

ARTSQEST AND AFFILIATES
CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEARS ENDED DECEMBER 31, 2022 AND 2021



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**ARTSQEST AND AFFILIATES
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
ArtsQuest and Affiliates
Bethlehem, Pennsylvania

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, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year 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, 2022, and its changes in net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits of the Consolidated Financial Statements sections 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.

Adjustments to Prior Period Financial Statements

The consolidated financial statements of ArtsQuest and Affiliates as of December 31, 2021 were audited by other auditors whose opinion dated July 5, 2022, on those consolidated statements was unmodified. As more fully described in Note 19, the Organization has restated its December 31, 2021 consolidated financial statements during the current year to properly account for sponsorships, in accordance with accounting principles generally accepted in the United States of America. The other auditors reported on the December 31, 2021 consolidated financial statements before the restatement.

As part of our audit of the December 31, 2022 consolidated financial statements, we also audited the adjustment described in Note 19 that was applied to restate the 2021 consolidated financial statements. In our opinion, such adjustments are appropriate and has been properly applied. We were not engaged to audit, review or apply procedures to the 2021 consolidated financial statements of the Organization other than with respect to the adjustment and, accordingly, we do not express an opinion or any other form of assurance on the 2021 consolidated financial statements as a whole.

Other Matter

The consolidated financial statements as of December 31, 2021 were audited by Concannon Miller & Co., P.C., whose shareholders and professional staff joined CliftonLarsonAllen LLP as of November 1, 2022 and has subsequently ceased operations.

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 Audit 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 judgment 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 financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 financial statements.
- Conclude whether, in our judgment, 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.

Board of Trustees
ArtsQuest and Affiliates

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Bethlehem, Pennsylvania
October 24, 2023

**ARTSQUEST AND AFFILIATES
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2022**

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, 2022. Please read it in conjunction with the Organization's consolidated financial statements, which begin on page 7.

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, 2022, it shows our total net assets of \$35,550,087, a change of (\$1,084,800) in comparison to the prior year. The two largest portions of total net assets are a cash balance of \$16,927,125 and total property, furniture and equipment of \$23,502,135.

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, 2022 was (\$1,084,800). The most significant component of this loss is from the conclusion of all special and one time Covid related funding which was recognized in 2021 and 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
YEAR ENDED DECEMBER 31, 2022**

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 a positive cash flow from operating activities which was primarily generated from the cash receipts on multiyear pledges receivable.

Financial Highlights

Summary of Consolidated Financial Position

	December 31,	
	2022	2021
Current Assets	\$ 21,550,828	\$ 21,258,551
Noncurrent Assets	27,796,415	29,465,411
Total Assets	<u>\$ 49,347,243</u>	<u>\$ 50,723,962</u>
Current Liabilities	\$ 3,397,298	\$ 3,148,120
Noncurrent Liabilities	10,399,858	10,940,955
Total Liabilities	<u>13,797,156</u>	<u>14,089,075</u>
Net Assets Without Donor Restrictions	30,175,366	30,274,720
Net Assets with Donor Restrictions	5,374,721	6,360,167
Total Net Assets	<u>35,550,087</u>	<u>36,634,887</u>
Total Liabilities and Net Assets	<u>\$ 49,347,243</u>	<u>\$ 50,723,962</u>

Summary of Consolidated Statement of Activities

	December 31,	
	2022	2021
Public Support	\$ 5,622,966	\$ 15,606,542
Revenues	17,670,331	13,198,137
Expenses	<u>(23,909,262)</u>	<u>(18,856,536)</u>
Income (Loss) from Operations	(615,965)	9,948,143
Investment Income	<u>(468,835)</u>	<u>290,062</u>
Change in Net Assets	(1,084,800)	10,238,205
Beginning Net Assets	36,634,887	26,396,682
Ending Net Assets	<u>\$ 35,550,087</u>	<u>\$ 36,634,887</u>

**ARTSQUEST AND AFFILIATES
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2022**

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.

In 2021 ArtsQuest applied for and received an award notification of nearly \$7.4 million in SVOG funds. These SVOG funds, in addition to the Forgiveness of Debt from the Paycheck Protection Program in the amount of \$2,109,745 accounted for the major increase in Public Support in 2021. With all funding provided under the Act being recognized prior to 2022, there was a noted decrease in overall Public Support in 2022.

Along with the SVOG grant, the Organization qualified for \$1,407,568 in Employee Retention Credits in 2021 which have been received as of the issuance of this report, but not fully received by December 31, 2022. The Credits are reflected in contributions and grants for 2021.

