

*ArtsQuest and Affiliates*

*December 31, 2021 and 2020*

*Consolidated Financial Statements and  
Independent Auditor's Report*

**ARTSQEST AND AFFILIATES**  
**DECEMBER 31, 2021 AND 2020**

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
ArtsQuest and Affiliates

**Opinion**

We have audited the accompanying consolidated financial statements of ArtsQuest and Affiliates (the "Organization"), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2021 and 2020, and its changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

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

**Responsibilities of Management for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

## **Auditor's Responsibilities for the Audits of the Consolidated Financial Statements**

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 the Organization'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 consolidated financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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 audits.

### **Other Matters**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations 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 consolidated 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 consolidated financial statements. The information has been subject to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other 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 consolidated financial statements as a whole.

### **Other Reports Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2021, on our consideration of the Organization's internal control over financial reporting and on the tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

### **Other Information**

Management is responsible for the other information included in these financial statements. The other information comprises Management's Discussion and Analysis but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express any opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

*Concannon, Miller + Co., P.C.*

Bethlehem, PA  
July 5, 2022

**ARTSQUEST AND AFFILIATES**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

Our discussion and analysis of ArtsQuest and Affiliates, (collectively the “Organization”), financial performance provides an overview of the Organization’s consolidated financial activities for the year ended December 31, 2021. Please read it in conjunction with the Organization’s consolidated financial statements, which begin on page 8.

**Overview of the Organization:**

ArtsQuest is a not-for-profit organization whose mission is to provide access to the arts, culture, and educational programs for the diverse residents of the Lehigh Valley in Pennsylvania, and others who seek access to those programs in our community. This is accomplished by using arts and culture as key elements of economic development for the Lehigh Valley’s urban communities. ArtsQuest provides quality cultural experiences for individuals, families, youth, children at risk, senior citizens, and individuals with special needs. Further, ArtsQuest presents local, regional, national and international visual and performing artists of the highest quality, provides access to new artistic and creative formats afforded by technology, and provides education in the creative arts in areas not well represented by traditional educational institutions in the community and by being a resource for arts education and arts-in-education for the region. ArtsQuest also partners with business organizations, educational institutions, government agencies and other tax-exempt organizations in the furtherance of their mission. ArtsQuest Foundation is engaged in providing financial support for ArtsQuest. Artonomous Media is a Pennsylvania limited partnership formed to offer advertising and marketing services in the Lehigh Valley. The Friends of the Levitt Pavilion at SteelStacks is a not-for-profit organization whose mission is to provide free concerts of an arts and culture theme to the public.

**Overview of the Consolidated Financial Statements:**

This discussion and analysis is intended to serve as an introduction to the basic consolidated financial statements. The basic consolidated financial statements include (1) the consolidated statement of financial position, (2) the consolidated statement of activities, (3) the consolidated statement of functional expenses, (4) consolidated statement of cash flows, and (5) notes to consolidated financial statements.

The consolidated statement of financial position is designed to indicate our financial position as of a specific point in time. At December 31, 2021, it shows our total net assets of \$37,536,656, a change of \$10,927,955 in comparison to the prior year. The two largest portions of total net assets are a cash balance of \$15,534,072 and total property, furniture and equipment of \$24,287,699.

The consolidated statement of activities summarizes our operating results and reveals how much, if any, of a surplus was earned for the year. Our change in net assets for the year ended December 31, 2021 was \$10,927,955. The most significant component of this surplus is from the SVOG grant and Employee Retention Credit which are more fully described below under *Financial Performance*.

The consolidated statement of functional expenses summarizes the natural and functional classification of our total expenses. The most significant factors reported include the concentration of payroll costs to the total expenses of the Organization as well as the various costs required to support the Organization’s programming as COVID 19 health restrictions were eased and we were able to offer programming that was more reflective in size and scope to pre-COVID levels.

**ARTSQUEST AND AFFILIATES**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

The consolidated statement of cash flows provides information about cash receipts and cash payments during the year. It also provides information about investing and financing activities for year. A review of the statement of cash flows indicates operating revenues exceeded operating expenses due to the contributions and grants recognized during the year.

**Financial Highlights**

**Summary of Consolidated Financial Position**

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
Current assets	\$ 21,987,082	\$ 11,215,127
Noncurrent assets	29,874,954	31,238,939
Total Assets	\$ 51,862,036	\$ 42,454,066
Current liabilities	\$ 3,384,425	\$ 4,275,014
Noncurrent liabilities	10,940,955	11,570,351
Total Liabilities	14,325,380	15,845,365
Net assets without donor restrictions	31,129,470	21,729,406
Net assets with donor restrictions	6,407,186	4,879,295
Total Net Assets	37,536,656	26,608,701
Total Liabilities and Net Assets	\$ 51,862,036	\$ 42,454,066

**Summary of Consolidated Statement of Activities**

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
Public support	\$ 17,005,577	\$ 6,028,894
Revenues	12,488,852	2,057,741
Expenses	(18,856,536)	(8,644,584)
Income (loss) from operations	10,637,893	(577,949)
Investment Income	290,062	252,697
Change in net assets	10,927,955	(302,252)
Beginning net assets	26,608,701	26,913,953
Ending net assets	\$ 37,536,656	\$ 26,608,701

**ARTSQUEST AND AFFILIATES**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

**Financial Performance:**

The Consolidated Appropriations Act of 2021 (Act) included \$15 billion in shuttered venue operators grants (SVOG), which was administered directly by the U.S. Small Business Administration (SBA). Live venue operators or promoters, theatrical producers or live performing arts organization operators, motion picture theater operators, museum operators, or talent representatives that had been in operation on February 29, 2020 and had a 25 percent or greater drop in gross earned revenue during any quarter of 2020 as compared to the same quarter of 2019 were eligible to apply.

As an eligible entity, ArtsQuest applied for and received an award notification of nearly \$7.4 million in SVOG funds in August 2021. ArtsQuest's SVOG application included an allowable expenses budget which the organization was able to cover from its existing cash flow instead of waiting until it received the SVOG award. This allowed SVOG funds to be added to ArtsQuest's operating cash. These SVOG funds, in addition to the Forgiveness of Debt from the Paycheck Protection Program in the amount of \$2,109,745 accounts for the major increase in Public Support from 2020 to 2021.

The Organization is currently evaluating investment vehicles for approximately \$7 million of the \$7.4 million that will help to reduce or eliminate structural vulnerabilities of ArtsQuest including increasing operating reserves and risk capital as well as self-insuring for its major festivals and events.

Along with the SVOG grant, the Organization qualified for \$1,407,568 in Employee Retention Credits which have not yet been received but are reflected in contribution and grants for 2021 (see Note 12).

The fact that ArtsQuest was able to remain open and operating during a global crisis while also reducing expenses and generating modest revenue allowed the Organization to expand rapidly back to normal programming as soon as COVID health restrictions were eased across the Commonwealth and the City of Bethlehem. In addition, ArtsQuest is leveraging its increase in public support from 2020 to 2021 to improve the long-term sustainability of the Organization and provide opportunities for future growth and expansion.

**Requests for information:**

This financial report is designed to provide a general overview of the Organization's finances for all those with an interest in the Organization's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

ArtsQuest and Affiliates  
25 W. Third Street  
Bethlehem, PA 18015



**ARTSQUEST AND AFFILIATES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 15,534,072	\$ 7,514,289
Investments, at fair value (Note 7)	3,045,732	2,480,621
Accounts receivable, net (Note 2)	166,373	46,543
Other receivables	1,420,352	59,850
Pledges receivable, net (Note 4)	1,575,052	890,976
Prepaid expenses	181,776	123,778
Inventory	83,463	99,070
Total Current Assets	22,006,820	11,215,127
<b>PROPERTY, FURNITURE AND EQUIPMENT, NET (NOTE 5)</b>	24,287,699	24,979,228
<b>OTHER ASSETS</b>		
Restricted investments, at fair value (Note 7)	1,399,430	1,375,215
Pledges receivable, net (Note 4)	1,136,252	1,488,003
Insurance policies on charitable gift annuities (Note 9)	3,031,835	3,396,493
Total Other Assets	5,567,517	6,259,711
Total Assets	\$ 51,862,036	\$ 42,454,066
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Current portion of term debt (Note 11)	\$ 220,665	\$ 1,001,400
Current portion of vendor advances (Note 19)	175,909	225,000
Accounts payable and accrued expenses	1,726,344	1,089,284
Deferred revenue	949,202	1,630,631
Refundable advances	312,305	328,699
Total Current Liabilities	3,384,425	4,275,014
<b>LONG-TERM LIABILITIES</b>		
Term debt, net of current portion (Note 11)	6,926,816	7,286,556
Vendor advances, net of current portion (Note 19)	1,290,000	1,425,000
Charitable gift annuities (Note 9)	2,724,139	2,858,795
Total Long-Term Liabilities	10,940,955	11,570,351
Total Liabilities	14,325,380	15,845,365
<b>NET ASSETS</b>		
Net assets without donor restrictions	31,129,470	21,729,406
Net assets with donor restrictions	6,407,186	4,879,295
Total Net Assets	37,536,656	26,608,701
Total Liabilities and Net Assets	\$ 51,862,036	\$ 42,454,066

The accompanying notes are an integral part of the consolidated financial statements.

