

UNITED ARTS OF CENTRAL FLORIDA, INC.
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022



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YEARS ENDED JUNE 30, 2023 AND 2022**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
United Arts of Central Florida, Inc.
Orlando, Florida

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of United Arts of Central Florida, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Arts of Central Florida, Inc., as of June 30, 2023 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 United Arts of Central Florida, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 10 to the financial statements, grants payable and grant expense were not properly stated as of June 30, 2022. As a result, there was a restatement to grants payable, support grants to arts organizations and net assets. Our opinion was not modified with respect to that matter.

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 United Arts of Central Florida, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Fiscal Year 2022 Financial Statements

The financial statements of United Arts of Central Florida, Inc. as of June 30, 2022, were audited by other auditors whose report dated January 25, 2023, expressed an unqualified opinion on those statements.

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 United Arts of Central Florida, Inc.'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 United Arts of Central Florida, Inc.'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.



CliftonLarsonAllen LLP

Lakeland, Florida
November 7, 2023

UNITED ARTS OF CENTRAL FLORIDA, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

	2023	Restated 2022
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 3,182,301	\$ 4,115,131
Amounts Held for Others:		
Restricted Cash and Cash Equivalents	1,862,683	2,375,722
Accounts Receivable	2,595,000	-
Total Amounts Held for Others	4,457,683	2,375,722
Pledges and Grants Receivable, Net	2,096,820	676,147
Prepaid Expenses and Other Assets	136,183	49,857
Investments	28,145	27,362
Total Current Assets	9,901,132	7,244,219
NONCURRENT ASSETS		
Property and Equipment, Net of Accumulated Depreciation of \$113,857 and \$105,754, Respectively	20,236	18,541
Operating Lease Right of Use Assets, Net of Accumulated Amortization	171,231	-
Finance Lease Right of Use Assets, Net of Accumulated Amortization	5,496	-
Total Noncurrent Assets	196,963	18,541
Total Assets	\$ 10,098,095	\$ 7,262,760
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 265,841	\$ 215,282
Grants Payable	1,670,216	1,396,433
Deferred Services Revenue	191,780	114,904
Operating Lease Obligation, Current Portion	84,486	-
Finance Lease Obligation, Current Portion	3,906	-
Amounts Held for Others	4,457,683	2,375,722
Designations Payable	772,177	484,872
Total Current Liabilities	7,446,089	4,587,213
LONG-TERM LIABILITIES		
Operating Lease Obligation, Net of Current Portion	88,903	-
Finance Lease Obligation, Net of Current Portion	2,327	-
Total Long-Term Liabilities	91,230	-
Total Liabilities	7,537,319	4,587,213
NET ASSETS		
Without Donor Restrictions	2,188,917	2,225,157
With Donor Restrictions	371,859	450,390
Total Net Assets	2,560,776	2,675,547
Total Liabilities and Net Assets	\$ 10,098,095	\$ 7,262,760

See accompanying Notes to Financial Statements.

UNITED ARTS OF CENTRAL FLORIDA, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT			
Contributions:			
Corporations	\$ 595,326	\$ 60,000	\$ 655,326
Government	3,495,807	125,000	3,620,807
Foundations	206,187	100,000	306,187
Individuals and Workplace Giving	215,268	5,542,643	5,757,911
Grants and Other Gifts	1,169,983	-	1,169,983
Total Support	5,682,571	5,827,643	11,510,214
Less: Donor Designations, Net of Provision for Losses	-	(5,487,683)	(5,487,683)
Net Support	5,682,571	339,960	6,022,531
 OTHER REVENUE			
Contract Services Revenue:			
Orange County Public Schools	579,600	-	579,600
Greater Orlando Aviation Authority	28,100	-	28,100
Fees for Services Revenue	200,124	-	200,124
Gifts-in-Kind	44,834	-	44,834
Net Cash Provided by Financing Activities	1,120	-	1,120
Net Assets Released from Restriction	418,491	(418,491)	-
Total Support and Other Revenue	1,272,269	(418,491)	853,778
 Total Revenue	6,954,840	(78,531)	6,876,309
 Expenses:			
Program	6,429,844	-	6,429,844
Fundraising	391,151	-	391,151
Management and General	170,085	-	170,085
Total Expenses	6,991,080	-	6,991,080
 CHANGE IN NET ASSETS	(36,240)	(78,531)	(114,771)
 Net Assets - Beginning of Year, Restated	2,225,157	450,390	2,675,547
 NET ASSETS - END OF YEAR	\$ 2,188,917	\$ 371,859	\$ 2,560,776