The public support described above and provided from 2020 to 2021 allowed ArtsQuest to remain open and operating during a global crisis and to expand rapidly back to normal programming as soon as COVID health restrictions were eased across the Commonwealth and the City of Bethlehem. In 2022, program revenues returned to near pre-pandemic levels while business was impacted by the effects of inflation with rising costs across all areas of the Organization.

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

ARTSQEST AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

	2022	2021
ASSETS		(As Restated)
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 16,927,125	\$ 15,534,072
Investments, at Fair Value	2,696,041	3,045,732
Accounts Receivable, Net	173,187	166,373
Other Receivables	986,225	1,420,352
Pledges Receivable, Net	441,253	826,783
Prepaid Expenses	168,848	181,776
Inventory	158,149	83,463
Total Current Assets	21,550,828	21,258,551
PROPERTY, FURNITURE, AND EQUIPMENT, NET	23,502,135	24,287,699
OTHER ASSETS		
Restricted Investments, at Fair Value	1,124,211	1,399,430
Pledges Receivable, Net	552,187	746,447
Insurance Policies on Charitable Gift Annuities	2,617,882	3,031,835
Total Other Assets	4,294,280	5,177,712
Total Assets	\$ 49,347,243	\$ 50,723,962
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Portion of Term Debt	\$ 228,495	\$ 220,665
Current Portion of Vendor Advances	175,909	175,909
Accounts Payable and Accrued Expenses	1,967,449	1,726,344
Deferred Revenue	955,445	949,202
Refundable Advances	70,000	76,000
Total Current Liabilities	3,397,298	3,148,120
LONG-TERM LIABILITIES		
Term Debt, Net of Current Portion	6,693,173	6,926,816
Vendor Advances, Net of Current Portion	1,114,091	1,290,000
Charitable Gift Annuities	2,592,594	2,724,139
Total Long-Term Liabilities	10,399,858	10,940,955
Total Liabilities	13,797,156	14,089,075
NET ASSETS		
Without Donor Restrictions	30,175,366	30,274,720
With Donor Restrictions	5,374,721	6,360,167
Total Net Assets	35,550,087	36,634,887
Total Liabilities and Net Assets	\$ 49,347,243	\$ 50,723,962

See accompanying Notes to Consolidated Financial Statements.

ARTSQUEST AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE			
Public Support:			
Contributions and Grants	\$ 3,756,134	\$ 1,198,992	\$ 4,955,126
Forgiveness of Debt - Paycheck Protection Program			
Fundraising Events, Net of Direct Expenses of \$4,068	14,923	-	14,923
Contributed Nonfinancial Materials and Services	916,372	-	916,372
Loss on Charitable Gift Annuities	(263,455)	-	(263,455)
Total Support	4,423,974	1,198,992	5,622,966
Revenue:			
Programs and Events	2,818,255	-	2,818,255
Festivals	11,002,358	-	11,002,358
Box Office and Retail	914,928	-	914,928
Other	2,934,790	-	2,934,790
Total Revenue	17,670,331	-	17,670,331
Net Assets Released from Restrictions	1,956,118	(1,956,118)	-
Total Support and Revenue	24,050,423	(757,126)	23,293,297
EXPENSES			
Program Services:			
Programs and Events	7,895,306	-	7,895,306
Festivals	11,777,731	-	11,777,731
Box Office and Retail	400,083	-	400,083
Total Program Services	20,073,120	-	20,073,120
Supporting Services:			
General and Administrative	2,772,320	-	2,772,320
Fundraising	1,063,822	-	1,063,822
Total Supporting Services	3,836,142	-	3,836,142
Total Expenses	23,909,262	-	23,909,262
INCOME (LOSS) FROM OPERATIONS	141,161	(757,126)	(615,965)
Investment Income, Net	(240,515)	(228,320)	(468,835)
CHANGE IN NET ASSETS	(99,354)	(985,446)	(1,084,800)
Net Assets - Beginning of Year	30,274,720	6,360,167	36,634,887
NET ASSETS - END OF YEAR	\$ 30,175,366	\$ 5,374,721	\$ 35,550,087

See accompanying Notes to Consolidated Financial Statements.