**ARTSQUEST AND AFFILIATES**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2021**  
**(WITH COMPARATIVE TOTALS FOR 2020)**

	2021		Totals	
	Without Donor	With Donor	2021	2020
	Restrictions	Restrictions		
<b>PUBLIC SUPPORT AND REVENUE</b>				
<b>Public Support</b>				
Contributions and grants	\$ 11,172,463	\$ 3,070,830	\$ 14,243,293	\$ 5,568,076
Forgiveness of debt - Paycheck Protection Program	2,109,745		2,109,745	0
Fundraising events, net of direct expenses of \$3,071 and \$125 for 2021 and 2020, respectively	47,403		47,403	1,875
In-kind contributions	865,480		865,480	577,824
Loss on charitable gift annuities	(260,344)		(260,344)	(118,881)
Total Support	<u>13,934,747</u>	<u>3,070,830</u>	<u>17,005,577</u>	<u>6,028,894</u>
<b>Revenue</b>				
Programs and events	1,910,844		1,910,844	830,189
Festivals	8,245,793		8,245,793	779,131
Box office and retail	670,929		670,929	184,077
Other	1,661,286		1,661,286	264,344
Total Revenue	<u>12,488,852</u>	<u>0</u>	<u>12,488,852</u>	<u>2,057,741</u>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>	<u>1,729,154</u>	<u>(1,729,154)</u>	<u>0</u>	<u>0</u>
Total Support and Revenue	<u>28,152,753</u>	<u>1,341,676</u>	<u>29,494,429</u>	<u>8,086,635</u>
<b>EXPENSES</b>				
Program services				
Programs and events	4,557,451		4,557,451	3,516,693
Festivals	9,195,972		9,195,972	1,721,835
Box office and retail	247,447		247,447	295,720
Total Program Services	<u>14,000,870</u>	<u>0</u>	<u>14,000,870</u>	<u>5,534,248</u>
Supporting services				
General & administrative	2,600,680		2,600,680	1,670,682
Fundraising	2,254,986		2,254,986	1,439,654
Total Supporting Services	<u>4,855,666</u>	<u>0</u>	<u>4,855,666</u>	<u>3,110,336</u>
Total Expenses	<u>18,856,536</u>	<u>0</u>	<u>18,856,536</u>	<u>8,644,584</u>
<b>INCOME (LOSS) FROM OPERATIONS</b>	9,296,217	1,341,676	10,637,893	(557,949)
<b>INVESTMENT INCOME, NET</b>	<u>103,847</u>	<u>186,215</u>	<u>290,062</u>	<u>252,697</u>
<b>CHANGE IN NET ASSETS</b>	9,400,064	1,527,891	10,927,955	(305,252)
<b>NET ASSETS, JANUARY 1</b>	<u>21,729,406</u>	<u>4,879,295</u>	<u>26,608,701</u>	<u>26,913,953</u>
<b>NET ASSETS, DECEMBER 31</b>	<u>\$ 31,129,470</u>	<u>\$ 6,407,186</u>	<u>\$ 37,536,656</u>	<u>\$ 26,608,701</u>

The accompanying notes are an integral part of the consolidated financial statements.

**ARTSQUEST AND AFFILIATES**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2020**

	<b><u>Without Donor Restrictions</u></b>	<b><u>With Donor Restrictions</u></b>	<b><u>Totals</u></b>
<b>PUBLIC SUPPORT AND REVENUE</b>			
<b>Public Support</b>			
Contributions and grants	\$ 4,069,832	\$ 1,498,244	\$ 5,568,076
Fundraising events, net of direct expenses of \$125	1,875		1,875
In-kind contributions	577,824		577,824
Loss on charitable gift annuities	(118,881)		(118,881)
Total Support	<u>4,530,650</u>	<u>1,498,244</u>	<u>6,028,894</u>
<b>Revenue</b>			
Programs and events	830,189		830,189
Festivals	779,131		779,131
Box office and retail	184,077		184,077
Other	264,344		264,344
Total Revenue	<u>2,057,741</u>	<u>0</u>	<u>2,057,741</u>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>			
Total Support and Revenue	<u>1,527,388</u>	<u>(1,527,388)</u>	<u>0</u>
	<u>8,115,779</u>	<u>(29,144)</u>	<u>8,086,635</u>
<b>EXPENSES</b>			
Program services			
Programs and events	3,516,693		3,516,693
Festivals	1,721,835		1,721,835
Box office and retail	295,720		295,720
Total Program Services	<u>5,534,248</u>	<u>0</u>	<u>5,534,248</u>
Supporting services			
General & administrative	1,670,682		1,670,682
Fundraising	1,439,654		1,439,654
Total Supporting Services	<u>3,110,336</u>	<u>0</u>	<u>3,110,336</u>
Total Expenses	<u>8,644,584</u>	<u>0</u>	<u>8,644,584</u>
<b>LOSS FROM OPERATIONS</b>	(528,805)	(29,144)	(557,949)
<b>INVESTMENT INCOME, NET</b>	<u>73,335</u>	<u>179,362</u>	<u>252,697</u>
<b>CHANGE IN NET ASSETS</b>	(455,470)	150,218	(305,252)
<b>NET ASSETS, JANUARY 1</b>	<u>22,184,876</u>	<u>4,729,077</u>	<u>26,913,953</u>
<b>NET ASSETS, DECEMBER 31</b>	<u>\$ 21,729,406</u>	<u>\$ 4,879,295</u>	<u>\$ 26,608,701</u>

The accompanying notes are an integral part of the consolidated financial statements.

**ARTSQUEST AND AFFILIATES**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2021**  
**(WITH SUMMARIZED TOTALS FOR THE YEAR ENDED DECEMBER 31, 2020)**

	<u>Programs and Events</u>	<u>Festivals</u>	<u>Box Office and Retail</u>	<u>Total Program Services</u>	<u>General &amp; Administrative</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	<u>Totals</u>	
								<u>2021</u>	<u>2020</u>
Salaries	\$ 781,148	\$ 1,163,344	\$ 164,188	\$ 2,108,680	\$ 1,079,534	\$ 1,807,566	\$ 2,887,100	\$ 4,995,780	\$ 3,431,420
Benefits and taxes	146,600	218,326	30,814	395,740	202,599	338,497	541,096	936,836	809,279
Total Salaries and Related Expenses	<u>927,748</u>	<u>1,381,670</u>	<u>195,002</u>	<u>2,504,420</u>	<u>1,282,133</u>	<u>2,146,063</u>	<u>3,428,196</u>	<u>5,932,616</u>	<u>4,240,699</u>
Advertising	30,202	157,026		187,228	3,224	125	3,349	190,577	172,708
Artistic expense	1,007,436	2,016,371		3,023,807			0	3,023,807	381,884
Bad debt expense				0	24,129	46,902	71,031	71,031	376
Bank charges			10,136	10,136	309,240		309,240	319,376	97,926
Classroom expenses	169,378			169,378			0	169,378	61,256
Cost of goods sold	66,115	151,127	39,306	256,548			0	256,548	197,189
Depreciation and amortization	955,790			955,790	188,237		188,237	1,144,027	1,122,882
Equipment and leases	5,734			5,734	10,582		10,582	16,316	19,426
Food and beverage	18,130	2,264,681		2,282,811			0	2,282,811	3,957
Hospitality	827	144,470		145,297			0	145,297	196
Information systems and technology			2,198	2,198	229,796		229,796	231,994	282,265
Interest				0	256,276		256,276	256,276	236,824
Lighting, sound and staging	33,332	637,500		670,832			0	670,832	54,927
Miscellaneous	16,559	18,369		34,928	2,153		2,153	37,081	88,022
Occupancy	297,809	399,886		697,695	63,426		63,426	761,121	596,350
Office expenses	140	1,413	805	2,358	86,012	1,665	87,677	90,035	58,391
Printing	44,143	33,319		77,462			0	77,462	17,904
Production	258,633	1,906,170		2,164,803	7,334	33,831	41,165	2,205,968	396,621
Professional fees				0	129,136	26,400	155,536	155,536	136,510
Repairs and maintenance	360,971	1,500		362,471	9,002		9,002	371,473	167,983
Supplies	130,884	18,631		149,515			0	149,515	65,947
Utilities	233,620	63,839		297,459			0	297,459	244,341
	<u>3,629,703</u>	<u>7,814,302</u>	<u>52,445</u>	<u>11,496,450</u>	<u>1,318,547</u>	<u>108,923</u>	<u>1,427,470</u>	<u>12,923,920</u>	<u>4,403,885</u>
Total Expenses	<u>\$ 4,557,451</u>	<u>\$ 9,195,972</u>	<u>\$ 247,447</u>	<u>\$ 14,000,870</u>	<u>\$ 2,600,680</u>	<u>\$ 2,254,986</u>	<u>\$ 4,855,666</u>	<u>\$ 18,856,536</u>	<u>\$ 8,644,584</u>

The accompanying notes are an integral part of the consolidated financial statements

**ARTSQEST AND AFFILIATES**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2020**

	<u>Programs and Events</u>	<u>Festivals</u>	<u>Box Office and Retail</u>	<u>Total Program Services</u>	<u>General &amp; Administrative</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	<u>Total Expenses</u>
Salaries	\$ 1,194,779	\$ 681,864	\$ 141,739	\$ 2,018,382	\$ 556,137	\$ 856,901	\$ 1,413,038	\$ 3,431,420
Benefits and taxes	137,772	88,661	28,704	255,137	103,312	450,830	554,142	809,279
Total Salaries and Related Expenses	<u>1,332,551</u>	<u>770,525</u>	<u>170,443</u>	<u>2,273,519</u>	<u>659,449</u>	<u>1,307,731</u>	<u>1,967,180</u>	<u>4,240,699</u>
Advertising	60,081	104,676	83	164,840	5,250	2,618	7,868	172,708
Artistic expense	365,099	16,785		381,884			0	381,884
Bad debt (recoveries) expense				0	(19,235)	19,611	376	376
Bank charges			8,708	8,708	89,218		89,218	97,926
Classroom expenses	61,256			61,256			0	61,256
Cost of goods sold	7,063	76,411	113,715	197,189			0	197,189
Depreciation and amortization	933,513			933,513	189,369		189,369	1,122,882
Equipment and leases	1,195			1,195	18,231		18,231	19,426
Food and beverage	1,624	2,333		3,957			0	3,957
Hospitality	196			196			0	196
Information systems and technology			2,750	2,750	279,515		279,515	282,265
Interest				0	236,824		236,824	236,824
Lighting, sound and staging	23,061	31,866		54,927			0	54,927
Miscellaneous	15,654	12,596		28,250	4,470	55,302	59,772	88,022
Occupancy	176,174	384,187		560,361	35,989		35,989	596,350
Office expenses	93	(100)	21	14	55,243	3,134	58,377	58,391
Printing	14,625			14,625		3,279	3,279	17,904
Production	55,677	314,724		370,401	8,941	17,279	26,220	396,621
Professional fees				0	105,810	30,700	136,510	136,510
Repairs and maintenance	166,375			166,375	1,608		1,608	167,983
Supplies	65,302	645		65,947			0	65,947
Utilities	237,154	7,187		244,341			0	244,341
	<u>2,184,142</u>	<u>951,310</u>	<u>125,277</u>	<u>3,260,729</u>	<u>1,011,233</u>	<u>131,923</u>	<u>1,143,156</u>	<u>4,403,885</u>
Total Expenses	<u>\$ 3,516,693</u>	<u>\$ 1,721,835</u>	<u>\$ 295,720</u>	<u>\$ 5,534,248</u>	<u>\$ 1,670,682</u>	<u>\$ 1,439,654</u>	<u>\$ 3,110,336</u>	<u>\$ 8,644,584</u>

