



AUDITED
FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

ASSEMBLY FOR THE ARTS

SECTION 1 - INDEX

JUNE 30, 2021

(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2020)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Assembly for the Arts

Report on the Financial Statements

We have audited the accompanying financial statements of Assembly for the Arts (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Assembly for the Arts as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report of Summarized Comparative Information

We have previously audited Assembly for the Arts' 2020 financial statements, and we have expressed an unmodified audit opinion on those audited financial statements in our report dated January 15, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statement from which it has been derived.

Other Matters*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations* (CFR) part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2022, on our consideration of Assembly for the Arts' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Assembly for the Arts' internal control over financial reporting and compliance.

Linc. Malachuk & Dennis, Inc.

Akron, Ohio

February 18, 2022

ASSEMBLY FOR THE ARTS

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2021

(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2020)

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	2021	2020
ASSETS				
Cash and Cash Equivalents	\$ 207,347	\$ 674,393	\$ 881,740	\$ 553,574
Grants Receivable	16,881	227,065	243,946	190,847
Investments	866,696	-	866,696	744,367
Property & Equipment	-	-	-	2,349
TOTAL ASSETS	\$ 1,090,924	\$ 901,458	\$ 1,992,382	\$ 1,491,137
LIABILITIES AND NET ASSETS				
Accounts Payable	\$ 19,690	\$ -	\$ 19,690	\$ 41,582
Accrued Vacation	10,041	-	10,041	12,096
Refundable Advance - PPP	73,705	-	73,705	85,400
TOTAL LIABILITIES	103,436	-	103,436	139,078
NET ASSETS				
Without Donor Restrictions:				
Undesignated	120,792	-	120,792	291,435
Board-Designated	866,696	-	866,696	744,367
	<u>987,488</u>	<u>-</u>	<u>987,488</u>	<u>1,035,802</u>
With Donor Restrictions	-	901,458	901,458	316,257
TOTAL NET ASSETS	<u>987,488</u>	<u>901,458</u>	<u>1,888,946</u>	<u>1,352,059</u>
TOTAL LIABILITIES & NET ASSETS	\$ 1,090,924	\$ 901,458	\$ 1,992,382	\$ 1,491,137

See accompanying notes.

ASSEMBLY FOR THE ARTS

STATEMENTS OF ACTIVITIES

YEAR ENDED JUNE 30, 2021
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2020)

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	2021	2020
SUPPORT				
Grant - CARES	\$ 1,500,000	\$ -	\$ 1,500,000	\$ -
Grants - Other	340,063	936,483	1,276,546	787,313
Grants - COVID Relief Funding	85,400	-	85,400	-
Contributions	17,959	-	17,959	41,921
Net Assets Released from Restrictions	351,282	(351,282)	-	-
Total Support	<u>2,294,704</u>	<u>585,201</u>	<u>2,879,905</u>	<u>829,234</u>
REVENUE				
Fiscal Sponsorship Fees	9,683	-	9,683	18,191
Other Income	8,883	-	8,883	18,901
Investment Income	1,042	-	1,042	4,065
Total Revenue	<u>19,608</u>	<u>-</u>	<u>19,608</u>	<u>41,157</u>
TOTAL SUPPORT AND REVENUE	2,314,312	585,201	2,899,513	870,391
EXPENSES				
Program Services	2,039,624	-	2,039,624	699,437
Management & General	69,372	-	69,372	95,006
Fundraising	76,913	-	76,913	75,431
Ballot Initiatives	-	-	-	70,000
TOTAL EXPENSES	2,185,909	-	2,185,909	939,874
Change in Net Assets from Operating Activities	128,403	585,201	713,604	(69,483)
NON-OPERATING ACTIVITIES				
Investment Income - Board-Designated	122,329	-	122,329	21,596
Structural Partnership	(299,046)	-	(299,046)	-
	<u>(176,717)</u>	<u>-</u>	<u>(176,717)</u>	<u>21,596</u>
Change in Net Assets	(48,314)	585,201	536,887	(47,887)
Net Assets – Beginning	<u>1,035,802</u>	<u>316,257</u>	<u>1,352,059</u>	<u>1,399,946</u>
Net Assets – Ending	<u>\$ 987,488</u>	<u>\$ 901,458</u>	<u>\$ 1,888,946</u>	<u>\$ 1,352,059</u>

See accompanying notes.