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

	Without Donor Restrictions <u>(As Restated)</u>	With Donor Restrictions <u>(As Restated)</u>	<u>Total</u> <u>(As Restated)</u>
PUBLIC SUPPORT AND REVENUE			
Public Support:			
Contributions and Grants	\$ 9,773,428	\$ 3,070,830	\$ 12,844,258
Forgiveness of Debt - Paycheck Protection Program	2,109,745	-	2,109,745
Fundraising Events, Net of Direct Expenses of \$3,071	47,403	-	47,403
Contributed Nonfinancial Materials and Services	865,480	-	865,480
Loss on Charitable Gift Annuities	<u>(260,344)</u>	<u>-</u>	<u>(260,344)</u>
Total Support	12,535,712	3,070,830	15,606,542
Revenue:			
Programs and Events	1,910,844	-	1,910,844
Festivals	8,955,078	-	8,955,078
Box Office and Retail	670,929	-	670,929
Other	1,661,286	-	1,661,286
Total Revenue	<u>13,198,137</u>	<u>-</u>	<u>13,198,137</u>
Net Assets Released from Restrictions	1,729,154	(1,729,154)	-
Total Support and Revenue	<u>27,463,003</u>	<u>1,341,676</u>	<u>28,804,679</u>
EXPENSES			
Program Services:			
Programs and Events	4,557,451	-	4,557,451
Festivals	9,195,972	-	9,195,972
Box Office and Retail	247,447	-	247,447
Total Program Services	<u>14,000,870</u>	<u>-</u>	<u>14,000,870</u>
Supporting Services:			
General and Administrative	2,600,680	-	2,600,680
Fundraising	<u>2,254,986</u>	<u>-</u>	<u>2,254,986</u>
Total Supporting Services	<u>4,855,666</u>	<u>-</u>	<u>4,855,666</u>
Total Expenses	<u>18,856,536</u>	<u>-</u>	<u>18,856,536</u>
INCOME (LOSS) FROM OPERATIONS	8,606,467	1,341,676	9,948,143
Investment Income, Net	<u>103,847</u>	<u>186,215</u>	<u>290,062</u>
CHANGE IN NET ASSETS	<u>8,710,314</u>	<u>1,527,891</u>	<u>10,238,205</u>
Net Assets - Beginning of Year, as previously reported	21,729,406	4,879,295	26,608,701
Prior Period Adjustment	<u>(165,000)</u>	<u>(47,019)</u>	<u>(212,019)</u>
Net Assets - Beginning of Year, as restated	<u>21,564,406</u>	<u>4,832,276</u>	<u>26,396,682</u>
NET ASSETS - END OF YEAR	<u>\$ 30,274,720</u>	<u>\$ 6,360,167</u>	<u>\$ 36,634,887</u>

See accompanying Notes to Consolidated Financial Statements.

ARTSQUEST AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022

	Programs and Events	Festivals	Box Office and Retail	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	Total
Salaries	\$ 2,161,082	\$ 1,449,053	\$ 299,092	\$ 3,909,227	\$ 818,309	\$ 635,926	\$ 1,454,235	\$ 5,363,462
Benefits and Taxes	386,382	259,077	53,475	698,934	146,306	112,042	258,348	957,282
Total Salaries and Related Expenses	2,547,464	1,708,130	352,567	4,608,161	964,615	747,968	1,712,583	6,320,744
Advertising	178,555	233,636	1,091	413,282	1,606	600	2,206	415,488
Artistic Expense	1,444,293	3,085,244	-	4,529,537	-	-	-	4,529,537
Bad Debt Expense	-	-	-	-	1,000	225,723	226,723	226,723
Bank Charges	-	-	6,636	6,636	437,903	-	437,903	444,539
Classroom Expenses	342,442	1,158	-	343,600	-	-	-	343,600
Cost of Goods Sold	56,041	213,391	36,904	306,336	-	-	-	306,336
Depreciation and Amortization	993,979	-	-	993,979	144,472	-	144,472	1,138,451
Equipment and Leases	7,546	-	-	7,546	6,690	-	6,690	14,236
Food and Beverage	60,234	2,665,939	-	2,726,173	-	-	-	2,726,173
Grants	198	-	-	198	-	-	-	198
Hospitality	12,782	187,689	-	200,471	-	-	-	200,471
Information Systems and Technology	-	-	-	-	200,179	-	200,179	200,179
Interest	-	-	-	-	222,698	-	222,698	222,698
Lighting, Sound and Staging	128,966	776,005	-	904,971	-	-	-	904,971
Miscellaneous	295,715	19,792	-	315,507	152,245	4,867	157,112	472,619
Occupancy	334,724	446,422	-	781,146	47,003	-	47,003	828,149
Office Expenses	81	-	-	81	130,700	3,077	133,777	133,858
Printing	118,420	43,453	2,885	164,758	5,697	-	5,697	170,455
Production	499,086	2,311,237	-	2,810,323	10,185	43,187	53,372	2,863,695
Professional Fees	-	-	-	-	441,291	38,400	479,691	479,691
Repairs and Maintenance	370,566	6,900	-	377,466	6,036	-	6,036	383,502
Supplies	207,952	5,013	-	212,965	-	-	-	212,965
Utilities	296,262	73,722	-	369,984	-	-	-	369,984
Total	<u>5,347,842</u>	<u>10,069,601</u>	<u>47,516</u>	<u>15,464,959</u>	<u>1,807,705</u>	<u>315,854</u>	<u>2,123,559</u>	<u>17,588,518</u>
Total Expenses by Function	<u>\$ 7,895,306</u>	<u>\$ 11,777,731</u>	<u>\$ 400,083</u>	<u>\$ 20,073,120</u>	<u>\$ 2,772,320</u>	<u>\$ 1,063,822</u>	<u>\$ 3,836,142</u>	<u>\$ 23,909,262</u>