The accompanying notes are an integral part of the consolidated financial statements

**ARTSQUEST AND AFFILIATES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Years Ended December 31,	
	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 10,927,955	\$ (305,252)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Forgiveness of debt - Paycheck Protection Program	(2,086,495)	0
Depreciation	1,121,341	1,100,196
Interest expense - amortization of debt issuance costs	22,686	22,686
Bad debt expense	71,031	376
Realized gain on investments	(139,305)	(152,483)
Unrealized gain on investments	(86,281)	(34,512)
Change in value of annuity agreements, net of termination of annuities and underlying insurance contracts	260,344	118,881
Changes in operating assets and liabilities		
Accounts receivable	(130,559)	350,078
Other receivables	(1,360,502)	147,214
Pledges receivable	(392,627)	132,787
Prepaid expenses	(57,998)	124,345
Inventory	15,607	90,050
Accounts payable and accrued expenses	637,060	(920,438)
Deferred revenue	(681,429)	683,561
Refundable advances	(16,394)	140,600
Net Cash Provided by Operating Activities	8,104,434	1,498,089
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditures	(429,812)	(1,394,159)
Purchase of restricted investments, net of sales	(363,740)	(65,927)
Proceeds from termination of insurance policies	0	246,453
Purchase of insurance policies, net of distributions	364,658	496,018
Net Cash Used in Investing Activities	(428,894)	(717,615)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on capital lease obligations	0	(3,268)
Proceeds on term borrowings	1,085,095	1,151,400
Payments on term borrowings	(161,761)	(239,096)
Proceeds from vendor advances	(184,091)	(225,000)
Proceeds from issuance of annuities, net of gift portion	0	0
Payments on annuities	(395,000)	(441,500)
Net Cash Provided by Financing Activities	344,243	242,536
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	8,019,783	1,023,010
<b>CASH AND CASH EQUIVALENTS, JANUARY 1</b>	7,514,289	6,491,279
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	\$ 15,534,072	\$ 7,514,289

**SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION**

<b>NON-CASH OPERATING ACTIVITIES</b>		
In-kind contribution of services	\$ 865,480	\$ 577,824
<b>ADDITIONAL CASH FLOW INFORMATION</b>		
Cash payments for interest	\$ 256,276	\$ 236,824

The accompanying notes are an integral part of the consolidated financial statements.

**ARTSQUEST AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 1      Nature and Purpose of the Organization**

ArtsQuest is a not-for-profit organization whose mission is to provide access to the arts, culture, and educational programs for the diverse residents of the Lehigh Valley in Pennsylvania, and others who seek access to those programs in our community. This is accomplished by using arts and culture as key elements of economic development for the Lehigh Valley’s urban communities. ArtsQuest provides quality cultural experiences for individuals, families, youth, children at risk, senior citizens, and individuals with special needs. Further, ArtsQuest presents local, regional, national and international visual and performing artists of the highest quality, provides access to new artistic and creative formats afforded by technology, and provides education in the creative arts in areas not well represented by traditional educational institutions in the community and by being a resource for arts education and arts-in-education for the region. ArtsQuest also partners with business organizations, educational institutions, government agencies and other tax-exempt organizations in the furtherance of their mission. ArtsQuest Foundation is engaged in providing financial support for ArtsQuest. Artonomous Media is a Pennsylvania limited partnership formed to offer advertising and marketing services in the Lehigh Valley. The Friends of the Levitt Pavilion at Steelstacks is a not-for-profit organization whose mission is to provide free concerts of an arts and culture theme to the general public.

**NOTE 2      Summary of Significant Accounting Policies**

**Financial Statement Presentation**

The accompanying consolidated financial statements include the accounts of ArtsQuest, ArtsQuest Foundation, Artonomous Media and the Friends of the Levitt Pavilion, collectively known as the “Organization”. ArtsQuest Foundation (the “Foundation”), Artonomous Media (“Media”) and the Friends of the Levitt Pavilion at Steelstacks (the “Pavilion”) are consolidated since ArtsQuest has an economic interest in these entities. The Foundation was created in December 2003 and began operations during 2004. The Pavilion was incorporated in December 2010 and began operations in July 2011. Media was created in December 2009 and began operations in February 2012. Intercompany transactions and balances have been eliminated in consolidation.

**Basis of Accounting**

The accompanying consolidated financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with FASB ASC 958, *Not-for-Profit Entities*.

**Basis of Presentation**

The Organization’s net assets and changes therein are classified and reported as follows:

**Net Assets Without Donor Restrictions** – Net assets that are not subject to donor-imposed restrictions or law.

**ARTSQUEST AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 2      Summary of Significant Accounting Policies (Continued)**

**Basis of Presentation (Continued)**

**Net Assets With Donor Restrictions** – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

**Cash Equivalents**

Cash equivalents include short-term highly liquid investments, which are readily convertible into cash.

**Concentration of Credit Risk**

The Organization may be subject to credit risk on its cash and cash equivalent assets, which are placed with high credit-quality financial institutions. The Federal Deposit Insurance Corporation (“FDIC”) coverage is \$250,000 for all accounts. From time to time, the Organization may have amounts on deposit in excess of the FDIC limits. The Organization had an at risk balance of approximately \$14,405,000 at December 31, 2021.

**Accounts Receivable**

Accounts receivable are stated at the amount the Organization expects to collect. These receivables are non-interest bearing and are not collateralized. The Organization maintains allowances for credit losses resulting from the inability of its customers to make required payments.

Management considers the following factors when determining the collectability of specific customer accounts: historical collection experience, a review of the current status of receivables and judgment. Based on management’s assessment, the Organization provides for estimated credit losses through a charge to earnings and a credit to a valuation allowance. Balances that remain outstanding after the Organization has used reasonable collection efforts are written off through a charge to the valuation and a credit to accounts receivable. The balance in the allowance for credit losses at December 31, 2021 and 2020 was \$11,285 and \$996, respectively.

**Pledges Receivable**

Pledges receivable are unconditional promises to give that are recognized as contributions when the promise is received. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on these amounts are computed using a risk-free interest rate applicable to the years in which the promises are received, ranging from .10% to 2.62%. Amortization of the discounts is included in contribution revenue.



**ARTSQUEST AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 2      Summary of Significant Accounting Policies (Continued)**

**Pledges Receivable (Continued)**

Conditional promises to give are not included as support until the conditions on which they depend are substantially met.

The Organization maintains allowances for credit losses resulting from the inability of its donors to make pledged payments. The allowance is based on prior years' experience and management's analysis of specific promises made. The balance in the allowance for credit losses at December 31, 2021 and 2020 was \$44,942 and \$37,510, respectively.

**Inventory**

Inventory consists of souvenir and gift shop items and is stated at the lower of cost or market valued on an average cost basis.

**Property, Furniture and Equipment**

Donations of property, furniture and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

Purchased property, furniture and equipment are carried at cost, less accumulated depreciation. Maintenance and repairs that neither materially add to the value of property nor appreciably prolong its life are charged to expense. The cost of assets retired or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts in the year of disposal. Related gains or losses from such transactions are credited or charged to income.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from three to forty years.

**Valuation of Investments in Securities at Fair Value**

The Organization complies with the provisions of FASB ASC 820, *Fair Value Measurement and Disclosures*. Under ASC 820, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

ASC 820 establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

**ARTSQUEST AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 2      Summary of Significant Accounting Policies (Continued)**

**Valuation of Investments in Securities at Fair Value (Continued)**

The fair value hierarchy is categorized into three levels based on the inputs as follows:

**Level 1** – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

**Level 2** – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

**Level 3** – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

**Debt Issuance Costs**

The Organization complies with the provisions of FASB ASU 2015-03, *Interest-Imputed Interest (Subtopic 835-30) Simplifying the Presentation of Debt Issuance Costs*, which simplifies the presentation of debt issuance costs by requiring debt issuance costs related to a debt liability to be presented in the balance sheet as a direct deduction from the carrying amount of that liability, consistent with debt discounts. Amortization of the debt issuance costs is reported as interest expense in the consolidated statements of activities.

**Revenue Recognition**

**Public Support**

In accordance with ASC 958, public support is comprised primarily of contributions which are recorded as revenue when an unconditional promise to give has been made. Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction.

When a restriction expires (that 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 reported in the consolidated statements of activities as net assets released from restrictions.

**ARTSQUEST AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 2      Summary of Significant Accounting Policies (Continued)**

**Revenue Recognition (Continued)**

**Revenue**

In accordance with ASC 606, *Revenue from Contracts with Customers*, revenue from the Organization's various programs, festivals and events are recognized as the respective services are performed or goods are delivered to the customer. Typically, these revenues are comprised of ticket sales and associated fees, food and beverage, merchandise, and rental fees. Cash receipts collected for events which will occur in a future period are recognized as deferred revenue upon receipt and until such time that the performance obligation has been provided.

Revenue from catering services and facility and studio rentals, which are reported as other income in the consolidated statement of activities, are recognized on a monthly basis as the services are performed.

Advertising income is recognized over the period of time in which the services will be provided.

Membership fees are comprised of an exchange element based on the value of benefits provided, and a contribution element for the difference between the total fees paid and the exchange element. The Organization recognizes the exchange portion of membership dues over the membership period, and the contribution portion immediately. The Organization 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.

The following table shows the Organization's revenue disaggregated according to the timing of the transfer of goods or services:

	<b><u>December 31,</u></b>	
	<b><u>2021</u></b>	<b><u>2020</u></b>
Revenue recognized at a point in time:		
Ticket sales and associated fees	\$ 8,899,646	\$ 1,268,724
Food and beverage	1,628,486	(30,151)
Classes and programs	329,553	189,896
Rental fees	703,466	311,881
Merchandise	561,680	174,051
Miscellaneous	305,554	87,153
	<b><u>\$ 12,428,385</u></b>	<b><u>\$ 2,001,554</u></b>
Revenue recognized over time:		
Advertising	<b><u>\$ 60,467</u></b>	<b><u>\$ 56,187</u></b>

As of December 31, 2021 and 2020, the Organization held no contract assets. Contract liabilities at December 31, 2021 and 2020 consisted solely of deferred revenue which totaled \$949,202 and \$1,630,631, respectively. Deferred revenue is generated primarily from ticket sales for events which will occur in a future period.