ASSEMBLY FOR THE ARTS

STATEMENTS OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2020)

EXPENSES	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	2021	2020
CARES Grants:					
Individual	\$ 813,190	\$ -	\$ -	\$ 813,190	\$ -
Business	644,879	-	-	644,879	-
Gift Card Stipend	6,000	-	-	6,000	-
Interest Payment	558	-	-	558	-
Total Grants	<u>1,464,627</u>	<u>-</u>	<u>-</u>	<u>1,464,627</u>	<u>-</u>
Personnel Costs	334,306	40,959	67,056	442,321	481,674
Fiscal Sponsorship Grants	129,960	-	-	129,960	105,734
Professional Fees - Consulting	49,957	-	-	49,957	134,751
Occupancy	19,716	2,416	3,955	26,087	26,686
Accounting, Audit & Banking Fees	-	16,407	-	16,407	19,072
Web Hosting	9,236	1,131	1,853	12,220	10,562
Equipment Rental	7,841	961	1,573	10,375	3,534
Advertising and Marketing	4,850	4,075	-	8,925	2,994
Telephone	4,181	512	839	5,532	5,649
Legal Fees	4,674	-	-	4,674	21,713
Insurance	1,910	1,909	-	3,819	3,836
Office Supplies and Miscellaneous	2,471	303	495	3,269	25,118
Depreciation	1,775	218	356	2,349	2,564
Printing	1,713	210	343	2,266	2,052
Catering and Hospitality	1,180	145	236	1,561	1,821
Postage and Shipping	1,031	126	207	1,364	752
Lodging and Travel	196	-	-	196	12,844
Professional Development	-	-	-	-	7,215
Other Grants	-	-	-	-	743
Professional Fees - Research	-	-	-	-	560
TOTAL OPERATING EXPENSES	<u>2,039,624</u>	<u>69,372</u>	<u>76,913</u>	<u>2,185,909</u>	<u>869,874</u>
Ballot Initiative Contributions	-	-	-	-	70,000
TOTAL EXPENSES	<u>\$ 2,039,624</u>	<u>\$ 69,372</u>	<u>\$ 76,913</u>	<u>\$ 2,185,909</u>	<u>\$ 939,874</u>

See accompanying notes.

ASSEMBLY FOR THE ARTS

STATEMENTS OF CASH FLOWS

YEAR ENDED JUNE 30, 2021
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2020)

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 536,887	\$ (47,887)
Adjustments to Reconcile Change in Net Assets to Cash Provided by (Used by) Operating Activities:		
Depreciation	2,349	2,564
Reinvested Gains, Net	(7,180)	(11,083)
Unrealized Gain	(115,149)	(10,513)
Changes in Operating Assets and Liabilities:		
Receivables	(53,099)	(100,517)
Prepaid Expenses & Other	-	2,652
Accounts Payable	(21,892)	32,599
Fiscal Sponsorship Payable	-	(40,238)
Accrued Vacation	(2,055)	1,344
Refundable Advance - PPP	(11,695)	85,400
	<u>(208,721)</u>	<u>(37,792)</u>
Net Cash Provided by (Used by) Operating Activities	328,166	(85,679)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	328,166	(85,679)
CASH AND CASH EQUIVALENTS - Beginning	<u>553,574</u>	<u>639,253</u>
CASH AND CASH EQUIVALENTS - Ending	<u>\$ 881,740</u>	<u>\$ 553,574</u>

See accompanying notes.

ASSEMBLY FOR THE ARTS

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

1. NATURE OF ORGANIZATION

Assembly for the Arts (formerly Arts Cleveland) is a 501(c)3 nonprofit organization with a focus on advocacy, cultural policy, racial equity initiatives, research, marketing that elevates the region, and services for nonprofits, artists, and creative businesses. Assembly's dual goals are to expand resources and increase equity within Cleveland's arts and culture industries. It is governed by a volunteer board with a strong commitment to diversity and inclusion. More than 50% of Assembly for the Arts board members are women or non-binary people and more than 40% are BIPOC (Black, Indigenous, People of Color). Assembly by design operates in close partnership with Cuyahoga Arts & Culture, a government agency and Assembly for Action, a 501(c)4 political action nonprofit to serve the entire creative sector.