See accompanying Notes to Consolidated Financial Statements.

ARTSQUEST AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

	Programs and Events	Festivals	Box Office and Retail	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	Total Expenses
Salaries	\$ 781,148	\$ 1,163,344	\$ 164,188	\$ 2,108,680	\$ 1,079,534	\$ 1,807,566	\$ 2,887,100	\$ 4,995,780
Benefits and Taxes	146,600	218,326	30,814	395,740	202,599	338,497	541,096	936,836
Total Salaries and Related Expenses	927,748	1,381,670	195,002	2,504,420	1,282,133	2,146,063	3,428,196	5,932,616
Advertising	30,202	157,026	-	187,228	3,224	125	3,349	190,577
Artistic Expense	1,007,436	2,016,371	-	3,023,807	-	-	-	3,023,807
Bad Debt Expense	-	-	-	-	24,129	46,902	71,031	71,031
Bank Charges	-	-	10,136	10,136	309,240	-	309,240	319,376
Classroom Expenses	169,378	-	-	169,378	-	-	-	169,378
Cost of Goods Sold	66,115	151,127	39,306	256,548	-	-	-	256,548
Depreciation and Amortization	955,790	-	-	955,790	188,237	-	188,237	1,144,027
Equipment and Leases	5,734	-	-	5,734	10,582	-	10,582	16,316
Food and Beverage	18,130	2,264,681	-	2,282,811	-	-	-	2,282,811
Hospitality	827	144,470	-	145,297	-	-	-	145,297
Information Systems and Technology	-	-	2,198	2,198	229,796	-	229,796	231,994
Interest	-	-	-	-	256,276	-	256,276	256,276
Lighting, Sound and Staging	33,332	637,500	-	670,832	-	-	-	670,832
Miscellaneous	16,559	18,369	-	34,928	2,153	-	2,153	37,081
Occupancy	297,809	399,886	-	697,695	63,426	-	63,426	761,121
Office Expenses	140	1,413	805	2,358	86,012	1,665	87,677	90,035
Printing	44,143	33,319	-	77,462	-	-	-	77,462
Production	258,633	1,906,170	-	2,164,803	7,334	33,831	41,165	2,205,968
Professional Fees	-	-	-	-	129,136	26,400	155,536	155,536
Repairs and Maintenance	360,971	1,500	-	362,471	9,002	-	9,002	371,473
Supplies	130,884	18,631	-	149,515	-	-	-	149,515
Utilities	233,620	63,839	-	297,459	-	-	-	297,459
Total	<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>
Total Expenses by Function	<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>

See accompanying Notes to Consolidated Financial Statements.

ARTSQUEST AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (1,084,800)	\$ 10,238,205
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Forgiveness of Debt - Paycheck Protection Program	-	(2,086,495)
Depreciation	1,138,451	1,121,341
Interest Expense - Amortization of Debt Issuance Costs	22,686	22,686
Bad Debt Expense	226,723	71,031
Realized Loss (Gain) on Investments	125,710	(139,305)
Unrealized Loss (Gain) on Investments	550,938	(86,281)
Change in Value of Annuity Agreements, Net of Termination		
of Annuities and Underlying Insurance Contracts	263,455	260,344
Changes in Operating Assets and Liabilities:		
Accounts Receivable	(6,814)	(130,559)
Other Receivables	434,127	(1,360,502)
Pledges Receivable	353,067	204,729
Prepaid Expenses	12,928	(57,998)
Inventory	(74,686)	15,607
Accounts Payable and Accrued Expenses	241,105	637,060
Deferred Revenue	6,243	(681,429)
Refundable Advances	(6,000)	76,000
Net Cash Provided by Operating Activities	2,203,133	8,104,434
 CASH FLOWS FROM INVESTING ACTIVITIES		
Capital Expenditures	(352,887)	(429,812)
Purchase of Restricted Investments, Net of Sales	(51,738)	(363,740)
Proceeds from Insurance Policies	413,953	364,658
Net Cash Provided (Used) by Investing Activities	9,328	(428,894)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds on Term Borrowings	-	1,085,095
Payments on Term Borrowings	(248,499)	(161,761)
Proceeds from Vendor Advances	(175,909)	(184,091)
Payments on Annuities	(395,000)	(395,000)
Net Cash Provided (Used) by Financing Activities	(819,408)	344,243
 NET INCREASE IN CASH AND CASH EQUIVALENTS	1,393,053	8,019,783
Cash and Cash Equivalents - Beginning of Year	15,534,072	7,514,289
 CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 16,927,125	\$ 15,534,072
 SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
In-Kind Contribution of Services	\$ 916,372	\$ 865,480
Cash Payments for Interest	\$ 222,698	\$ 256,276