**ARTSQUEST AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 2      Summary of Significant Accounting Policies (Continued)**

**Revenue Recognition (Continued)**

As identified above, the vast majority of the Organization's revenues are recognized at a point in time when the performance obligations are satisfied based upon transfer of control of the product or service to a customer. For merchandise sold, this transfer typically occurs upon shipment of the items to the customer. The Organization assesses the sale or service agreement to determine the proper transfer recognition. Generally, payment is received at the point of sale and contracts do not have any financing components.

In the sale of merchandise, the Organization provides shipping services to deliver some of its products. Shipping and handling costs that occur before the customer obtains control of the goods are deemed to be fulfillment activities and are accounted for as fulfillment costs. The Organization has made an accounting policy election (as permitted under ASU 2016-10, *Identifying Performance Obligations and Licensing*) to recognize any shipping and handling costs that are incurred after the customer obtains control of the goods as fulfillment costs which are accrued at the time of revenue recognition.

**Advertising and Promotions**

Advertising costs are charged to operations when incurred. Total advertising costs for the years ended December 31, 2021 and 2020 were \$190,577 and \$172,708, respectively. For the years ended December 31, 2021 and 2020, and included in total advertising costs, the Organization received \$36,324 and \$25,984, respectively, of in-kind advertising.

**Functional Allocation of Expenses**

The consolidated statements of functional expenses report certain categories of expenses that are attributable to one or more program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include facilities and equipment, depreciation and operating expenses, which are allocated based on the use at each respective owned or leased property, as well as employment costs and contract services which are allocated on the basis of estimates of time and effort.

**Income Taxes**

The Internal Revenue Service recognizes ArtsQuest, the Foundation and the Pavilion as exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state provisions. Income from activities not directly related to these Organization's tax-exempt purpose, if any, would be subject to taxation as unrelated business income. Media is a limited partnership ("LP") through which all net profits and net losses are allocated to the partners of the LP. As such, all earnings and losses are reported on the partnership's federal and state returns and flow to the company's partners individual tax returns. Accordingly, no provision for income taxes is included in the accompanying consolidated financial statements.

**ARTSQUEST AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 2      Summary of Significant Accounting Policies (Continued)**

**Income Taxes (Continued)**

The Organization complies with the guidance for uncertainty in income taxes using the provisions of FASB ASC 740, *Income Taxes*. Using that guidance tax positions initially need to be recognized in the consolidated financial statements when it is more-likely-than-not the position will be sustained upon examination by tax authorities.

As of December 31, 2021 and 2020, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the consolidated financial statements.

**Use of Estimates**

Management uses estimates and assumptions in preparing the consolidated financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

**NOTE 3      Liquidity and Availability**

The Organization receives significant contributions, grants and pledges that are restricted in use by the donors. The Organization considers and treats these gifts as restricted in accordance with the directions of the donors and such funds remain unavailable for general expenditures. Unrestricted contributions, grants and pledges are considered for use with respect to ongoing, major programs, central to its annual operations and such unrestricted gifts are available to meet cash requirements for general expenditures. The Organization manages its liquidity in accordance with two guiding principles: (1) controlling its operations within a prudent range of financial soundness and stability and, (2) maintaining adequate liquid assets to fund near – term operating requirements. The Organization monitors its liquidity position on a monthly basis and funds and maintains unrestricted investments and deposits which are immediately available for current expenditures.

Financial assets available for general expenditure within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	\$ 15,534,072
Investments available for operations	3,025,994
Accounts receivable, net	166,373
Other receivables	1,420,352
Pledges receivable within twelve months	<u>1,575,052</u>
	21,721,843
Less cash held to meet donor restrictions	<u>2,584,321</u>
	<u>\$ 19,137,522</u>

In addition, and as more fully described in Note 10, the Organization also has a committed line of credit in the amount of \$2,000,000, which it could draw upon in the event of an unanticipated liquidity need.

**ARTSQUEST AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 4 Pledges Receivable**

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
Time restricted sponsorships and contributions	\$ 2,798,356	\$ 2,475,016
Less unamortized discount	42,110	58,527
Less allowance for uncollectible pledges contributions	44,942	37,510
	<b>\$ 2,711,304</b>	<b>\$ 2,378,979</b>
Less than one year	\$ 1,575,052	\$ 890,976
One to five years	1,136,252	1,488,003
	<b>\$ 2,711,304</b>	<b>\$ 2,378,979</b>

At December 31, 2021 and 2020, pledges receivables include promises to give totaling approximately \$387,000 and \$1,425,200, respectively, from one and five donors, respectively.

**NOTE 5 Property, Furniture and Equipment**

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
Land	\$ 3,004,392	\$ 3,004,392
Building	24,872,026	24,872,026
Building and site improvements	6,239,087	6,200,007
Construction in progress	1,881,034	1,829,302
Furniture and fixtures	2,601,926	2,383,853
Staging equipment	3,877,220	3,756,293
Vehicles	98,640	98,640
	42,574,325	42,144,513
Less accumulated depreciation	18,286,626	17,165,285
	<b>\$ 24,287,699</b>	<b>\$ 24,979,228</b>

Depreciation expense was \$1,121,341 and \$1,100,196 for the years ended December 31, 2021 and 2020, respectively.

**NOTE 7 Investments**

The Organization's investments are recorded at fair value and have been categorized based upon a fair value hierarchy, in accordance with ASC 820 (see Note 2). All investments held at December 31, 2021 and 2020, respectively, are considered Level 1 investments, and are summarized as follows:

**ARTSQUEST AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 7 Investments (Continued)**

	<b>Investments at Fair Value as of December 31, 2021</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<i><b>Without Donor Restrictions:</b></i>				
Money market funds	\$ 104,111	\$ 0	\$ 0	\$ 104,111
Mutual funds				
Large cap	400,697			400,697
Small / mid cap	122,687			122,687
Developed international	44,293			44,293
Emerging international	21,192			21,192
Other international	44,219			44,219
Alternatives	100,935			100,935
Fixed income funds				
US treasuries	249,722			249,722
Mortgages/asset backed	156,105			156,105
Multi-sector	1,801,771			1,801,771
	3,045,732	0	0	3,045,732
<i><b>With Donor Restrictions:</b></i>				
Money market funds	57,753			57,753
Mutual funds				
Large cap	613,378			613,378
Small / mid cap	117,907			117,907
Developed international	59,335			59,335
Emerging international	13,699			13,699
Other international	51,715			51,715
Alternatives	50,723			50,723
Fixed income funds				
US treasuries	39,620			39,620
Mortgages/asset backed	21,549			21,549
Multi-sector	373,751			373,751
	1,399,430	0	0	1,399,430
	\$ 4,445,162	\$ 0	\$ 0	\$ 4,445,162

**ARTSQUEST AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 7 Investments (Continued)**

	<b>Investments at Fair Value as of December 31, 2020</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<i><b>Without Donor Restrictions:</b></i>				
Money market funds	\$ 156,771	\$ 0	\$ 0	\$ 156,771
Mutual funds				
Large cap	211,580			211,580
Small / mid cap	70,629			70,629
Developed international	20,492			20,492
Emerging international	16,139			16,139
Other international	24,058			24,058
Alternatives	78,315			78,315
Fixed income funds				
US treasuries	158,104			158,104
Mortgages/asset backed	151,546			151,546
Multi-sector	1,592,987			1,592,987
	2,480,621	0	0	2,480,621
<i><b>With Donor Restrictions:</b></i>				
Money market funds	\$ 23,300	\$ 0	\$ 0	\$ 23,300
Mutual funds				
Large cap	581,701			581,701
Small / mid cap	128,138			128,138
Developed international	69,016			69,016
Emerging international	17,921			17,921
Other international	61,150			61,150
Alternatives	56,720			56,720
Fixed income funds				
US treasuries	31,125			31,125
Mortgages/asset backed	21,659			21,659
Multi-sector	384,485			384,485
	1,375,215	0	0	1,375,215
	\$ 3,855,836	\$ 0	\$ 0	\$ 3,855,836

Investment income, as reported on the statement of activities, is comprised of:

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
Interest and dividends	\$ 89,092	\$ 87,260
Unrealized gains	83,575	34,512
Realized gains	140,787	152,483
Less investment fees	23,392	21,558
	\$ 290,062	\$ 252,697



**ARTSQUEST AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 7      Investments (Continued)**

Restricted investments at December 31, 2021 and 2020 totaled \$1,419,168 and \$1,375,215, respectively. These balances are restricted as they comprise the majority of the funds on hand for the Organizations' endowments which are fully described in Note 8.

Generally, for all mutual funds, fair value is determined by reference to quoted market prices and other relevant information generated by market transactions.

Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such change could materially affect the amounts reported in the consolidated statements of financial position.

**NOTE 8      Endowment**

The Organization has established three endowment funds as of December 31, 2021. The first was established in 2004 for the purpose of supporting the operating expenses of the Organization. The second was established in 2015 for the purpose of providing support for the cost of sustaining the Organization's building and campuses as well as the staff and overhead required to operate the hundreds of arts, cultural and education programs offered to the community. The third was established in 2017 for the purpose of supporting the annual Musikfest festival and related Arts programming. During 2019, the Organization opened up its current capital campaign to include donations to the existing endowments. As a result, \$100,000 pledge was received during the year ended December 31, 2019 which shall be maintained as a general endowment until donor decides which endowment to allocate the funding to.

As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

*Interpretation of Relevant Law*

The Organization follows Commonwealth of Pennsylvania law and its own governing documents with respect to the management of endowment funds. In the absence of donor restrictions, the net appreciation on a donor-restricted endowment fund is spendable. As a result of this interpretation, the Organization has classified the original value of gifts donated as net assets with donor restrictions.

Gains, losses, interest and dividends on the investment are restricted for current operating expenses and therefore, reported as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization.