See accompanying Notes to Financial Statements.

UNITED ARTS OF CENTRAL FLORIDA, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

	Restated		Total
	Without Donor Restrictions	With Donor Restrictions	
SUPPORT			
Contributions:			
Corporations	\$ 509,736	\$ 304,247	\$ 813,983
Government	3,113,352	545,997	3,659,349
Foundations	482,497	342,500	824,997
Individuals and Workplace Giving	189,691	4,051,061	4,240,752
Grants and Other Gifts	26,024	803,139	829,163
Total Support	<u>4,321,300</u>	<u>6,046,944</u>	<u>10,368,244</u>
Less: Donor Designations, Net of Provision for Losses	-	(5,068,805)	(5,068,805)
Net Support	<u>4,321,300</u>	<u>978,139</u>	<u>5,299,439</u>
OTHER REVENUE			
Contract Services Revenue:			
Orange County Public Schools	585,250	-	585,250
Greater Orlando Aviation Authority	23,250	-	23,250
Fees for Services Revenue	230,398	-	230,398
Sponsorships and Events	46,000	-	46,000
Gifts-in-Kind	21,788	-	21,788
Interest Income (Loss)	(2,788)	-	(2,788)
Net Assets Released from Restriction	709,101	(709,101)	-
Total Support and Other Revenue	<u>1,612,999</u>	<u>(709,101)</u>	<u>903,898</u>
 Total Revenue	 5,934,299	 269,038	 6,203,337
Expenses:			
Program	5,669,034	-	5,669,034
Fundraising	328,182	-	328,182
Management and General	148,094	-	148,094
Total Expenses	<u>6,145,310</u>	<u>-</u>	<u>6,145,310</u>
 CHANGE IN NET ASSETS	 (211,011)	 269,038	 58,027
Net Assets - Beginning of Year, as Previously Stated	<u>2,340,498</u>	<u>181,352</u>	<u>2,521,850</u>
Prior Period Adjustment	95,670	-	95,670
Net Assets - Beginning of Year, as Restated	<u>2,436,168</u>	<u>181,352</u>	<u>2,617,520</u>
 NET ASSETS - END OF YEAR	 <u>\$ 2,225,157</u>	 <u>\$ 450,390</u>	 <u>\$ 2,675,547</u>

See accompanying Notes to Financial Statements.

UNITED ARTS OF CENTRAL FLORIDA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023

	<u>Program</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
Support Grants to Arts Organizations	\$ 5,022,235	\$ -	\$ -	\$ 5,022,235
Salaries, Taxes, and Benefits	715,843	249,460	119,307	1,084,610
Advertising and Promotion	115,209	23,388	1,141	139,738
Consulting and Contracted Services	154,716	32,444	17,882	205,042
Rents and Utilities	93,595	21,779	11,530	126,904
Technology	36,981	10,717	9,094	56,792
Supplies	4,613	1,060	2,100	7,773
Printing and Publication	121,756	30,962	276	152,994
Hospitality, Meals, and Awards	114,490	10,736	2,285	127,511
Depreciation and Amortization	8,556	2,463	962	11,981
Dues and Subscriptions	13,365	3,071	1,626	18,062
Postage	6,485	1,540	485	8,510
Corporate Insurance	6,668	1,532	811	9,011
Telecommunication	3,271	572	1,608	5,451
Interest	-	-	223	223
Travel, Conferences, and Education	12,061	1,427	755	14,243
	<u>\$ 6,429,844</u>	<u>\$ 391,151</u>	<u>\$ 170,085</u>	<u>\$ 6,991,080</u>
Total Expenses	<u>\$ 6,429,844</u>	<u>\$ 391,151</u>	<u>\$ 170,085</u>	<u>\$ 6,991,080</u>

See accompanying Notes to Financial Statements.