See accompanying Notes to Consolidated Financial Statements.

**ARTSQUEST AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Nature and Purpose of the Organization

ArtsQuest is a nonprofit 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.

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 Financial Accounting Standards Board (FASB) Accounting Standards Codification (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
DECEMBER 31, 2022 AND 2021

NOTE 1 PRINCIPAL ACTIVITY AND 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 at December 31, 2022 and 2021 of approximately \$15,853,000 and \$14,405,000, respectively.

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, 2022 and 2021 was \$10,754 and \$11,285, 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 4.22%. Amortization of the discounts is included in contribution revenue.

ARTSQUEST AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 PRINCIPAL ACTIVITY AND 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, 2022 and 2021 was \$148,798 and \$44,942, 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
DECEMBER 31, 2022 AND 2021

NOTE 1 PRINCIPAL ACTIVITY AND 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.

**ARTSQEST AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 1 PRINCIPAL ACTIVITY AND 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 at December 31:

	<u>2022</u>	<u>2021</u>
Revenue Recognized at a Point in Time:		
Ticket Sales and Associated Fees	\$ 12,313,799	\$ 9,608,931
Food and Beverage	2,633,407	1,628,486
Classes and Programs	625,250	329,553
Rental Fees	1,089,660	703,466
Merchandise	615,702	561,680
Miscellaneous	321,783	305,554
Total	<u>\$ 17,599,601</u>	<u>\$ 13,137,670</u>
Revenue Recognized Over Time:		
Advertising	<u>\$ 70,730</u>	<u>\$ 60,467</u>

As of December 31, 2022 and 2021, the Organization held no contract assets. Contract liabilities at December 31, 2022 and 2021 consisted solely of deferred revenue which totaled \$970,445 and \$949,202, 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
DECEMBER 31, 2022 AND 2021

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Revenue (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, 2022 and 2021 were \$415,488 and \$190,577, respectively. For the years ended December 31, 2022 and 2021, and included in total advertising costs, the Organization received \$24,063 and \$36,324, 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
DECEMBER 31, 2022 AND 2021

NOTE 1 PRINCIPAL ACTIVITY AND 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, 2022 and 2021, 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.

Adoption of New Accounting Standards

The Organization adopted Accounting Standards Update (“ASU”) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. The adoption of ASU 2020-07 had no significant impact on the financial statement presentation.

In February 2016, the FASB issued ASU 2016-02, *Leases* (ASC 842). The new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the requirements of the guidance effective January 1, 2022 and has elected to apply the provisions of this standard to the beginning of the period of adoption, with certain practical expedients available. The standard did not have an impact on the Organization’s financial statements.

NOTE 2 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.

ARTSQUEST AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 2 LIQUIDITY (CONTINUED)

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:

	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 16,927,125	\$ 15,534,072
Investments Available for Operations	2,696,041	3,045,732
Accounts Receivable, Net	173,187	166,373
Other Receivables	986,225	1,420,352
Pledges Receivable Within 12 Months	<u>441,253</u>	<u>826,783</u>
Total	21,223,831	20,993,312
Less: Cash Held to Meet Donor Restrictions	<u>3,257,070</u>	<u>2,584,321</u>
Total	<u>\$ 17,966,761</u>	<u>\$ 18,408,991</u>

In addition, and as more fully described in Note 8, 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.

NOTE 3 PLEDGES RECEIVABLE

Pledges receivable consisted of the following at December 31:

	<u>2022</u>	<u>2021</u>
Time Restricted Sponsorships and Contributions	\$ 1,178,467	\$ 1,660,282
Less: Unamortized Discount	36,229	42,110
Less: Allowance for Uncollectible Pledges Contributions	<u>148,798</u>	<u>44,942</u>
Total	<u>\$ 993,440</u>	<u>\$ 1,573,230</u>
Less than One Year	\$ 441,253	\$ 826,783
One to Five Years	<u>552,187</u>	<u>746,447</u>
Total	<u>\$ 993,440</u>	<u>\$ 1,573,230</u>

At December 31, 2022 and 2021, pledges receivable include promises to give totaling approximately \$450,000 and \$387,000, respectively, from three and one donors, respectively.