Mission

To convene, coordinate, and collaborate with everyone who lives and works in Greater Cleveland to strengthen and support those in the region who create, present, experience and appreciate all forms of arts and culture.

Vision

To ensure that everyone who lives and works in Greater Cleveland benefits from a diverse and equitable arts and cultural sector, and recognizes that the arts are an essential, defining element in the quality of life, social fabric, and economic vitality of the region.

Values

- **Mutual Respect and Unity.** Build a unified cultural community that supports and advocates for artists, nonprofit cultural organizations, and creative businesses, encouraging this collective to work together, using the power of the arts, to drive change in greater Cleveland.
- **Inclusion and Racial Equity.** Redress systemic racism through building an anti-racist organization that serves artists, business owners and nonprofit leaders, helping them move to action to create a more equitable arts community; this includes advocating for more equitable funding to BIPOC artists and organizations and removing perceived and real barriers that currently limit all residents from participation.
- **Transparency and Trust.** Collaboration is built on a shared vision that supersedes the limits of individual and organizational self-interest.
- **Collaborative Leadership.** Resources must be strategically, equitability and efficiently connected.
- **Adaptability and Agility.** Vitality hinges on an ability to creatively evolve and adapt to changing environmental circumstances.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The financial statements of Assembly for the Arts have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

ASSEMBLY FOR THE ARTS

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Assembly for the Arts classifies its net assets and revenues, expenses, gains and losses on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of Assembly for the Arts and changes therein are classified as follows:

Net assets without donor restrictions: Net assets are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of Assembly for the Arts. Assembly for the Arts board may designate assets without restrictions for specific operational purposes from time to time.

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 Assembly for the Arts or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. Assembly for the Arts considers all funds received for fiscal sponsored projects (FSP) to be with donor restrictions.

SUMMARIZED FINANCIAL INFORMATION

The financial statements include certain prior year summarized comparative information in total but not by net asset category. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Assembly for the Arts' financial statements for the year ended June 30, 2020, from which the summarized information was derived.

Certain amounts in the prior-year summarized comparative information have been reclassified to be consistent with the presentation in the current-year financial statements. These classifications had no impact on changes in net assets as previously presented.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS/CONCENTRATION OF RISK

Cash accounts at each institution are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 for all combined deposits at the same bank. Assembly for the Arts has not experienced losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents. Cash equivalents are highly liquid investments with an original maturity of three months or less at the date of purchase. Because of the short maturity of these financial instruments, the carrying value approximates the fair value.

Assembly for the Arts also invests funds in a professionally managed portfolio that contains various securities detailed in certain footnotes. Such investments are exposed to various risks, such as fluctuations in market value and credit risk. The investment balances reported in the accompanying financial statements may not be reflective of the portfolio's value during subsequent periods.

RECEIVABLES AND CREDIT POLICIES

Receivables are stated at the amounts management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to expense and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Management evaluated receivables as of June 30, 2021 and has determined that an allowance for doubtful accounts is immaterial to these financial statements.

ASSEMBLY FOR THE ARTS

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). Assembly for the Arts groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

- | | |
|---------|--|
| Level 1 | Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date. |
| Level 2 | Other observable inputs, either directly or indirectly, including: <ul style="list-style-type: none"> • Quoted prices for similar assets/liabilities in active markets; • Quoted prices for identical or similar assets in non-active markets; • Inputs other than quoted prices that are observable for the asset/liability; and, • Inputs that are derived principally from or corroborated by other observable market data. |
| Level 3 | Unobservable inputs that cannot be corroborated by observable market data. |

PROPERTY AND EQUIPMENT

Costs of property and equipment are charged against income over their estimated useful lives using straight line methods for both federal and financial reporting purposes. The policy of Assembly for the Arts is to capitalize personal property purchases over \$5,000 and real property purchases over \$10,000. The estimated useful lives are from five to seven years using the straight-line method. Leasehold improvements are amortized over the life of the lease.