UNITED ARTS OF CENTRAL FLORIDA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

	<u>Program</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Restated Total</u>
Support Grants to Arts Organizations	\$ 4,530,638	\$ -	\$ -	\$ 4,530,638
Salaries, Taxes, and Benefits	641,689	246,804	98,721	987,214
Advertising and Promotion	115,421	22,104	-	137,525
Consulting and Contracted Services	87,147	12,816	2,564	102,527
Rents and Utilities	66,372	17,515	8,297	92,184
Technology	36,123	8,491	9,489	54,103
Supplies	4,324	1,569	8,330	14,223
Printing and Publication	119,802	4,732	490	125,024
Hospitality, Meals, and Awards	12,090	2,471	15,472	30,033
Depreciation	4,909	1,295	614	6,818
Dues and Subscriptions	5,400	1,425	675	7,500
Postage	4,732	1,699	505	6,936
Corporate Insurance	6,159	1,625	770	8,554
Telecommunication	6,758	1,577	930	9,265
Travel, Conferences, and Education	27,470	4,059	1,237	32,766
	<u>\$ 5,669,034</u>	<u>\$ 328,182</u>	<u>\$ 148,094</u>	<u>\$ 6,145,310</u>
Total Expenses				

See accompanying Notes to Financial Statements.

UNITED ARTS OF CENTRAL FLORIDA, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	Restated 2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (114,771)	\$ 58,027
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation	8,102	6,818
Amortization on Financing Right of Use Assets	3,880	-
(Increase) Decrease in Board Designated Endowments	(783)	4,279
Changes in Operating Assets and Liabilities:		
Pledges and Grants Receivable, Net	(1,420,673)	(136,122)
Accounts Receivable	(2,595,000)	-
Prepaid Expenses and Other Assets	(86,326)	37,588
Operating Lease Right of Use Assets	(171,231)	-
Financing Lease Right of Use Assets	(9,376)	-
Accounts Payable and Accrued Expenses	50,559	30,996
Grants Payable	273,783	(58,934)
Operating Lease Obligation	173,389	-
Finance Lease Obligation	10,035	-
Deferred Services Revenue	76,876	(1,763)
Amounts Held for Others	2,081,961	(1,900,550)
Designations Payable	287,305	126,220
Net Cash Used by Operating Activities	(1,432,270)	(1,833,441)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(9,797)	(10,068)
Net Cash Used by Investing Activities	(9,797)	(10,068)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Finance Lease	(3,802)	-
Net Cash Provided (Used) by Investing Activities	(3,802)	-
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AND CASH EQUIVALENTS	(1,445,869)	(1,843,509)
Cash, Cash Equivalents, and Restricted Cash and Cash Equivalents - Beginning of Year	6,490,853	8,334,362
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 5,044,984	\$ 6,490,853
RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AND CASH EQUIVALENTS REPORTED ON THE STATEMENTS OF FINANCIAL POSITION		
Cash and Cash Equivalents	\$ 3,182,301	\$ 4,115,131
Amounts Held for Others - Restricted Cash and Cash Equivalents	1,862,683	2,375,722
Total	\$ 5,044,984	\$ 6,490,853

See accompanying Notes to Financial Statements.

**UNITED ARTS OF CENTRAL FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

United Arts of Central Florida, Inc. (United Arts or the Organization) is a nonprofit corporation organized and operated exclusively for cultural and educational purposes in order to further programs in arts, science, and history. Monies raised by United Arts are spent on programs and grants to a wide variety of arts, science, and history organizations throughout Lake, Orange, Osceola, and Seminole counties.