**ARTSQUEST AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 8      Endowment (Continued)**

*Endowment Return Objectives, Risk Parameters and Strategies*

The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets. The objectives of those policies include (a) maintain the endowment fund at a level that covers cost increases and inflation, (b) mitigate the effects of short-term volatility on spending, (c) maximize return within reasonable and prudent levels of risk, (d) maintain an appropriate asset allocation based on a total return policy, and (e) control costs of administering the endowment fund.

*Spending Policy*

The Organization follows “total return policy” guidelines as established under Pennsylvania Act 141 and as adopted by the Organization’s Board of Directors. The Organization’s policy will be to distribute annually between two and seven percent (allowable “total return policy” range) of the trailing three fiscal year average of the endowment’s total asset value. The Organization’s Board of Directors, with input from management, will establish annually the percentage to be adopted for distribution. From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor requires to be retained as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in net assets with donor restrictions.

The change in endowment net assets for the years ended December 31, 2021 and 2020 are as follows:

	<b><u>Without Donor Restrictions</u></b>	<b><u>With Donor Restrictions</u></b>	<b><u>Total</u></b>
Endowment net assets at January 1, 2020	\$ 25,107	\$ 1,364,743	\$ 1,389,850
Appropriations		(44,454)	(44,454)
Investment income			
Interest and dividends, net of fees		13,921	13,921
Unrealized gains		66,481	66,481
Realized gains		98,960	98,960
Total investment income	<u>0</u>	<u>179,362</u>	<u>179,362</u>
Endowment net assets at December 31, 2020	\$ 25,107	\$ 1,499,651	\$ 1,524,758
Appropriations		(162,000)	(162,000)
Investment income			
Interest and dividends, net of fees		13,580	13,580
Unrealized gains		98,913	98,913
Realized gains		73,721	73,721
Total investment income	<u>0</u>	<u>186,214</u>	<u>186,214</u>
Endowment net assets at December 31, 2021	<u>\$ 25,107</u>	<u>\$ 1,523,865</u>	<u>\$ 1,548,972</u>

**ARTSQUEST AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 9      Split-Interest Annuity Agreements**

During 2018, the Organization established a charitable gift annuity program. Assets are contributed directly to the Organization. In consideration of the donor's contribution, the Organization agrees to pay the donor an annuity, to be paid in equal quarterly installments for the remainder of the donor's life. The obligation to the donor shall terminate upon the death of the surviving donor.

The donated assets are recorded at fair market value on the date of the agreement and a liability equal to the present value of the future annuity payments is recorded. The present value of the annuities is calculated using a discount rate of 3.4% and applicable mortality tables. The difference between the fair market value of the assets received and the present value of the annuity liability to the donor is recognized as contribution revenue at the date of the gift. This contribution revenue is classified as with donor restrictions or without donor restrictions, dependent upon donor restrictions and state law.

In addition, the Organization has established a policy in which it will purchase an insurance policy which will guarantee the payment of the annuity obligations through the term of each policy. Upon the termination of any annuity agreement, the remaining funds held by these policies are forfeited to the insurance provider.

As of December 31, 2021 and 2020, the present value of these annuities was \$2,724,139 and \$2,858,795, respectively, and the fair value of the insurance contracts was \$3,031,835 and \$3,396,493, respectively.

During the years ended December 31, 2021 and 2020, the Organization incurred losses of \$260,344 and \$118,881, respectively, from the write off of terminated annuities and the revaluation of the present value of payments due under these contracts as of the end of the respective year.

**NOTE 10      Line of Credit**

The Organization has historically had a \$1,000,000 unsecured line of credit available with a bank for operational purposes. During 2020, the Organization increased the maximum amount available under the line of credit to \$2,000,000. The line of credit is due on demand subject to an annual review of the Organization's financial position. Interest on outstanding borrowings is payable at LIBOR plus 2% (2.25% at December 31, 2021). There were no borrowings against the line as of December 31, 2021 and 2020, respectively.

**NOTE 11      Term Debt**

	<b>December 31, 2021</b>		
	<b>Outstanding Principal</b>	<b>Debt Issuance Costs, Net</b>	<b>Term Debt, Net</b>
Note payable of \$6,510,000 to a bank on a bond issued by the redevelopment authority, requiring monthly payments of \$30,658 including a fixed rate of interest of 2.937%, final payment of \$4,516,796 due upon maturity in February 2027, secured by real estate.	\$ 5,803,957	\$ 117,209	\$ 5,686,748

**ARTSQUEST AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 11     Term Debt (Continued)**

	<b>December 31, 2021 (Continued)</b>		
	<b>Outstanding Principal</b>	<b>Debt Issuance Costs, Net</b>	<b>Term Debt, Net</b>
Note payable of \$1,630,000 to a bank, requiring monthly payments of \$8,608 including a fixed rate of interest of 3.95%, final payment of \$1,163,555 due upon maturity in February 2027, secured by real estate.	1,460,733		1,460,733
Total term debt	7,264,690	117,209	7,147,481
Less current maturities	243,351	22,686	220,665
Term debt, net of current maturities	\$ 7,021,339	\$ 94,523	\$ 6,926,816
	<b>December 31, 2020</b>		
	<b>Outstanding Principal</b>	<b>Debt Issuance Costs, Net</b>	<b>Term Debt, Net</b>
Note payable of \$6,510,000 to a redevelopment authority, requiring monthly payments of \$30,658 including a fixed rate of interest of 2.937%, final payment of \$4,516,796 due upon maturity in February 2027, secured by real estate.	\$ 5,803,957	\$ 139,895	\$ 5,664,062
Note payable of \$1,630,000 to a bank, requiring monthly payments of \$8,608 including a fixed rate of interest of 3.95%, final payment of \$1,163,555 due upon maturity in February 2027, secured by real estate.	1,472,494		1,472,494
Paycheck Protection Program loan of \$1,001,400, payable to a bank under the guidance and approval of the SBA, as further explained below	1,001,400		1,001,400
Economic Injury Disaster Loan of \$150,000 payable to the SBA, requiring monthly payments, beginning June 2021, of \$641 including a fixed rate of interest of 2.75%, final payment due June 2050, secured by all assets of the Organization.	150,000		150,000
Total term debt	8,427,851	139,895	8,287,956
Less current maturities	1,001,400		1,001,400
Term debt, net of current maturities	\$ 7,426,451	\$ 139,895	\$ 7,286,556

**ARTSQUEST AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 11      Term Debt (Continued)**

During the year ended December 31, 2020, the Organization obtained a Paycheck Protection Program (“PPP”) loan totaling \$1,001,400 through the Small Business Administration’s (SBA) Paycheck Protection Program (PPP). During the year ended December 31, 2021, the Organization obtained an additional PPP loan totaling \$1,085,095. The terms of these loans require a fixed interest rate of 1% and a two year repayment term with principal payments beginning 10 months after the original receipt. The loans were eligible for forgiveness if the proceeds were spent in accordance with the criteria specified under the PPP. As such, the Organization applied for and received forgiveness from the SBA in August 2021 and February 2022, respectively. Though the loan received in 2021 was not forgiven until subsequent to December 31, 2021, all terms and conditions were met as of that date and as such the Organization recognized the forgiveness received. The total amount of forgiveness during the year ended December 31, 2021 was \$2,109,745 and is comprised of each of these loans plus the forgiven interest expense which would have been incurred had the loans not been forgiven.

The Organization entered into agreements with the two banks included above for deferral of all principal payments which were otherwise due during 2021. The expected payments have been added to the end of the maturity period resulting in additional payments due in February 2027.

Term debt maturities, subject the matters disclosed above, at December 31, 2021 are as follows:

	<b>Principal Payments</b>	<b>Amortization of Debt Issuance Costs</b>	<b>Total, Net of Amortization</b>
2022	\$ 243,351	\$ 22,686	\$ 220,665
2023	251,181	22,686	228,495
2024	259,121	22,686	236,435
2025	267,181	22,686	244,495
2026	276,222	22,686	249,536
Thereafter	5,967,634	3,779	5,963,855
	<u>\$ 7,264,690</u>	<u>\$ 117,209</u>	<u>\$ 7,147,481</u>

The Organization’s loan agreement with the bank contains certain financial covenants that require maintenance of minimum amounts and ratios of working capital and a maximum ratio of indebtedness to total net assets. At December 31, 2021 the Organization was in compliance with these covenants.

**ARTSQUEST AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 12      Employee Retention Credits**

The Coronavirus Aid, Relief and Economic Security Act, signed and executed in March 2020, included a provision which permitted employers who retained their labor force to claim a refundable credit on eligible payroll costs. In December 2020, the Taxpayer Certainty and Disaster Tax Relief Act of 2020 extended these provisions to the second calendar quarter of 2021. Under the provisions of these Acts, the Organization reviewed its eligible expenses during the year ended December 31, 2021 and concluded that they met all eligibility requirements. Management has determined that the Organization has qualified for Employee Retention Credits of \$1,407,568 which have been recorded as contributions and grants in the statement of activities and are included in other receivables at December 31, 2021 in the consolidated statement of financial position.

**NOTE 13      Leasing Arrangements**

The Organization has several non-cancelable operating leases, primarily for office equipment, which expire at various dates through March 2025. Future minimum lease payments under these non-cancelable operating leases as of December 31, 2021 are:

2022	\$ 47,164
2023	28,215
2024	12,951
2025	2,307

Total rent expense for operating leases was \$68,701 and \$71,657 and for the years ended December 31, 2021 and 2020, respectively.

**NOTE 14      In-Kind Contributions**

In-kind contributions meeting the requirements for recognition in the consolidated financial statements are recorded as income at their fair market value at the date of receipt. A portion of the in-kind contributions of services are for services rendered by a variety of businesses in connection with the operation and promotion of the Organization's festivals.

The Organization leases from the Redevelopment Authority of the City of Bethlehem the land on which the Performing Arts Center and Levitt Pavilion are located as well as the office space of the Visitors Center. The original lease term was for 10 years and expired June 2020, at the rate of \$1 per year. In May 2020, the Organization executed the first of three 10-year renewal options extending the term through June 2030. For the years ended December 31, 2021 and 2020, the Organization has recorded an in-kind contribution for the fair market value of the leased premises of \$370,052 and \$340,928, respectively.

