Equipment	42,185	1,619,775
Total Depreciable Assets	1,606,665	3,184,255
Less: Accumulated Depreciation	(425,272)	(1,799,360)
Property and Equipment, Net	<u>\$ 1,181,393</u>	<u>\$ 1,384,895</u>

**NOTE 5 BENEFICIAL INTEREST IN TRUST**

The Greater Charlotte Cultural Trust (the Trust) is a supporting organization of ASC and FFTC under Section 509(a)(3) of the IRC. The Trust is a separate legal entity with its own board of directors which oversees endowment administration, evaluates planned giving opportunities, and makes investment decisions. FFTC, a nonprofit organization that serves donors, communities, and a broad range of charitable purposes in North and South Carolina, provides investment and administrative services for the Trust. ASC and other cultural partners with beneficial interests in the endowment held at the Trust receive distributions from the Trust in accordance with the spending policies described in Note 7.

ASC has coordinated endowment campaigns to support the local arts community. Under agreement with ASC, endowment contributors could restrict pledges directly to ASC or cultural partners. As a result, the Trust maintains and manages endowment assets, including pledges receivable and investments, for the benefit of ASC and its cultural partners. Beneficial interest assets as of June 30, 2022 and 2021, representing ASC's interests in the Trust, are reflected in the accompanying statement of financial position as endowment investments.

**ARTS & SCIENCE COUNCIL CHARLOTTE/MECKLENBURG, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 5 BENEFICIAL INTEREST IN TRUST (CONTINUED)**

The Trust is administered by FFTC, which maintains the Trust's investments with various broker-dealers. The Trust invests in a variety of investments, which are subject to fluctuations in values and expose the Trust to a certain degree of interest and credit risk. The underlying pooled investments held by the Trust are summarized in Notes 5 and 6.

The pooled funds include investments in fund managers that invest in private investment funds and alternative investments as part of the asset allocation, as an alternative investment strategy with the purpose of increasing the diversity of the holdings and being consistent with the overall investment objectives. These investments are not traded on an exchange, and accordingly, may not be as liquid as investments in marketable equity or debt securities. These investment funds may invest in other private investment funds, equity or debt securities, which may or may not have readily available fair values, and foreign exchange or commodity forward contracts.

Management of the Trust receives the estimate of fair value of these investments from managers and relies on various factors, processes, and procedures to determine if the estimate of value is reasonable. However, information used by the Trust and by management is subject to change in the near term, and, accordingly, investment values and performance can be affected. The effect of these changes could be material to the accompanying financial statements.

The following schedule summarizes the change in beneficial interest and its classification in the accompanying statements of activities for the years ended June 30:

	2022	2021
Change in Beneficial Interest	\$ (3,347,406)	\$ 7,434,962
Allocation of Allowable Endowment Balance for Spending	(1,311,017)	(1,727,710)
Net Change in Beneficial Interest	<u>\$ (4,658,423)</u>	<u>\$ 5,707,252</u>

**NOTE 6 FAIR VALUE MEASUREMENTS OF ASSETS AND LIABILITIES**

In accordance with guidance on fair value measurements for financial instruments measured at fair value, fair value is defined as the price that ASC would receive to sell an investment or pay to transfer a liability in a timely transaction with an independent buyer in the principal market, or in the absence of a principal market, the most advantageous market for the investment or liability. The fair value guidance establishes hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value into three levels based on inputs that market participants would use to value an asset or liability. The inputs are summarized in the three levels listed below:

*Level 1* – Quoted prices in active markets that are accessible at the measurement date for identical securities.

**ARTS & SCIENCE COUNCIL CHARLOTTE/MECKLENBURG, INC.**  
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**NOTE 6 FAIR VALUE MEASUREMENTS OF ASSETS AND LIABILITIES (CONTINUED)**

*Level 2* – Financial instruments valued using inputs that include quoted prices for similar assets and liabilities in active markets, inputs that are derived from investment manager reporting or corroborated by an independent investment advisor, and inputs obtained from comparison with benchmarks for similar assets for substantially the full term of the financial instrument.