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. Net assets, support, revenues, and expenses 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 stipulations. These assets may, however, be subject to board-designated restrictions.

Net Assets With Donor Restrictions – Net assets that are subject to donor-imposed stipulations. These stipulations either require the Organization to maintain the net asset permanently, generally permitting all or part of the income earned on related investments be used for general or specific purposes or be met either by the completion of a stipulated action and/or the passage of time. As of June 30, 2023 and 2022, the Organization does not have any assets that are required to be maintained permanently.

Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments purchased with a maturity of three months or less, which are not held because of contractual provision, to be cash equivalents. Cash held for others are excluded from this definition.

Pledges and Grants Receivable

Pledges and grants receivable are unconditional promises to give and are recorded when the promises to give are made. Pledges and grants receivable which are expected to be collected in more than one year are stated at the present value of estimated future receipts. The Organization provides an allowance for uncollectible pledges at the time revenues are recorded based on historical write-offs.

Property and Equipment

Property and equipment consist of furniture, office equipment, and software and are recorded at cost, if purchased, and at fair market value on the date received, if donated. Depreciation is computed using the straight-line method over the estimated useful lives of the assets of three to seven years. For the years ended June 30, 2023 and 2022, depreciation expense was \$8,102 and \$6,818, respectively.

UNITED ARTS OF CENTRAL FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

The Organization leases two office spaces and office equipment under an operating lease and office equipment under a finance lease. The Organization determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets and operating lease obligation on the statement of financial position. Finance leases are included in finance lease right-of-use (ROU) assets and finance lease obligation on the statement of financial position.

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease obligation represent the Organization's obligation to make lease payments arising from the lease. ROU assets and obligations are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most of leases do not provide an implicit rate, the Organization uses its implied rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease obligation or right of use assets on the statement of financial position.

Contributions and Designations

Unconditional promises to give, including pledges and grants receivable, are recognized in the period received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Pledges received that are restricted to a specific organization by the donor are recorded as designations receivable and designations payable due when the related promise to give is received.

Donor Restricted Contributions

Contributions are considered to be available for use with no restrictions unless specifically restricted by the donor. Amounts received that are designated for future periods or are restricted by the donor for specific purposes are reported as donor restricted support that increases that net asset class. United Arts operates on a forward funding basis; therefore, contributions toward the current annual campaign are time restricted by the board to fund grants, programs, and operations in the next fiscal year.

When a donor restriction expires, which is when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities as net assets released from restriction. If a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support to be without donor restrictions.

**UNITED ARTS OF CENTRAL FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Services Revenue

Deferred services revenue represents administrative fees received in advance for grants awarded by Orange County and restricted program revenue, which have not yet been earned.

Grants Payable

The Organization grants funds to a wide variety of arts, sciences, and history organizations. These grants are recognized when they are unconditionally promised to the recipient. The Organization had \$1,670,216 and \$1,396,433 in grants payable as of June 30, 2023 and 2022. The Organization also had \$217,945 and \$154,604 of existing conditional grants payable at June 30, 2023 and 2022, respectively, payment of which is conditional upon the grantee meeting certain conditions in the grant agreement.

Contributed Services and Goods

Contributed services are recognized and recorded at fair market value only to the extent they create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donations. Contributed goods are recognized at fair market value on the date received.

During the year ended June 30, 2023 and 2022, specialized goods and/or services in the form of discounted and/or free advertising, space rental, hospitality, and supplies was received and recognized in the statement of activities as gifts-in-kind support and related expenses of \$44,834 and \$21,788, respectively.