A substantial number of volunteers have donated significant amounts of their time to the Organization primarily for the operation of its various programs. The value of these contributed services is not reported in the consolidated financial statements since the criteria for recognition has not been met.

**ARTSQUEST AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 15 Employee Benefit Plans**

The Organization has a defined contribution deferred annuity retirement plan for all eligible employees under the provisions of Section 403(b) of the Internal Revenue Code. Employees are eligible to contribute amounts up to the eligible limits permitted by law and the Organization has the discretion to match 100% of the first 5% contributed by the employee. For the years ended December 31, 2021 and 2020, the Organization elected to make contributions of \$69,784 and \$50,782, respectively, to the plan.

**NOTE 16 Self-Insurance Reserve**

The Organization has elected not to participate in the Pennsylvania Unemployment Insurance Program. If any employee becomes eligible for unemployment insurance benefits, the Organization will be required to fund such benefits at that time. Unemployment benefits paid for 2021 and 2020 amounted to \$60,742 and \$150,824, respectively.

**NOTE 17 Net Assets with Donor Restrictions**

Net assets with donor restrictions are restricted for the following purposes:

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
<b>Subject to expenditure for specific purpose:</b>		
Future festival sponsorships	\$ 1,217,855	\$ 603,669
Future programs and operations	437,960	469,052
Memberships	412,908	335,056
Re-Imagine Campaign	2,814,597	1,971,867
<b>Subject to the Organization's appropriation:</b>		
Original donor-restricted gift required to be maintained in perpetuity by donor	1,146,750	1,146,750
Accumulated gain	377,116	352,901
	<b>\$ 6,407,186</b>	<b>\$ 4,879,295</b>

**NOTE 18 Net Assets Released from Donor Restrictions**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose specified by donors as follows:

	<b>December 31,</b>	
	<b>2021</b>	<b>2020</b>
<b>Purpose restrictions accomplished:</b>		
Sponsorships for festivals	\$ 1,080,758	\$ 1,092,581
Sustaining memberships	143,703	147,365
Programs, events and other activities	504,693	287,442
	<b>\$ 1,729,154</b>	<b>\$ 1,527,388</b>

**ARTSQUEST AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 19      Commitments and Vendor Advances**

In April 2018, the Organization entered into a ten-year food service contract with a contractor who would facilitate all catering requirements at each of the Organization's facilities. The contract requires 90/10 profit split, to be calculated based on the monthly net profits of the contractor, with any periods incurring a loss being solely an obligation of the Organization. Such losses are required to be paid to the vendor on a monthly basis.

In addition, under the terms of the original contract the contractor is required to support the costs of renovations to the first floor of the Organization's Performing Arts Center up to a maximum of \$3,000,000 ("contractors investment"). Through negotiation, the amount of funding was agreed to be set at \$2,250,000.

As such, this amount will be amortized over the original 10 year term of the contract (or \$18,750 per month) and included in the calculation of the monthly net profits derived from the services provided. In addition, the Organization and the contractor agreed that it was beneficial to provide the Organization a lump sum in cash to meet this obligation rather than the subcontractor remaining responsible for the project and spending of the intended advance. Therefore, during the year ended December 31, 2019, the Organization was advanced \$1,897,303 from the food service vendor which represents the remaining funds of the original \$2,250,000 agreed to.

In March 2021, the Organization signed an amendment to this contract which included the following changes.

For the period of January 1, 2021 to December 31, 2021, the calculation of any operating deficits would exclude the amortization of the contractors investment. The sum of the amortization ignored for purposes of this calculation shall be paid pro-rata to the contractor on a monthly basis from January 1, 2022 to December 31, 2023, subject to amendment if business conditions improve.

Any operating deficits incurred from January 1, 2021 to June 30, 2021 shall be paid to the contractor exactly one year later.

The term of the contract was extended from an original termination date of April 2028 to April 2030. With the extension of the term, the period in which the contractors investment was also extended. Therefore beginning March 2021 and through the remaining term, the amortization amount was reduced from \$18,750 per month to \$14,659.

Based on the details and changes noted above the total remaining balances on the contractors advance were \$1,465,909 and \$1,650,000, as of December 2021 and 2020, respectively. The total amount due to the vendor for the deferment of 2021 losses as of December 31, 2021 totaled \$265,321 which is included in accounts payable on the consolidated statement of financial position.



**ARTSQUEST AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 19      Commitments and Vendor Advances (Continued)**

For the years ended December 31, 2021 and 2020, the Organization's net income (loss) on these contracts amounted to \$894,831 and (\$120,813), respectively. These amounts are included in other income on the consolidated statement of activities.

**NOTE 20      Recent Accounting Pronouncements**

**Leases**

In February 2016, the FASB issued amended guidance for the treatment of leases. The guidance requires lessees to recognize a right-of-use asset and a corresponding lease liability for all operating and finance leases with lease terms greater than one year. The guidance also requires both qualitative and quantitative disclosures regarding the nature of the Organization's leasing activities. The guidance will initially be applied using a modified retrospective approach. The amendments in the guidance will be effective for the year ending December 31, 2022. Early adoption is permitted. Management is evaluating the impact of the amended lease guidance on the Organization's consolidated financial statements.

**NOTE 21      Reclassifications**

Certain reclassifications have been made to the prior year consolidated financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported net asset balances.

**NOTE 22      Subsequent Events**

The Organization has evaluated events and transactions for potential recognition or disclosure in the consolidated financial statements through July 5, 2022, the date the consolidated financial statements were available to be issued. Except as disclosed in Note 11, no events or transactions have occurred which would require recognition or disclosure in the consolidated financial statements.

**INDEPENDENT AUDITOR'S REPORT ON  
SUPPLEMENTARY INFORMATION**

To the Board of Directors of  
ArtsQuest and Affiliates

We have audited the consolidated financial statements of ArtsQuest and Affiliates which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated July 5, 2022, which contained an unqualified opinion on those consolidated financial statements. Our audits were performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The Consolidating Statements of Financial Position, Consolidating Statements of Activities, Consolidating Statement of Program Expenses, Consolidating Schedule of Supporting Expenses, and Consolidating Statements of Cash Flows that follow are presented for the purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

*Concannon, Miller + Co., P.C.*

Bethlehem, PA  
July 5, 2022

**ARTSQUEST AND AFFILIATES**  
**CONSOLIDATING STATEMENTS OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2021**  
**(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2020)**

	ArtsQuest	ArtsQuest Foundation	Artonomous Media	Friends of the Levitt Pavilion at Steelstacks	Eliminations	December 31,	
						2021	2020
<b>ASSETS</b>							
<b>CURRENT ASSETS</b>							
Cash and cash equivalents	\$ 15,003,350	\$ 285,199	\$ 14,697	\$ 230,826	\$ 0	\$ 15,534,072	\$ 7,514,289
Investments, at fair value		3,045,732				3,045,732	2,480,621
Accounts receivable, net	146,848	8,500	11,025			166,373	46,543
Other receivables	1,420,352					1,420,352	59,850
Pledges receivable, net	1,476,658	35,000		63,394		1,575,052	890,976
Prepaid expenses	178,975			2,801		181,776	123,778
Due from affiliate		5,556,027			(5,556,027)	0	0
Inventory	83,463					83,463	99,070
Total Current Assets	18,309,646	8,930,458	25,722	297,021	(5,556,027)	22,006,820	11,215,127
<b>PROPERTY, FURNITURE AND EQUIPMENT, NET</b>	27,476,270			92,679	(3,281,250)	24,287,699	24,979,228
<b>OTHER ASSETS</b>							
Restricted investments, at fair value		1,399,430				1,399,430	1,375,215
Pledges receivable, net	956,447	25,000		154,805		1,136,252	1,488,003
Insurance policies on charitable gift annuities		3,031,835				3,031,835	3,396,493
Total Other Assets	956,447	4,456,265	0	154,805	0	5,567,517	6,259,711
Total Assets	\$ 46,742,363	\$ 13,386,723	\$ 25,722	\$ 544,505	\$ (8,837,277)	\$ 51,862,036	\$ 42,454,066
<b>LIABILITIES AND NET ASSETS</b>							
<b>CURRENT LIABILITIES</b>							
Current portion of term debt	\$ 220,665	\$ 0	\$ 0	\$ 0	\$ 0	\$ 220,665	\$ 1,001,400
Current portion of vendor advances	175,909					175,909	225,000
Accounts payable and accrued expenses	1,696,434	22,110	7,800	0		1,726,344	1,089,284
Due to affiliate	5,118,472		269,772	167,783	(5,556,027)	0	0
Deferred revenue	944,202		0	5,000		949,202	1,630,631
Refundable advances	157,500			154,805		312,305	328,699
Total Current Liabilities	8,313,182	22,110	277,572	327,588	(5,556,027)	3,384,425	4,275,014
<b>LONG-TERM LIABILITIES</b>							
Term debt, net of current portion	6,926,816					6,926,816	7,286,556
Vendor advances, net of current portion	1,290,000					1,290,000	1,425,000
Charitable gift annuities		2,724,139				2,724,139	2,858,795
Total Long-Term Liabilities	8,216,816	2,724,139	0	0	0	10,940,955	11,570,351
Total Liabilities	16,529,998	2,746,249	277,572	327,588	(5,556,027)	14,325,380	15,845,365
<b>NET ASSETS</b>							
Net assets without donor restrictions	25,402,439	9,106,608	(251,850)	153,523	(3,281,250)	31,129,470	21,729,406
Net assets with donor restrictions	4,809,926	1,533,866		63,394		6,407,186	4,879,295
Total Net Assets	30,212,365	10,640,474	(251,850)	216,917	(3,281,250)	37,536,656	26,608,701
Total Liabilities and Net Assets	\$ 46,742,363	\$ 13,386,723	\$ 25,722	\$ 544,505	\$ (8,837,277)	\$ 51,862,036	\$ 42,454,066