**ARTSQUEST AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 4 PROPERTY, FURNITURE ,AND EQUIPMENT

Property, furniture, and equipment consisted of the following at December 31:

	<u>2022</u>	<u>2021</u>
Land	\$ 3,004,392	\$ 3,004,392
Building	24,872,026	24,872,026
Building and Site Improvements	6,239,087	6,239,087
Construction in Progress	1,885,590	1,881,034
Furniture and Fixtures	2,757,936	2,601,926
Staging Equipment	4,046,854	3,877,220
Vehicles	98,640	98,640
Total	<u>42,904,525</u>	<u>42,574,325</u>
Less: Accumulated Depreciation	19,402,390	18,286,626
Total	<u>\$ 23,502,135</u>	<u>\$ 24,287,699</u>

Depreciation expense was \$1,138,451 and \$1,121,341 for the years ended December 31, 2022 and 2021, respectively.

NOTE 5 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 1). All investments held at December 31, 2022 and 2021, respectively, are considered Level 1 investments.

Restricted investments at December 31, 2022 and 2021 totaled \$1,124,211 and \$1,419,168, 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 6.

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.

ARTSQUEST AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 5 INVESTMENTS (CONTINUED)

Investments at December 31, 2022, are summarized as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Without Donor Restrictions:				
Money Market Funds	\$ 249,512	\$ -	\$ -	\$ 249,512
Mutual Funds				
Large Cap	1,150,049	-	-	1,150,049
Small / Mid Cap	191,507	-	-	191,507
Developed International	62,544	-	-	62,544
Other International	42,840	-	-	42,840
Alternatives	138,252	-	-	138,252
Fixed Income Funds:				
U.S. Treasuries	249,473	-	-	249,473
Multi-Sector	611,864	-	-	611,864
Total Investments				
Without Donor Restrictions	2,696,041	-	-	2,696,041
With Donor Restrictions:				
Money Market Funds	60,890	-	-	60,890
Mutual Funds:				
Large Cap	481,979	-	-	481,979
Small / Mid Cap	92,961	-	-	92,961
Developed International	43,174	-	-	43,174
Other International	39,882	-	-	39,882
Alternatives	44,580	-	-	44,580
Fixed Income Funds:				
U.S. Treasuries	54,806	-	-	54,806
Multi-Sector	305,939	-	-	305,939
Total Investments				
With Donor Restrictions	1,124,211	-	-	1,124,211
Total Investments	<u>\$ 3,820,252</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,820,252</u>

ARTSQUEST AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 5 INVESTMENTS (CONTINUED)

Investments at December 31, 2021, are summarized as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Without Donor Restrictions:				
Money Market Funds	\$ 104,111	\$ -	\$ -	\$ 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:				
U.S. Treasuries	249,722	-	-	249,722
Mortgages/Asset Backed	156,105	-	-	156,105
Multi-Sector	1,801,771	-	-	1,801,771
Total Investments	<u>3,045,732</u>	<u>-</u>	<u>-</u>	<u>3,045,732</u>
Without Donor Restrictions	3,045,732	-	-	3,045,732
With Donor Restrictions:				
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:				
U.S. Treasuries	39,620	-	-	39,620
Mortgages/Asset Backed	21,549	-	-	21,549
Multi-Sector	373,751	-	-	373,751
Total Investments	<u>1,399,430</u>	<u>-</u>	<u>-</u>	<u>1,399,430</u>
With Donor Restrictions	1,399,430	-	-	1,399,430
Total Investments	<u>\$ 4,445,162</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,445,162</u>

Investment income, as reported on the statement of activities at December 31, is comprised of:

	<u>2022</u>	<u>2021</u>
Interest and Dividends	\$ 231,312	\$ 89,092
Unrealized Gains (Losses)	(550,938)	83,575
Realized Gains (Losses)	(125,710)	140,787
Less: Investment Fees	23,499	23,392
Total Investment Income (Loss)	<u>\$ (468,835)</u>	<u>\$ 290,062</u>

ARTSQUEST AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 6 ENDOWMENT

The Organization has established three endowment funds as of December 31, 2022. 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.

Endowment Return Objectives, Risk Parameters and Strategies

The Organization has adopted investment and spending policies, approved by the Board of Trustees, 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 Trustees. 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 Trustees, with input from management, will establish annually the percentage to be adopted for distribution.