Functional Expenses

Salaries and related benefits are allocated among functional categories based upon the estimated proportion of employee time spent for each function. A portion of general and administrative costs that benefit multiple functional areas have been allocated across program and supporting services based on estimated time spent by employees involved with those areas. All other expenses, including advertising, consulting, rent, and hospitality costs are either directly allocated or distributed based upon management's estimate of the relative functional activity.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

UNITED ARTS OF CENTRAL FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Organization is exempt from federal income tax under provisions of Section 501(c)(3) of the Internal Revenue Code (IRC), and from state income taxes under similar provisions of the Florida Income Tax Code.

Accounting principles generally accepted in the United States of America prescribe requirements for the recognition of income taxes in financial statements, and the amounts recognized are affected by income tax positions taken by the Organization in its tax returns. The Organization's status as an exempt organization is defined as an income tax position under these requirements. While management believes it has complied with the Internal Revenue Code, the sustainability of some income tax positions taken by the Organization in its tax returns may be uncertain. There are minimum thresholds of likelihood that uncertain tax positions are required to meet before being recognized in the financial statements. Management does not believe that the Organization has any material uncertain tax positions at June 30, 2023 or 2022.

Concentration of Credit Risk

The Organization's financial instruments that are exposed to concentrations of credit risk consist of cash and cash equivalents, which include checking and money market accounts placed with federally insured financial institutions. Such accounts may, at times, exceed federally insured limits. The Organization has not experienced any losses on such accounts.

In addition, the Organization receives substantial support from individuals, businesses, and governmental entities in the Central Florida area. The financial strength of the Organization is therefore contingent upon the economy of Central Florida. During the years ended June 30, 2023 and 2022, one entity accounted for approximately 52% and 48%, respectively of total revenue.

Advertising Expense

Advertising costs are expensed as incurred. The Organization actively advertises its brand and runs collaborative marketing campaigns on behalf of the arts, science, and history organizations it supports. Advertising is designed to raise awareness for the region's arts and cultural organizations and the diverse variety of events available. Marketing is done regionally to attract residents as well as throughout the state, nationally and internationally to attract tourists to experience arts and culture while they are in the area. The Organization solicits funding specifically to support these marketing efforts. For each of the years ended June 30, 2023 and 2022, the Organization was awarded grants totaling \$100,000 and \$91,535, respectively. Advertising expenses for the years ended June 30, 2023 and 2022, totaled \$149,508 and \$137,525, respectively.

Subsequent Events

The Organization has evaluated events and transactions through November 7, 2023, which is the date the financial statements were available to be issued. Based upon this evaluation, the Organization has determined that no subsequent events have occurred that require adjustment to or disclosure in the financial statements.

UNITED ARTS OF CENTRAL FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting Pronouncement Adopted in Current Year

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (ASC 842)*. The new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. United Arts of Central Florida, Inc. adopted the requirements of the guidance effective July 1, 2022 and has elected to apply the provisions of this standard to the beginning of the period of adoption.

United Arts of Central Florida, Inc. has elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the Organization's ROU assets. The adoption of this ASU did not result in a material impact on the Organization's financial statements.

NOTE 2 DEFERRED SERVICES REVENUE

United Arts provides grants administration services for Orange County, Florida (see Note 4). Service fees are set at 8% of the first \$2,000,000 in grants awarded and 5% thereafter up to total administrative fees of \$210,000 and \$192,224 for the years ended June 30, 2023 and 2022, respectively. Administrative fee revenue is earned ratably over the term of the grant of 18 – 21 months as the services are provided, the benefits of which are realized simultaneously by Orange County over the term of the grant and is recorded as contract and services revenue in the statements of activities. Total administrative fees earned during the years ended June 30, 2023 and 2022, were \$200,124 and \$230,398, respectively. For the years ended June 30, 2023 and 2022, administrative fees earned includes \$-0- and \$28,299, respectively, of fees earned related to administration of the COVID-19 related funding (see Note 4). As of June 30, 2023 and 2022, deferred service fee revenue was \$124,780 and \$114,904, respectively.

**UNITED ARTS OF CENTRAL FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022**

NOTE 3 AMOUNTS HELD FOR OTHERS

Orange County

The Organization holds funds on behalf of Orange County for arts and cultural grants to be funded by the tourist development tax at the discretion of Orange County. Funds are held in a separate, interest-bearing account and interest earned is remitted back to Orange County twice per year.