Repairs and maintenance, which are not considered betterments and do not extend the useful life of property, are charged to expense as incurred. When property and equipment are retired or otherwise disposed of, the asset and accumulated depreciation are removed from the accounts and the resulting profit or loss is reflected in income.

REVENUE AND REVENUE RECOGNITION

Unconditional donor promises to give are reported at fair value at the date that there is sufficient verifiable evidence documenting that a promise was made by the donor and received by Assembly for the Arts. The gifts are reported as either net assets without donor restriction or net assets with donor restriction if they are received with donor stipulations that sufficiently limit the use of the donated assets. When a donor restriction expires, through the passage of time or when the purpose is accomplished, net assets with donor restriction are reclassified to net assets without donor restriction and are reported on the statement of activities and changes in net assets as net assets released from restriction. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support.

Revenue from fees for services is earned as services are provided and is reported at an estimated net realizable amount due from individuals, third-party payers, and others for services rendered.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restriction; otherwise, the contributions are recorded as net assets without donor restriction. Assembly for the Arts recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. 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.

ASSEMBLY FOR THE ARTS

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Contributed income of cash or other assets that must be used to acquire long-lived assets are recorded as contributions with donor restrictions and grants until the assets are acquired and placed in service.

Gains and losses on investments are reported as increases or decreases to net assets without donor restrictions unless their use is restricted by donor-imposed stipulation or by state law.

Assembly for the Arts records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place.

Assembly for the Arts recognizes in-kind services in accordance with applicable accounting standards if the services received (a) create or enhance non-financial assets or (b) require specialized skills, and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

In addition, Assembly for the Arts receives services from volunteers who give significant amounts of their time to Assembly for the Arts' programs, fundraising campaigns, and management. No amounts have been reflected for these types of donated services as they do not meet the criteria for recognition.

FUNCTIONAL EXPENSE ALLOCATIONS

Expenses are charged to functional areas based on specific identification when possible. Expenses that cannot be specifically identified to a function are allocated to the functional areas based on factors such as direct relationship of expenses, time spent by employees, and square footage of space used for various programs.

ADVERTISING

Advertising costs are charged to operations as incurred.

INCOME TAXES

Assembly for the Arts is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code") as a charitable organization whereby only unrelated business income, as defined by Section 509(a)(1) of the Code, is subject to federal income tax. Assembly for the Arts currently has no unrelated business income. Accordingly, no provision for income taxes has been recorded.

ACCOUNTING PRONOUNCEMENT ADOPTED

In 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*. Assembly for the Arts adopted the provisions of this new standard during the year ended June 30, 2021. The new standard applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. Adoption of this standard had no impact on the financial statements.

ACCOUNTING GUIDANCE PENDING ADOPTION

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This ASU requires that a lease liability and related right-of-use-asset representing the lessee's right to use or control the asset be recorded on the statement of financial position upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating in existing lease accounting guidance. As a result, the effect of leases in the statement of activities and changes in net assets and the statement of cash flows will be substantially unchanged from the existing lease accounting guidance. In 2020, the FASB delayed the effective date for nonpublic entities to fiscal years beginning after December 15, 2021. Early adoption is permitted. Assembly for the Arts is currently evaluating the full effect that the adoption of this standard will have on the financial statements.

ASSEMBLY FOR THE ARTS

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

3. INVESTMENTS

Investments consist of the following as of June 30:

	2021		2020	
	Market	Cost	Market	Cost
Equities	\$ 412,485	\$ 291,046	\$ 309,882	\$ 296,278
Fixed Income	394,885	392,382	364,131	356,375
Other Assets	42,326	41,260	31,183	33,896
Cash Equivalents	17,000	17,000	39,171	39,171
	<u>\$ 866,696</u>	<u>\$ 741,688</u>	<u>\$ 744,367</u>	<u>\$ 725,720</u>

Net investment income for the years ended June 30 consist of the following:

	2021	2020
Operating	\$ 1,042	\$ 4,065
Board Designated:		
Realized Income	16,039	16,582
Unrealized Gain	115,149	10,513
Investment Fees	(8,859)	(5,499)
	<u>122,329</u>	<u>21,596</u>
	<u>\$ 123,371</u>	<u>\$ 25,661</u>

4. FAIR VALUE MEASUREMENT

Assembly for the Arts measures certain financial assets and liabilities at fair value on a recurring basis. Fair value is a market-based measurement that should be determined based on the assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, Assembly for the Arts uses a three-level hierarchy established by the FASB that prioritizes fair value measurements based on the types of inputs used for the various valuation techniques (market approach, income approach and cost approach).

Assembly for the Arts' assessment requires judgment and considers factors specific to the asset or liability. Financial assets and liabilities are classified in their entirety based on the most stringent level of input that is significant to the fair value measurement.

The following table presents information about Assembly for the Arts' financial assets and liabilities measured at fair value on a recurring basis as of June 30, based on the level of input utilized to measure fair value.

	2021			
	Level 1	Level 2	Level 3	Total
Equities/Mutual Funds	\$ 412,485	\$ -	\$ -	\$ 412,485
Fixed Income	394,885	-	-	394,885
Other Assets	42,326	-	-	42,326
Cash Equivalents	17,000	-	-	17,000
	<u>\$ 866,696</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 866,696</u>
	2020			
	Level 1	Level 2	Level 3	Total
Equities/Mutual Funds	\$ 309,882	\$ -	\$ -	\$ 309,882
Fixed Income	364,131	-	-	364,131
Other Assets	31,183	-	-	31,183
Cash Equivalents	39,171	-	-	39,171
	<u>\$ 744,367</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 744,367</u>

ASSEMBLY FOR THE ARTS

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

5. PROPERTY & EQUIPMENT

At June 30, the major classes of property and equipment are as follows:

	2021	2020
Leasehold Improvements	\$ 50,076	\$ 50,076
Computer Equipment	12,816	12,816
Furniture, Fixtures, & Office Equipment	6,505	6,505
	69,397	69,397
Less Accumulated Depreciation	(69,397)	(67,048)
Property, Plant & Equipment – Net	\$ -	\$ 2,349

6. BOARD-DESIGNATED NET ASSETS

Assembly for the Arts maintains a "Projects and Budget Stabilization Fund" (the Fund) to create asset balances to allow for shortfalls from economic fluctuations, single or multi-year project opportunities, or capital expenditures. All withdrawals from the account require Board approval. Investment income, loss and investment management fees accrue to the Fund. The fund is not considered to be an endowment-type fund.

In 2021, the Board resolved to encumber \$220,000 from the Fund to provide for separation payments to staff in the event of involuntary departures resulting from Assembly for the Arts' new initiatives and governance structure changes.

One employee has received a severance payment from the Fund as of the date of this report, with four remaining eligible employees' severance exposure of approximately \$195,000. The severance payments encumbrance expires on June 30, 2022.

Changes in the board-designated fund are as follows:

Board-Designated Net Assets - July 1, 2019	\$ 722,771
Investment Return:	
Realized Investment Income, Net	11,083
Unrealized Gain	10,513
Total Investment Return	21,596
Board-Designated Net Assets - June 30, 2020	744,367
Investment Return:	
Realized Investment Income, Net	7,180
Unrealized Gain	115,149
Total Investment Return	122,329
Board-Designated Net Assets - June 30, 2021	\$ 866,696
Fund Composition:	
Projects and Budget Stabilization Fund	646,696
Severance Pool	220,000
	\$ 866,696

ASSEMBLY FOR THE ARTS

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

For the year ended June 30, 2021, Assembly for the Arts realized a total increase in net assets of \$536,887. The total increase is comprised of 1) an increase in net assets with donor restrictions of \$585,201 (reflected in the above table) resulting from the application of generally accepted principles to grants pledged or received with donor-imposed restrictions, and 2) a decrease in net assets without donor restrictions of \$48,314.