ARTSQUEST AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 6 ENDOWMENT (CONTINUED)

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 are as follows:

December 31, 2022	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ 25,107	\$ 1,523,866	\$ 1,548,973
Appropriations	-	(46,333)	(46,333)
Investment Income			
Interest and Dividends, Net of Fees	-	19,249	19,249
Unrealized Gains	-	(244,931)	(244,931)
Realized Gains	-	(2,638)	(2,638)
Total Investment Income	-	(228,320)	(228,320)
Endowment Net Assets - End of Year	<u>\$ 25,107</u>	<u>\$ 1,249,213</u>	<u>\$ 1,274,320</u>
<u>December 31, 2021</u>			
Endowment Net Assets - Beginning of Year	\$ 25,107	\$ 1,499,651	\$ 1,524,758
Appropriations	-	(162,000)	(162,000)
Investment Income			
Interest and Dividends, Net of Fees	-	13,581	13,581
Unrealized Gains	-	98,913	98,913
Realized Gains	-	73,721	73,721
Total Investment Income	-	186,215	186,215
Endowment Net Assets - End of Year	<u>\$ 25,107</u>	<u>\$ 1,523,866</u>	<u>\$ 1,548,973</u>

NOTE 7 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 3.6% 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.

ARTSQUEST AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 7 SPLIT-INTEREST ANNUITY AGREEMENTS (CONTINUED)

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, 2022 and 2021, the present value of these annuities was \$2,592,594 and \$2,724,139, respectively, and the fair value of the insurance contracts was \$2,617,882 and \$3,031,835, respectively.

During the years ended December 31, 2022 and 2021, the Organization incurred losses of \$263,455 and \$260,344, respectively, from the revaluation of the present value of payments due under these contracts as of the end of the respective year.

NOTE 8 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% (6.46% at December 31, 2022). There were no borrowings against the line as of December 31, 2022 and 2021, respectively.

NOTE 9 TERM DEBT

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.

ARTSQUEST AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 9 TERM DEBT (CONTINUED)

Term debt consisted of the following at December 31, 2022:

<u>Description</u>	<u>Outstanding Principal</u>	<u>Debt Issuance Costs, Net</u>	<u>Term Debt, Net</u>
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.	\$ 5,601,088	\$ 94,524	\$ 5,506,564
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.	<u>1,415,104</u>	<u>-</u>	<u>1,415,104</u>
Total Term Debt	7,016,192	94,524	6,921,668
Less: Current Maturities	<u>251,181</u>	<u>22,686</u>	<u>228,495</u>
Term Debt, Net of Current Maturities	<u>\$ 6,765,011</u>	<u>\$ 71,838</u>	<u>\$ 6,693,173</u>

Term debt maturities, at December 31, 2022 are as follows:

<u>Year Ending December 31,</u>	<u>Principal Payments</u>	<u>Amortization of Debt Issuance Costs</u>	<u>Total, Net of Amortization</u>
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	253,536
2027	5,962,487	3,780	5,958,707
Total	<u>\$ 7,016,192</u>	<u>\$ 94,524</u>	<u>\$ 6,921,668</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, 2022 the Organization was in compliance with these covenants.

**ARTSQUEST AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 10 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. For the year ended December 31, 2021, management had determined that the Organization qualified for Employee Retention Credits of \$1,407,568 which were recorded as contributions and grants in the statement of activities. Related receivables as of December 31, 2022 and 2021 were \$928,891 and \$1,407,568, respectively, and are included in other receivables in the consolidated statements of financial position.

NOTE 11 CONTRIBUTED NONFINANCIAL MATERIALS AND SERVICES

Contributed non-financial materials and services 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 (RDA) 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, 2022 and 2021, the Organization has recorded a contribution for the fair market value of the leased premises of \$393,237 and \$370,052, respectively.

The Organization received donated professional services and materials, including the RDA contribution disclosed above, of the following types during the years ended December 31:

	<u>2022</u>	<u>2021</u>
Advertising/Marketing	\$ 24,063	\$ 36,324
Equipment rental	36,170	31,750
Supplies	1,065	-
Performer Accommodations	-	37,383
Promotions/Signage	56,113	16,734
Services	362,313	334,405
Property Rental	396,837	370,052
Supplies	39,811	38,832
	<u>\$ 916,372</u>	<u>\$ 865,480</u>

ARTSQEST AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 11 CONTRIBUTED NON-FINANCIAL MATERIALS AND SERVICES (CONTINUED)

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.

Valuation Techniques: Contributed services are valued using the volume of hours and the average hourly rate of those providing the services. All other donated materials are valued using estimated US wholesale prices of identical or similar products using pricing data of similar products under a “like-kind” methodology, considering the goods condition and utility for use at the time of contribution.