During the years ended June 30, 2023 and 2022, the Organization received \$5,190,000 and \$3,458,924, respectively, in funding for grants awarded for Cultural Tourism and/or Cultural Facilities and/or Blockbuster grants and disbursed \$3,137,132 and \$4,227,878, respectively, in funding for those grants. For the years ended June 30, 2023 and 2022, \$15,000 and \$7,500, is being held by the Organization for grant awards that had been forfeited by the grantees, respectively.

Since the Organization acts as an intermediary or agent for these funds on behalf of Orange County, these grants and related interest are not considered revenues of the Organization.

During the year ended June 30, 2022, the Organization received a second COVID recovery grant as a subrecipient of Orange County Government under the American Rescue Plan Act in an amount not to exceed \$1,000,000. As of June 30, 2023, all funds have been distributed to subrecipients.

Amounts held for Orange County, including interest, consist of the following as of June 30:

	<u>2023</u>	<u>2022</u>
Cultural Facilities Grants	\$ 7,894	\$ 7,894
Cultural Tourism Grants	2,016,119	1,380,125
Blockbuster Fund	1,015,736	979,360
Forfeited Grants	15,000	7,500
CARES Act Funding	-	671
Funds Held for Orange County	<u>3,054,749</u>	<u>2,375,550</u>
Interest Held for Orange County	172	172
Amounts Held for Orange County	<u><u>\$ 3,054,921</u></u>	<u><u>\$ 2,375,722</u></u>

Collaborative Campaign

The Organization runs an annual Collaborative Campaign for community arts, science, and history groups in Central Florida. The campaign runs primarily from February through April. During the year ended June 30, 2023, the Organization raised approximately \$6,077,000, of which approximately \$5,175,000 was designated for 33 partner groups. During the year ended June 30, 2022, the Organization raised approximately \$5,475,000, of which approximately \$4,840,000 was designated for 31 partner groups.

**UNITED ARTS OF CENTRAL FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022**

NOTE 3 AMOUNTS HELD FOR OTHERS (CONTINUED)

National Endowment for the Arts

On January 5, 2022, the Organization was granted an award under American Rescue Plan Act in an amount of \$500,000 to support subgranting to the nonprofit arts sector in response to and recovery from the COVID-19 pandemic. Funds from this grant may be requested from the granter either thirty days prior to an anticipated disbursement or on a reimbursement basis. Payments to subrecipients of \$365,800 were made in the year ended June 30, 2023.

NOTE 4 PLEDGES AND GRANTS RECEIVABLE

Pledges and grants receivable consist of the following as of June 30:

	<u>2023</u>	<u>2022</u>
Due Within One Year	\$ 2,101,683	\$ 681,010
Less: Allowance for Doubtful Accounts	(4,863)	(4,863)
Total	<u>\$ 2,096,820</u>	<u>\$ 676,147</u>

NOTE 5 LEASES

Operating Lease

The Organization leases two office spaces in Orlando, Florida, along with other office equipment including a mailing system and phone system which expire on various dates from 2023 through 2027. The monthly payments for the office spaces are \$4,429 and \$3,150 with a 3% increase each year for the life of the lease. The monthly payments for the mailing and phone systems are \$433 and \$435, respectively.

Finance Lease

The Organization leases copier equipment that expires January 2025. The monthly payment is \$335, which includes interest payments.

ROU assets consist of the following at June 30, 2023:

	<u>Operating</u>	<u>Finance</u>
Right of Use Assets	\$ 270,233	\$ 19,398
Less: Accumulated Amortization	(99,002)	(13,902)
Total Right of Use Assets, Net	<u>\$ 171,231</u>	<u>\$ 5,496</u>

UNITED ARTS OF CENTRAL FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022

NOTE 5 LEASES (CONTINUED)

The following table provides quantitative information concerning the Organization's leases.