**ARTSQUEST AND AFFILIATES**  
**CONSOLIDATING STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2021**

	ArtsQuest		ArtsQuest Foundation		Artonomous Media		Friends of the Levitt Pavilion at Steelstacks	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
<b>PUBLIC SUPPORT AND REVENUE</b>								
<b>Public support</b>								
Contributions and grants	\$ 10,991,340	\$ 2,941,859	\$ 87,280	\$ 2,183	\$ 0	\$ 0	\$ 255,843	\$ 126,788
Forgiveness of debt - Paycheck Protection Program	2,109,745							
Fundraising events, net of direct expenses of \$3,071 and \$125 for 2021 and 2020, respectively			47,403					
In-kind contributions	758,994						106,486	
Loss on charitable gift annuities			(260,344)					
Total Support	<u>13,860,079</u>	<u>2,941,859</u>	<u>(125,661)</u>	<u>2,183</u>	<u>0</u>	<u>0</u>	<u>362,329</u>	<u>126,788</u>
<b>Revenue</b>								
Programs and events	1,793,146				60,467		57,231	
Festivals	8,245,793							
Box office and retail	670,929							
Other	1,898,531							
Total Revenue	<u>12,608,399</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>60,467</u>	<u>0</u>	<u>57,231</u>	<u>0</u>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>	<u>1,470,485</u>	<u>(1,470,485)</u>	<u>195,275</u>	<u>(195,275)</u>			<u>63,394</u>	<u>(63,394)</u>
Total Support and Revenue	<u>27,938,963</u>	<u>1,471,374</u>	<u>69,614</u>	<u>(193,092)</u>	<u>60,467</u>	<u>0</u>	<u>482,954</u>	<u>63,394</u>
<b>FUNCTIONAL EXPENSES</b>								
Program services								
Programs	4,378,480		178,000		87,015		425,701	
Festivals	9,195,972							
Box office and retail	247,447							
Total Program Services	<u>13,821,899</u>	<u>0</u>	<u>178,000</u>	<u>0</u>	<u>87,015</u>	<u>0</u>	<u>425,701</u>	<u>0</u>
Supporting services								
General & administrative	2,584,899		14,287		109		1,385	
Fundraising	2,080,946		156,176				17,864	
Total Supporting Services	<u>4,665,845</u>	<u>0</u>	<u>170,463</u>	<u>0</u>	<u>109</u>	<u>0</u>	<u>19,249</u>	<u>0</u>
Total Expenses	<u>18,487,744</u>	<u>0</u>	<u>348,463</u>	<u>0</u>	<u>87,124</u>	<u>0</u>	<u>444,950</u>	<u>0</u>
<b>INCOME (LOSS) FROM OPERATIONS</b>	<u>9,451,219</u>	<u>1,471,374</u>	<u>(278,849)</u>	<u>(193,092)</u>	<u>(26,657)</u>	<u>0</u>	<u>38,004</u>	<u>63,394</u>
<b>INVESTMENT INCOME, NET</b>	<u>6,911</u>		<u>96,936</u>	<u>186,215</u>				
<b>CHANGE IN NET ASSETS</b>	<u>9,458,130</u>	<u>1,471,374</u>	<u>(181,913)</u>	<u>(6,877)</u>	<u>(26,657)</u>	<u>0</u>	<u>38,004</u>	<u>63,394</u>
<b>NET ASSETS, JANUARY 1</b>	<u>15,944,309</u>	<u>3,338,552</u>	<u>9,288,521</u>	<u>1,540,743</u>	<u>(225,193)</u>	<u>0</u>	<u>115,519</u>	<u>0</u>
<b>NET ASSETS, DECEMBER 31</b>	<u>\$ 25,402,439</u>	<u>\$ 4,809,926</u>	<u>\$ 9,106,608</u>	<u>\$ 1,533,866</u>	<u>\$ (251,850)</u>	<u>\$ 0</u>	<u>\$ 153,523</u>	<u>\$ 63,394</u>

**ARTSQEST AND AFFILIATES**  
**CONSOLIDATING STATEMENT OF ACTIVITIES (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2021**  
**(WITH COMPARATIVE TOTALS FOR 2020)**

	<u>ArtsQuest and Affiliates</u>				<u>Totals</u>	
	<u>2021</u>	<u>Eliminations</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2021</u>	<u>2020</u>
<b>PUBLIC SUPPORT AND REVENUE</b>						
<b>Public support</b>						
Contributions and grants	\$ 14,405,293	\$ (162,000)	\$ 11,172,463	\$ 3,070,830	\$ 14,243,293	\$ 5,568,076
Forgiveness of debt - Paycheck Protection Program	2,109,745		2,109,745		2,109,745	0
Fundraising events, net of direct expenses of \$3,071 and \$125 for 2021 and 2020, respectively	47,403		47,403		47,403	1,875
In-kind contributions	865,480		865,480	0	865,480	577,824
Loss on charitable gift annuities	(260,344)		(260,344)	0	(260,344)	(118,881)
Total Support	<u>17,167,577</u>	<u>(162,000)</u>	<u>13,934,747</u>	<u>3,070,830</u>	<u>17,005,577</u>	<u>6,028,894</u>
<b>Revenue</b>						
Programs and events	1,910,844		1,910,844		1,910,844	830,189
Festivals	8,245,793		8,245,793		8,245,793	779,131
Box office and retail	670,929		670,929		670,929	184,077
Other	1,898,531	(237,245)	1,661,286		1,661,286	264,344
Total Revenue	<u>12,726,097</u>	<u>(237,245)</u>	<u>12,488,852</u>	<u>0</u>	<u>12,488,852</u>	<u>2,057,741</u>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>	<u>0</u>		<u>1,729,154</u>	<u>(1,729,154)</u>	<u>0</u>	<u>0</u>
Total Support and Revenue	<u>29,893,674</u>	<u>(399,245)</u>	<u>28,152,753</u>	<u>1,341,676</u>	<u>29,494,429</u>	<u>8,086,635</u>
<b>EXPENSES</b>						
Program services						
Programs	5,069,196	(511,745)	4,557,451		4,557,451	3,516,693
Festivals	9,195,972		9,195,972		9,195,972	1,721,835
Box office and retail	247,447		247,447		247,447	295,720
Total Program Services	<u>14,512,615</u>	<u>(511,745)</u>	<u>14,000,870</u>	<u>0</u>	<u>14,000,870</u>	<u>5,534,248</u>
Supporting services						
General & administrative	2,600,680		2,600,680		2,600,680	1,670,682
Fundraising	2,254,986		2,254,986		2,254,986	1,439,654
Total Supporting Services	<u>4,855,666</u>	<u>0</u>	<u>4,855,666</u>	<u>0</u>	<u>4,855,666</u>	<u>3,110,336</u>
Total Expenses	<u>19,368,281</u>	<u>(511,745)</u>	<u>18,856,536</u>	<u>0</u>	<u>18,856,536</u>	<u>8,644,584</u>
<b>INCOME (LOSS) FROM OPERATIONS</b>	10,525,393	112,500	9,296,217	1,341,676	10,637,893	(557,949)
<b>INVESTMENT INCOME, NET</b>	<u>290,062</u>		<u>103,847</u>	<u>186,215</u>	<u>290,062</u>	<u>252,697</u>
<b>CHANGE IN NET ASSETS</b>	10,815,455	112,500	9,400,064	1,527,891	10,927,955	(305,252)
<b>NET ASSETS, JANUARY 1</b>	<u>30,002,451</u>	<u>(3,393,750)</u>	<u>21,729,406</u>	<u>4,879,295</u>	<u>26,608,701</u>	<u>26,913,953</u>
<b>NET ASSETS, DECEMBER 31</b>	<u>\$ 40,817,906</u>	<u>\$ (3,281,250)</u>	<u>\$ 31,129,470</u>	<u>\$ 6,407,186</u>	<u>\$ 37,536,656</u>	<u>\$ 26,608,701</u>

**ARTSQEST AND AFFILIATES**  
**CONSOLIDATING STATEMENT OF PROGRAM EXPENSES**  
**YEAR ENDED DECEMBER 31, 2021**

	<u>Programs and Events</u>				<u>Total</u>	<u>Festivals</u>	<u>Box Office and Retail</u>	<u>Eliminations</u>	<u>Total Program Services</u>
	<u>ArtsQuest</u>	<u>ArtsQuest Foundation</u>	<u>Artonomous Media</u>	<u>Friends of the Levitt Pavilion at Steelstacks</u>					
Salaries	\$ 781,148	\$ 0	\$ 43,245	\$ 160,000	\$ 984,393	\$ 1,163,344	\$ 164,188	\$ (203,245)	\$ 2,108,680
Benefits and taxes	146,600				146,600	218,326	30,814		395,740
Total Salaries and Related Expenses	<u>927,748</u>	<u>0</u>	<u>43,245</u>	<u>160,000</u>	<u>1,130,993</u>	<u>1,381,670</u>	<u>195,002</u>	<u>(203,245)</u>	<u>2,504,420</u>
Advertising	24,408			5,794	30,202	157,026			187,228
Artistic expense	904,727			102,709	1,007,436	2,016,371			3,023,807
Bank charges					0		10,136		10,136
Classroom expenses	169,378				169,378				169,378
Cost of goods sold	66,115			-	66,115	151,127	39,306		256,548
Depreciation and amortization	1,032,021			36,269	1,068,290			(112,500)	955,790
Equipment & leases				5,734	5,734				5,734
Food and Beverage	18,130				18,130	2,264,681			2,282,811
Grants		178,000			178,000			(178,000)	0
Hospitality	827				827	144,470			145,297
Information systems and technology					0		2,198		2,198
Lighting, sound and staging	31,859			1,473	33,332	637,500			670,832
Miscellaneous	16,409			18,150	34,559	18,369		(18,000)	34,928
Occupancy	204,184			93,625	297,809	399,886			697,695
Office expenses	140				140	1,413	805		2,358
Printing	373		43,770		44,143	33,319			77,462
Production	256,686			1,947	258,633	1,906,170			2,164,803
Repairs and maintenance	360,971				360,971	1,500			362,471
Supplies	130,884				130,884	18,631			149,515
Utilities	233,620				233,620	63,839			297,459
	<u>3,450,732</u>	<u>178,000</u>	<u>43,770</u>	<u>265,701</u>	<u>3,938,203</u>	<u>7,814,302</u>	<u>52,445</u>	<u>(308,500)</u>	<u>11,496,450</u>
	<u>\$ 4,378,480</u>	<u>\$ 178,000</u>	<u>\$ 87,015</u>	<u>\$ 425,701</u>	<u>\$ 5,069,196</u>	<u>\$ 9,195,972</u>	<u>\$ 247,447</u>	<u>\$ (511,745)</u>	<u>\$ 14,000,870</u>