*Level 3* – Prices or valuations that require using significant unobservable inputs in determining fair value. The inputs into the determination of fair value require significant judgment or estimation by the investment manager. The investment manager uses either the market approach, which generally consists of using comparable market transactions, or the income approach which generally consists of the net present value of estimated future cash flows, adjusted as appropriate for liquidity, credit, market, and/or other risk factors.

The following tables summarize the valuation of ASC's investments measured at fair value on a recurring basis as of June 30, based on the level of input utilized to measure fair value.

2022				
	Level 1	Level 2	Level 3	Total
Common Stock	\$ 2,809	\$ -	\$ -	\$ 2,809
Beneficial Interest in Trust	-	-	26,573,419	26,573,419
Total	<u>\$ 2,809</u>	<u>\$ -</u>	<u>\$ 26,573,419</u>	<u>\$ 26,576,228</u>

  

2021				
	Level 1	Level 2	Level 3	Total
Common Stock	\$ 2,822	\$ -	\$ -	\$ 2,822
Beneficial Interest in Trust	-	-	30,731,842	30,731,842
Total	<u>\$ 2,822</u>	<u>\$ -</u>	<u>\$ 30,731,842</u>	<u>\$ 30,734,664</u>

ASC's endowment investment held at FFTC is considered by ASC to be a Level 3 asset because it represents a receivable to be paid from various pooled investments managed by FFTC. ASC has no ownership interest in those underlying investments. However, the fair value of those investments is used by management of FFTC to determine the fair value of the payable to the ASC. The following is an approximated allocation of the underlying investments that comprise the interest in pooled investments held at FFTC as of June 30:

	2022	2021
Level 1	69%	79%
Level 2	6%	2%
Level 3	25%	19%
Total	<u>100%</u>	<u>100%</u>

**ARTS & SCIENCE COUNCIL CHARLOTTE/MECKLENBURG, INC.**  
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**NOTE 6 FAIR VALUE MEASUREMENTS OF ASSETS AND LIABILITIES (CONTINUED)**

For the asset measured at fair value on a recurring basis using Level 3 valuations during the period, the following table provides a reconciliation of beginning and ending balances for the years ended June 30:

	2022	2021
Balance - Beginning of Year	\$ 30,731,842	\$ 24,774,590
Change in Beneficial Interest	(3,347,406)	7,434,962
Payment on Endowment Note Receivable	500,000	250,000
Allocation of Allowable Endowment Balance for Spending	(1,311,017)	(1,727,710)
Balance - End of Year	<u>\$ 26,573,419</u>	<u>\$ 30,731,842</u>

**NOTE 7 ENDOWMENT FUNDS**

ASC's endowment consists of 20 individual funds established for a variety of purposes that are invested at the Trust. The endowment consists only of donor-restricted endowment funds. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The board of directors of ASC has interpreted current law, Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulation to the contrary. As a result of the interpretation, ASC classifies as donor-restricted net assets (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by ASC in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, ASC 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 ASC 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 ASC
- The investment policies of ASC

**ARTS & SCIENCE COUNCIL CHARLOTTE/MECKLENBURG, INC.**  
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**NOTE 7 ENDOWMENT FUNDS (CONTINUED)**

Endowment net asset composition by type of fund for the endowment investments as of June 30 are listed below.

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds:			
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	\$ -	\$ 27,946,761	\$ 27,946,761
Accumulated Investment Losses	-	(1,373,342)	(1,373,342)
Endowment Net Assets - End of Year	<u>\$ -</u>	<u>\$ 26,573,419</u>	<u>\$ 26,573,419</u>
	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds:			
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	\$ -	\$ 27,929,865	\$ 27,929,865
Accumulated Investment Gains	-	2,801,977	2,801,977
Endowment Net Assets - End of Year	<u>\$ -</u>	<u>\$ 30,731,842</u>	<u>\$ 30,731,842</u>

**Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the amount recorded by ASC as permanently restricted net assets (corpus). Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in net assets with donor restrictions.