<u>Lease Cost</u>	<u>2023</u>
Finance Lease Cost:	
Amortization of Right of Use Assets	\$ 3,880
Interest on Lease Obligation	223
Operating Lease Cost	105,091
Total Lease Cost	<u>\$ 109,194</u>

Other Information

Cash Paid for Amounts Included in the Measurement of Lease Liabilities:	
Operating Cash Flows from Finance Leases	\$ 223
Operating Cash Flows from Operating Leases	102,933
Financing Cash Flows from Finance Leases	3,802
Right-of-Use Assets Obtained In Exchange for New Finance Lease Liabilities	\$ 19,398
Right-of-Use Assets Obtained In Exchange for New Operating Lease Liabilities	\$ 270,233
Weighted-Average Remaining Financing Lease Term	1.5 years
Weighted-Average Remaining Operating Lease Term	2.2 years
Weighted-Average Discount Rate - Finance Leases	2.69%
Weighted-Average Discount Rate - Operating Leases	2.69%

The Organization classifies the total undiscounted lease payments that are due in the next 12 months as current. A maturity analysis of annual undiscounted cash flows for lease liabilities as of June 30, 2023, is as follows:

<u>Year Ending December 31,</u>	<u>Operating</u>	<u>Finance</u>
2024	\$ 87,992	\$ 4,026
2025	62,845	2,348
2026	24,550	-
2027	3,461	-
Total Minimum Lease Payments	178,848	6,374
Less: Amount Representing Interest	(5,459)	(141)
Present Value of Lease Obligation	<u>\$ 173,389</u>	<u>\$ 6,233</u>

**UNITED ARTS OF CENTRAL FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022**

NOTE 6 NET ASSETS

Net assets without donor restrictions consist of the following as of June 30:

	<u>2023</u>	<u>2022</u>
Available for Operations	\$ 1,395,757	\$ 1,350,968
Board Designated Funds Restricted for Future Years	765,062	846,827
Board Designated Endowment Investments	<u>28,098</u>	<u>27,362</u>
Total	<u>\$ 2,188,917</u>	<u>\$ 2,225,157</u>

Net assets with donor restrictions consist of the following as of June 30:

	<u>2023</u>	<u>2022</u>
Purpose Restricted - Events Website	\$ 67,872	\$ 67,872
Time and Purpose Restricted - Grants	252,553	346,285
Purpose Restricted - Orange County Venue Subsidy Grant	<u>51,434</u>	<u>36,233</u>
Total	<u>\$ 371,859</u>	<u>\$ 450,390</u>

Net assets with donor restrictions during the years ended June 30, 2023 and 2022 of \$418,491 and \$701,010, respectively, were released from donor restrictions to support grants and operations.

In October 2019, the Organization was awarded \$500,000 in funding from Orange County to create a venue subsidy grant program to make the rental of performance space throughout Orange County more affordable. Orange County renewed this investment with an additional \$500,000 for both years ended June 30, 2022 and 2021. Due to COVID-19 venue closures, forfeited grant funds were either regranted through the next Venue Subsidy Grant program cycle or used to support venue subsidies at the Dr. Phillips Frontyard Festival. During the years ended June 30, 2023 and 2022, awards totaling \$436,584 and \$459,532 were paid to 32 and 30 agencies, respectively. At June 30, 2023 and 2022, unspent funds for this program totaled \$217,945 and \$154,604, respectively.

NOTE 7 EMPLOYEE BENEFIT PLAN

The Organization provides its employees with defined contribution plans under the provisions of Section 403(b) and 401(k) of the Internal Revenue Code. All employees are eligible to participate immediately upon hire. After one year of employment, participating employees have their contribution matched 100% up to 5% of eligible compensation and are 100% vested immediately. The Organization contributed \$27,478 and \$17,361 to the plans during the years ended June 30, 2023 and 2022, respectively.