**ARTSQEST AND AFFILIATES**  
**CONSOLIDATING STATEMENT OF SUPPORTING EXPENSES**  
**YEAR ENDED DECEMBER 31, 2021**

	General and Administrative					Fundraising					Total Supporting Services
	ArtsQuest	ArtsQuest Foundation	Artonomous Media	Friends of the Levitt Pavilion at Steelstacks	Total	ArtsQuest	ArtsQuest Foundation	Artonomous Media	Friends of the Levitt Pavilion at Steelstacks	Total	
Salaries	1,079,534	\$ 0	\$ 0	\$ 0	\$ 1,079,534	\$ 1,675,557	\$ 132,009	\$ 0	\$ 0	\$ 1,807,566	\$ 2,887,100
Benefits and taxes	202,599				202,599	314,455	24,042			338,497	541,096
Total Salaries and Related Expenses	1,282,133	0	0	0	1,282,133	1,990,012	156,051	0	0	2,146,063	3,428,196
Advertising	3,224				3,224		125			125	3,349
Bad debt (recoveries) expense	10,729	13,400			24,129	46,902				46,902	71,031
Bank charges	308,716	337		187	309,240					0	309,240
Depreciation and amortization	188,237				188,237					0	188,237
Equipment & leases	10,582				10,582					0	10,582
Information systems and technology	229,796				229,796					0	229,796
Interest	256,276				256,276					0	256,276
Miscellaneous	1,342	275	109	427	2,153					0	2,153
Occupancy	63,426				63,426					0	63,426
Office expenses	85,241			771	86,012	1,665				1,665	87,677
Printing					0					0	0
Production	7,334				7,334	15,967			17,864	33,831	41,165
Professional fees	128,861	275			129,136	26,400				26,400	155,536
Repairs and maintenance	9,002				9,002					0	9,002
	1,302,766	14,287	109	1,385	1,318,547	90,934	125	0	17,864	108,923	1,427,470
	\$ 2,584,899	\$ 14,287	\$ 109	\$ 1,385	\$ 2,600,680	\$ 2,080,946	\$ 156,176	\$ 0	\$ 17,864	\$ 2,254,986	\$ 4,855,666

**ARTSQUEST AND AFFILIATES**  
**CONSOLIDATING STATEMENTS OF CASH FLOWS**  
**(WITH COMPARATIVE TOTALS FOR 2020)**

	ArtsQuest	ArtsQuest Foundation	Artonomous Media	Friends at the Levitt Pavilion at Steelstacks	Eliminations	Years Ended December 31,	
						2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Change in net assets	\$ 10,929,504	\$ (188,790)	\$ (26,657)	\$ 101,398	\$ 112,500	\$ 10,927,955	\$ (305,252)
Adjustments to reconcile change in net assets to net cash provided by operating activities							
Forgiveness of debt - Paycheck Protection Program	(2,086,495)					(2,086,495)	0
Depreciation	1,197,572			36,269	(112,500)	1,121,341	1,100,196
Interest expense - amortization of debt issuance costs	22,686					22,686	22,686
Bad debt expense	57,631	13,400				71,031	376
Realized gain on investments		(139,305)				(139,305)	(152,483)
Unrealized gain on investments		(86,281)				(86,281)	(34,512)
Change in value of annuity agreements, net of termination of annuities and underlying insurance contracts		260,344				260,344	118,881
Changes in operating assets and liabilities							
Accounts receivable	(112,309)	(8,500)	(9,750)			(130,559)	350,078
Other receivables	(1,360,502)					(1,360,502)	147,214
Pledges receivable	(498,674)	42,653		63,394		(392,627)	132,787
Due from affiliate		19,138			(19,138)	0	0
Prepaid expenses	(55,197)			(2,801)		(57,998)	124,345
Inventory	15,607					15,607	90,050
Accounts payable and accrued expenses	622,822	6,555	7,800	(117)		637,060	(920,438)
Due to affiliate	32,430		24,703	(76,271)	19,138	0	0
Deferred revenue	(671,429)		(15,000)	5,000		(681,429)	683,561
Refundable advances	47,000			(63,394)		(16,394)	140,600
Net Cash Provided by (Used in) Operating Activities	8,140,646	(80,786)	(18,904)	63,478	0	8,104,434	1,498,089
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Capital expenditures, net of disposals	(406,373)			(23,439)		(429,812)	(1,394,159)
Proceeds from sale of investments, net of purchases		(363,740)				(363,740)	(65,927)
Proceeds from termination of insurance policies						0	246,453
Purchase of insurance policies, net of distributions		364,658				364,658	496,018
Net Cash Provided by (Used in) Investing Activities	(406,373)	918	0	(23,439)	0	(428,894)	(717,615)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>							
Payments on capital lease obligations						0	(3,268)
Proceeds on term borrowings	1,085,095					1,085,095	1,151,400
Payments on term borrowings	(161,761)					(161,761)	(239,096)
Proceeds from (payments on) vendor advances, net	(184,091)					(184,091)	(225,000)
Payments on annuities		(395,000)				(395,000)	(441,500)
Net Cash Provided by (Used in) Financing Activities	739,243	(395,000)	0	0	0	344,243	242,536
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	8,473,516	(474,868)	(18,904)	40,039	0	8,019,783	1,023,010
<b>CASH AND CASH EQUIVALENTS, JANUARY 1</b>	6,529,834	760,067	33,601	190,787		7,514,289	6,491,279
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	\$ 15,003,350	\$ 285,199	\$ 14,697	\$ 230,826	\$ 0	\$ 15,534,072	\$ 7,514,289
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>							
<b>NON CASH OPERATING ACTIVITIES</b>							
In-kind contribution of services	\$ 758,994	\$ 0	\$ 0	\$ 106,486	\$ 0	\$ 865,480	\$ 577,824
<b>ADDITIONAL CASH FLOW INFORMATION</b>							
Cash payments for interest	\$ 256,276	\$ 0	\$ 0	\$ 0	\$ 0	\$ 256,276	\$ 236,824



**ARTSQUEST AND AFFILIATES**  
**CONSOLIDATED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED DECEMBER 31, 2021**

<b>Federal Grantor / Pass-through Grantor Program or Cluster Title</b>	<b>Pass-Through Grantor's Number</b>	<b>Federal CFDA Number</b>	<b>Grant Period Beginning - Ending</b>	<b>Total Federal Expenditures</b>	<b>Passed Through to Subrecipients</b>
<b>Small Business Administration</b>					
Shuttered Venue Operators Grant	N/A	59.075	3/1/20- 12/31/21	\$ 7,389,773	\$ 0

**ARTSQUEST AND AFFILIATES**  
**NOTES TO CONSOLIDATED SCHEDULE OF EXPENDITURES**  
**OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

**NOTE A      Basis of Presentation**

The accompanying consolidated schedule of expenditures of federal awards (the “Schedule”) includes federal grant activity of ArtsQuest under programs of the federal government for the year ended December 31, 2021. The information in the 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 ArtsQuest, it is not intended to and does not represent the financial position, change in net assets, functional expenses or cash flows of ArtsQuest and Affiliates.

**NOTE B      Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. For cost-reimbursement awards, 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. For performance-based awards, expenditures reported represent amounts earned.

**NOTE C      Indirect Cost Recovery**

ArtsQuest and Affiliates did not recover its indirect costs using the 10% de minimis indirect cost rate provided under the Uniform Guidance.

**INDEPENDENT AUDITOR’S 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  
ArtsQuest and Affiliates

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 consolidated financial statements of ArtsQuest and Affiliates (the “Organization”), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements, and have issued our report thereon July 5, 2022.

**Internal Control over Financial Reporting**

In planning and performing our audits of the consolidated financial statements, we considered the Organization’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization’s 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization’s consolidated 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 the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 the Organization's consolidated financial statements are free of 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.

*Concannon, Miller + Co., P.C.*

Bethlehem, PA  
July 5, 2022

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors of  
ArtsQuest and Affiliates

**Report on Compliance for Each Major Federal Program**

We have audited ArtsQuest and Affiliate's (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2021. The Organization's major federal programs are identified in the summary of auditor's 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 federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion for each of the Organization's 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 the 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 the Organization's 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 the Organization's compliance.

## **Opinion on Each Major Federal Program**

In our opinion, ArtsQuest and Affiliates 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 ended December 31, 2021.

## **Report on Internal Control over Compliance**

Management of the Organization 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 the Organization's 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 the Organization's internal control over compliance.

A deficiency in internal control 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 combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal award 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 been identified.

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.

*Concannon, Miller + Co., P.C.*

Bethlehem, PA  
July 5, 2022

**ARTSQUEST AND AFFILIATES**  
**SSCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED DECEMBER 31, 2021**

**I. Summary of Audit Results**

- a. The auditor's report expresses an unmodified opinion on the consolidated financial statements of ArtsQuest and Affiliates.
- b. No significant deficiencies related to the audit of the consolidated financial statements of ArtsQuest and Affiliates were disclosed during the audit.
- c. No instances of noncompliance material to the consolidated financial statements of ArtsQuest and Affiliates were disclosed during the audit.
- d. No significant deficiencies related to the audit of the major federal award programs of ArtsQuest and Affiliates were disclosed during the audit.
- e. The auditor's report on compliance for the major federal award programs for ArtsQuest and Affiliates express an unmodified opinion.
- f. No audit findings relative to the major federal award programs for ArtsQuest and Affiliates were disclosed during the audit.
- g. The programs tested as major programs consisted solely of CFDA Number 21.019 – COVID-19 Coronavirus Relief Fund.
- h. The threshold for distinguishing Types A and B programs was \$750,000.
- i. ArtsQuest and Affiliates did not qualify as a low-risk auditee.

**II. Findings Related to the Consolidated Financial Statements Which are Required to be Reported in Accordance with GAGAS:**

- a. No matters were reported.

**III. Findings and Questioned Costs – Federal Awards**

- a. No matters were reported.

**ARTSQUEST AND AFFILIATES**  
**SCHEDULE OF PRIOR AUDIT FINDINGS**  
**YEAR ENDED DECEMBER 31, 2021**

**NO PRIOR YEAR AUDIT FINDINGS**