For the year ended June 30, 2020, Assembly for the Arts realized a total decrease in net assets of \$47,887. The total decrease is comprised of 1) an increase in net assets with donor restrictions of \$84,058 (reflected in the above table) resulting from the application of generally accepted principles to grants pledged or received with donor-imposed restrictions, and 2) a decrease in net assets without donor restrictions of \$131,945.

8. FISCAL SPONSORSHIP

Assembly for the Arts fiscally sponsors art and cultural projects in Northeast Ohio across many disciplines - from visual art to performance to arts education and advocacy. Fiscal sponsorship encourages funding agencies and contributors to take risks in financially supporting new projects and emerging artists, ensuring that money is well-managed and spent according to guidelines. Assembly for the Arts provides assistance in funding, developing and promoting artistic work, as well as providing low-cost office space in Cleveland.

Assembly for the Arts' staff reviews each potential FSP application for sponsorship before accepting them as an FSP, verifying that their charitable purpose is consistent with Assembly for the Arts' nonprofit purpose, that they have viable plans for raising funds, and have a committed project director.

All of the financial activity of Assembly for the Arts' FSPs is combined for financial statement purposes. However, each FSP's funds are accounted for separately in Assembly for the Arts' books and records. Because of the nature of the business of fiscal sponsorship, Assembly for the Arts' portfolio of FSP's is volatile, with time-limited projects completing, with maturing projects receiving their own 501(c)(3) status, and with new projects coming on board throughout the year. As such, individual line items may vary considerably from year to year, and typical financial analyses are not always meaningful.

Fiscal sponsorship payable represents the total net assets due an FSP under the terms of the individual FSP agreement.

9. COVID RELIEF FUNDING

In April 2020, Assembly for the Arts received proceeds in the amount of \$85,400 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides qualifying businesses amounts up to 2.5 times of their average monthly payroll expenses. Assembly for the Arts accounted for this grant as a conditional contribution under FASB ASC 958-605 and therefore reflected the proceeds as a refundable advance on the statement of financial position at June 30, 2020. In 2021, Assembly for the Arts incurred qualifying expenditures that derecognized whereby the liability was recognized as grant revenue.

In January 2021, Assembly for the Arts received additional CARES Act PPP proceeds in the amount of \$73,705. Under accounting principles described above, the amount is reflected as a refundable advance on the statement of financial position at June 30, 2021.

10. RETIREMENT PLAN

Assembly for the Arts has a 403(b) defined contribution retirement plan. Assembly for the Arts' contribution to the plan was approximately \$31,000 in each of the years 2021 and 2020.

11. OPERATING LEASE COMMITMENTS

Assembly for the Arts operates at its office in The Tower Press Building, Cleveland, Ohio, providing easy access for clients located in an arts and cultural district. The office lease calls for monthly payments of \$2,059 through December 31, 2021. Assembly for the Arts also leases certain office equipment through November 2023. The office equipment lease commitment amounts to approximately \$3,200 in each of the years 2021 through 2023, and \$1,300 in 2024. Rent expense, including short-term rentals, amounted to approximately \$30,000 in each of the years 2021 and 2020.

ASSEMBLY FOR THE ARTS

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

12. AVAILABILITY AND LIQUIDITY

The following represents Assembly for the Arts' financial assets available to meet general expenditures over the next twelve months:

	2021	2020
Financial Assets at Year-End:		
Cash & Cash Equivalents	\$ 881,740	\$ 639,253
Contributions Receivable	-	4,299
Grants Receivable	243,946	86,031
Investments	866,696	722,771
Total Financial Assets	1,992,382	1,452,354
Less Amounts not Available to be Used Within One Year:		
Net Assets with Donor Restrictions - Cash	(510,822)	(173,412)
Net Assets with Donor Restrictions - Grants Receivable	-	(58,787)
Net Assets without Donor Restrictions - Board-Designated	(866,696)	(722,771)
	(1,377,518)	(954,970)
Financial Assets Available to meet General Expenditures Over the Next Twelve Months	\$ 614,864	\$ 497,384

Financial assets are considered available unavailable when illiquid, not convertible to cash within one year, or restricted by donors either for long-term purposes or for use in a certain time period. Assembly for the Arts has certain donor-restricted net assets that are available for general expenditures within one year of June 30, 2021, because restrictions on the net assets are expected to be met by conducting normal activities of its programs in the coming year.