**UNITED ARTS OF CENTRAL FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022**

NOTE 8 BOARD DESIGNATED ENDOWMENTS

The Organization maintains two board designated endowment funds with the Central Florida Foundation (CFF). Each fund was seeded with \$10,000, which was taken from board-designated assets that had been set aside for this purpose. The Community Foundation oversees the funds' management and makes an annual distribution of available funds. The board of directors have established that these funds should be taken, and during fiscal years 2023 and 2022 the board elected to take a distribution of \$529 and \$521, respectively, from the United Arts Endowment Fund, and \$526 and \$518, respectively, from the United Arts of Central Florida Arts and Education Endowment Fund, to support the Organization's programming.

The two endowment funds are as follows as of June 30:

	<u>2023</u>	<u>2022</u>
United Arts of Central Florida Endowment Fund	\$ 14,089	\$ 13,719
United Arts of Central Florida Arts and Education Endowment Fund	14,009	13,643
Total	<u>\$ 28,098</u>	<u>\$ 27,362</u>

In accordance with accounting standards on the reporting of endowment funds, these funds are classified as net assets without restrictions on the statements of financial position. The Organization's changes in the board-designated endowments for the years ended June 30 are as follows:

	<u>2023</u>	<u>2022</u>
Board-Designated Endowments Net Assets - Beginning of Year	\$ 27,362	\$ 31,641
Net Investment Gain (Loss)	2,127	(2,790)
Distributions	(1,055)	(1,353)
Investments Fees	<u>(336)</u>	<u>(136)</u>
Change in Board-Designated Endowment Net Assets	<u>736</u>	<u>(4,279)</u>
Board-Designated Endowments Net Assets - End of Year	<u>\$ 28,098</u>	<u>\$ 27,362</u>

**UNITED ARTS OF CENTRAL FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022**

NOTE 8 BOARD DESIGNATED ENDOWMENTS (CONTINUED)

The board of directors of the Organization has interpreted the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA) 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 stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets without donor restrictions: (a) the original value of the gift donated to the board endowment, (b) the original value of subsequent gifts to the board endowment, and (c) accumulations to the board endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with FUPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate board endowment funds:

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

NOTE 9 FINANCIAL ASSETS AND LIQUIDITY RESOURCES

The Organization's financial assets available within one year of the financial position date for general expenditures are as follows:

	2023	2022
Financial Asset, at Year-End:		
Cash and Cash Equivalents	\$ 3,182,301	\$ 4,115,131
Pledges and Grants Receivable, Net Less Donor- Designated Pledges Receivable	1,345,806	190,226
Total Financial Asset, at Year-End	4,528,107	4,305,357
Less: Amounts Unavailable for General Expenditures Within One Year Due to:		
Net Assets with Donor Restrictions	(371,859)	(450,390)
Board-Designated Funds Internally Restricted	(737,287)	(846,827)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$ 3,418,961	\$ 3,008,140

As part of the Organization's liquidity management, it has a policy to structure its financial assets according to their nearness of conversion to cash and liabilities according to the nearness of their maturity and resulting use of cash.

**UNITED ARTS OF CENTRAL FLORIDA, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 10 PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2023, it was determined grants payable and grants expense were not properly stated as of June 30, 2022. As a result, there was a restatement to grants payable, support grants to arts organizations and net assets. The following table describes the adjustment:

	<u>Grants Payable</u>	<u>Support Grants to Arts Organization Expense</u>	<u>Change in Net Assets</u>	<u>Net Assets</u>
Balance as of June 30, 2022, As Previously Reported	\$ 1,551,037	\$ 4,589,572	\$ (907)	\$ 2,520,943
Correction of Recording Grants Payable	<u>(154,604)</u>	<u>(58,934)</u>	<u>58,934</u>	<u>154,604</u>
Balance as of June 30, 2022, as Restated	<u>\$ 1,396,433</u>	<u>\$ 4,530,638</u>	<u>\$ 58,027</u>	<u>\$ 2,675,547</u>