**Endowment Note Receivable**

In December 2019, ASC entered into a promissory note with FFTC for an amount up to \$3,500,000 from the endowment funds to be repaid over a seven-year period from December 2020 through December 2026 at an interest rate of 4.5%. As the amounts received were from ASC's endowment there is an endowment note receivable as of June 30, 2022 and 2021 of \$2,500,000 and \$3,000,000, respectively, and a corresponding note payable to endowment as of June 30, 2022 and 2021 of \$2,500,000 and \$3,000,000, respectively.

**ARTS & SCIENCE COUNCIL CHARLOTTE/MECKLENBURG, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 7    ENDOWMENT FUNDS (CONTINUED)**

**Endowment Note Receivable (Continued)**

Scheduled payments to the endowment for years subsequent to June 30, 2022 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$    500,000
2024	500,000
2025	500,000
2026	500,000
2027	500,000
Total	<u>\$   2,500,000</u>

**Return Objectives and Risk Parameters**

FFTC administers the endowed funds of the Trust. The board of directors of the Trust and ultimately ASC have adopted investment and spending policies for endowment assets that attempt to provide for a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, the endowment assets are invested in a manner that is intended to produce results that provide an average annual real rate of return, net of fees, equal to or greater than spending, administrative fees, and inflation (Consumer Price Index). Actual returns in any given year may vary from this amount.

**Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objectives, the Trust 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). Accordingly, the Trust has adopted the following investment allocation guidelines:

Equities:	
Large Cap	32.5 %
Small Cap	5.0
International	20.0
Fixed Income	17.5
Real Assets	5.0
Private Investment Funds	20.0
Total	<u>100.0 %</u>

**ARTS & SCIENCE COUNCIL CHARLOTTE/MECKLENBURG, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 7    ENDOWMENT FUNDS (CONTINUED)**

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

The Trust has a policy of appropriating for distribution each year up to a maximum of 4% of the average fair value over the prior 12 quarters through the calendar year preceding the fiscal year in which the distribution is planned. The policy will be evaluated on an annual basis for prudence. In establishing the spending policy, the expected return on the endowment was taken into consideration. Accordingly, the spending policy is expected to allow the endowment to maintain its purchasing power by growing at a rate equal to planned payouts. Additional real growth will be provided through new gifts and any excess investment return. As discussed in Note 2, amounts above the spending policy were withdrawn during the year ended June 30, 2020.

Changes in the investment portion of the endowment net assets for the year ended are as follows as of June 30:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Net Assets - June 30, 2020	\$ -	\$ 24,774,590	\$ 24,774,590
Investment Return	-	7,434,962	7,434,962
Endowment Note Receivable		250,000	250,000
Allocation of Allowable Endowment Balance for Spending	<u>-</u>	<u>(1,727,710)</u>	<u>(1,727,710)</u>
Endowment Net Assets - June 30, 2021	<u>\$ -</u>	<u>\$ 30,731,842</u>	<u>\$ 30,731,842</u>

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Net Assets - June 30, 2021	\$ -	\$ 30,731,842	\$ 30,731,842
Investment Return	-	(3,347,406)	(3,347,406)
Endowment Note Receivable	-	500,000	500,000
Allocation of Allowable Endowment Balance for Spending	<u>-</u>	<u>(1,311,017)</u>	<u>(1,311,017)</u>
Endowment Net Assets - June 30, 2022	<u>\$ -</u>	<u>\$ 26,573,419</u>	<u>\$ 26,573,419</u>



**ARTS & SCIENCE COUNCIL CHARLOTTE/MECKLENBURG, INC.**  
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**NOTE 8 LEASE COMMITMENTS**

On October 1, 2019, ASC entered into a new office facility operating lease with an expiration date of September 30, 2029. Under the lease agreement lease payments are offset by the application of a rent credit amount for improvements made to the building by lessee. These amounts are recorded by ASC as leasehold improvements. The lease agreement contains escalating lease payments ranging from approximately \$28,600 to \$35,800. ASC recognizes lease expense, net of the rent credit amounts, on a straight-line basis over the life of the lease. The straight-lining of the lease payments create a deferred lease payments liability. At June 30, 2022 and 2021, the deferred lease payments were approximately \$564,000 and \$602,000, respectively. On September 28, 2021, ASC entered into a lease arrangement with an organization to sublease this office facility operating lease. The sublease lasts until September 30, 2029 and includes escalating lease payments ranging from \$28,284 to \$34,201.