Assembly for the Arts is substantially supported by contributions and grants and depends on contributions without restrictions to meet its ongoing obligations. As part of Assembly for the Arts' liquidity management, it structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. Assembly for the Arts invests cash in excess of daily requirements in short-term investments.

Additionally, Assembly for the Arts has board-designated net assets without donor restrictions that, while Assembly for the Arts does not intend to spend for these purposes other than those identified, the amounts could be made available for current operations, if necessary.

13. RISKS AND CONTINGENCIES

The spread of coronavirus (COVID-19) around the world through the date of these financial statements has caused significant volatility in the U.S. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well its impact on local and U.S. economies and, as such, Assembly for the Arts is unable to determine if it will have material impact on its operations.

14. SUBSEQUENT EVENTS

In August 2021, the PPP term note of \$73,705 was forgiven in full.

Assembly for the Arts has evaluated its subsequent events for potential recognition and/or disclosure in the June 30, 2021 financial statements through February 18, 2022, the date that the financial statements were available to be issued.

ASSEMBLY FOR THE ARTS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR JUNE 30, 2021

<u>Federal Grantor Pass-Through Grantor/ Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Expenditures</u>
<u>U.S. Department of Treasury</u> passed through County of Cuyahoga, Ohio: Coronavirus Relief Fund	21.019	\$ <u>1,500,000</u>
Total Federal Awards		\$ <u>1,500,000</u>

A. BASIS OF REPRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal award activity of Assembly for the Arts under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Assembly for the Arts, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Assembly for the Arts.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

C. INDIRECT COST RATE

Assembly for the Arts has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

ASSEMBLY FOR THE ARTS

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JUNE 30, 2021

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
Assembly for the Arts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Assembly for the Arts (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 18, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Assembly for the Arts' internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Assembly for the Arts' internal control. Accordingly, we do not express an opinion on the effectiveness of the Assembly for the Arts' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combinations of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Assembly for the Arts' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Linc, Malachin & Dennis, Inc.

Akron, Ohio
February 18, 2022

ASSEMBLY FOR THE ARTS

SECTION 3 - INDEX

JUNE 30, 2021

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	20



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of
Assembly for the Arts

Report on Compliance for Each Major Federal Program

We have audited Assembly for the Arts' compliance with the types of compliance requirements described in the Uniform Guidance *Compliance Supplement* that could have a direct and material effect on each of Assembly for the Arts' major federal programs for the year ended June 30, 2021. Assembly for the Arts' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Assembly for the Arts' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Assembly for the Arts' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Assembly for the Arts' compliance.

Opinion on Each Major Federal Program

In our opinion, Assembly for the Arts' complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year June 30, 2021.

Report on Internal Control Over Compliance

Management of Assembly for the Arts is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Assembly for the Arts' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Assembly for the Arts' internal control over compliance.

A deficiency in internal controls over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A

significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not yet been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Lenc, Malachuk & Dennis, Inc.

Akron, Ohio

February 18, 2022

ASSEMBLY FOR THE ARTS

SECTION 4 - INDEX

JUNE 30, 2021

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2021

Section I - Summary of Auditors' Results:**Financial Statements**

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? yes no

Significant deficiencies(s) identified not

considered to be material weaknesses? yes noNoncompliance material to financial statements noted? yes no**Federal Awards**

Internal Control over major programs:

Material weakness(es) identified? yes no

Significant deficiencies (s) identified not

considered to be material weakness? yes no

Type of auditors' report issued on compliance

for major programs: Unqualified

Any audit findings disclosed that are

required to be reported in accordance

with Circular A-133, Section .510(a)? yes noIdentification of major programs:Assistance Listing Number(s) Name of Federal Program or Cluster

21.019 Coronavirus Relief Fund

Dollar threshold used to distinguish

between Type A and Type B programs: \$ 750,000Auditee qualified as low-risk auditee? yes no**Section II - Financial Statement Findings:**

No matters were reported.

Section III - Federal Award Findings and Questioned Costs:

No matters were reported.