On October 1, 2021, ASC entered into a new office facility operating lease with a commitment term of 12 months. Under the lease agreement, they pay \$7,590 a month which is recognized on a straight-line basis over the life of the lease.

Office rent expense were approximately \$377,000 and \$374,000 for the years ended June 30, 2022 and 2021, respectively.

ASC leases certain equipment under operating lease agreements providing for monthly payments between \$376 through \$724 expiring at various times through November 2026. Total rent expense for these leases were approximately \$30,000 and \$9,000 for the years ended June 30, 2022 and 2021, respectively.

Approximate future minimum lease payments, including the lease entered into are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 470,844
2024	484,212
2025	417,251
2026	396,483
2027	406,371
Thereafter	950,854
Total	<u><u>\$ 3,126,015</u></u>

**NOTE 9 RETIREMENT SAVINGS PLAN**

ASC has established a 401(k) plan account as part of a multiemployer plan through ADP Total Source. A safe harbor contribution of 3% of eligible participants' compensation is made along with an employer match of \$.50 for every \$1 contributed by the employee up to 3% of employee compensation. ASC's contributions to the 401(k) plan were approximately \$18,000 for both the years ended June 30, 2022 and 2021.

**ARTS & SCIENCE COUNCIL CHARLOTTE/MECKLENBURG, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 10 CONCENTRATIONS OF CREDIT RISK**

ASC places its cash and cash equivalents on deposit with financial institutions in the United States of America. The Federal Deposit Insurance Corporation provides insurance up to \$250,000 on substantially all depository accounts. ASC from time to time may have had amounts on deposit in excess of the insured limits.

Donor contributions allow ASC to fulfill its mission to build appreciation, participation, and support for the arts, sciences, history, and heritage throughout Charlotte/Mecklenburg. ASC has recognized unconditional promises to give from donors in future years. Ultimately, realization of these amounts is influenced by economic conditions of the areas in which these residents reside.

A substantial portion of the annual campaign revenue (approximately 31.5% and 47.8% for the 2022 and 2021 campaigns, respectively) is derived from four large Charlotte area employers and their employees.

**NOTE 11 NOTES PAYABLE**

In May 2020, ASC entered into a new unsecured promissory note, (PPP Loan) with a lender in the amount of \$610,310 under the Paycheck Protection Program (PPP) established by section 1102 of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and as implemented and administered by the U.S. Small Business Administration (SBA). Under the terms of the agreement, the PPP Loan bore an interest rate of 1.0% and was to be repaid in monthly installments through February 2023. Under the PPP, all or a portion of the loan may be forgiven. In November 2021, ASC received notification from its bank that the PPP Loan forgiveness application was approved by the SBA and the full loan amount was forgiven. The amount forgiven was recognized as forgiveness of debt revenue by ASC in the accompanying statement of activities for the year ending June 30, 2022.

The SBA may review funding eligibility and usage of funds in compliance with the program based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty, however, management is in of the opinion than any review will not have a material adverse impact on ASC's financial position.

**NOTE 12 RISK AND UNCERTAINTIES**

In March 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The continued spread of COVID-19, or any similar outbreaks in the future, may adversely impact the local, regional, national, and global economies. The extent to which COVID-19 impacts ASC's results are dependent on the breadth and duration of the pandemic and could be affected by other factors currently unable to be predicted. These impacts may include, but are not limited to additional costs for emergency preparedness or loss of revenue due to reductions in certain revenue streams. Management believes ASC is taking appropriate actions to mitigate the negative impact. However, the full impact is unknown and cannot be reasonably estimated at this time.