Donor Restrictions and Use: For the years ended December 31, 2022 and 2021, none of the contributed materials and services were tied to a donor restriction. The land lease disclosed above is required to be used towards the mission and program of the Organization but this has been met on an annual basis.

The Organization does not sell donated materials and only distributes items for program use.

NOTE 12 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, 2022 and 2021, the Organization elected to make contributions of \$63,099 and \$69,784, respectively, to the plan.

NOTE 13 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 2022 and 2021 amounted to \$18,880 and \$60,742, respectively.

**ARTSQUEST AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 14 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes at December 31:

	<u>2022</u>	<u>2021</u>
Subject to Expenditure for Specified Purpose:		
Future Festival Sponsorships	\$ 295,266	\$ 1,170,836
Future Programs and Operations	128,007	437,960
Memberships	320,045	412,908
Re-Imagine Campaign	<u>3,382,190</u>	<u>2,814,597</u>
Total	4,125,508	4,836,301
Subject to the Organization's Appropriation:		
Original Donor-Restricted Gift Required to be Maintained in Perpetuity by Donor	1,146,750	1,146,750
Accumulated Gain	<u>102,463</u>	<u>377,116</u>
Total	<u>1,249,213</u>	<u>1,523,866</u>
 Total Net Assets with Donor Restrictions	 <u>\$ 5,374,721</u>	 <u>\$ 6,360,167</u>

NOTE 15 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 at December 31:

	<u>2022</u>	<u>2021</u>
Purpose Restrictions Accomplished:		
Sponsorships for Festivals	\$ 1,217,549	\$ 1,080,758
Appropriation of Endowment	46,333	162,000
Sustaining Memberships	156,276	143,703
Programs, Events, and Other Activities	<u>535,960</u>	<u>342,693</u>
 Total Net Assets Released from Donor Restrictions	 <u>\$ 1,956,118</u>	 <u>\$ 1,729,154</u>

NOTE 16 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.

ARTSQUEST AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 16 COMMITMENTS AND VENDOR ADVANCES (CONTINUED)

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 \$1,290,000 and \$1,465,909, as of December 2022 and 2021, respectively. The total amount due to the vendor for the deferment of 2022 losses as of December 31, 2022 and 2021 totaled \$0 and \$265,321, respectively which are included in accounts payable and accrued expenses on the consolidated statement of financial position.

For the years ended December 31, 2022 and 2021, the Organization's net income (loss) on these contracts amounted to \$1,743,413 and \$894,831, respectively. These amounts are included in other income on the consolidated statement of activities.

NOTE 17 SUBSEQUENT EVENTS

The Organization has evaluated events and transactions for potential recognition or disclosure in the consolidated financial statements through October 24, 2023, the date the consolidated financial statements were available to be issued. No events or transactions have occurred which would require recognition or disclosure in the consolidated financial statements.

ARTSQUEST AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 18 PRIOR PERIOD ADJUSTMENT

The Organization restated certain amounts on the consolidated statement of financial position and statement of activities for the year ended December 31, 2021, due to the correction of accounting over sponsorships which are tied to holding specific events and festivals in future years. The adjustments are as follows:

	As Previously Reported	Adjustment	As Adjusted
Pledges Receivable, Net	\$ 2,711,304	\$ (1,138,074)	\$ 1,573,230
Refundable Advances	312,305	(236,305)	76,000
Contributions and Grants	14,243,293	(1,399,035)	12,844,258
Festivals	8,245,793	709,285	8,955,078
Net Assets Without Donor Restrictions	21,729,406	(165,000)	21,564,406
Net Assets With Donor Restrictions	4,879,295	(47,019)	4,832,276



INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

Board of Trustees
ArtsQuest and Affiliates
Bethlehem, Pennsylvania

We have audited the consolidated financial statements of ArtsQuest and Affiliates which comprised the consolidated statements of financial position as of December 31, 2022, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 24, 2023, which contained an unqualified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The Consolidating Statement of Financial Position, Consolidating Statement 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Bethlehem, Pennsylvania
October 24, 2023

ARTSQUEST AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022

ASSETS	<u>ArtsQuest</u>	<u>ArtsQuest Foundation</u>	<u>Artonomous Media</u>	<u>Friends of the Levitt Pavilion at Steelstacks</u>	<u>Eliminations</u>	<u>Total</u>
CURRENT ASSETS						
Cash and Cash Equivalents	\$ 16,399,716	\$ 299,712	\$ 8,911	\$ 218,786	\$ -	\$ 16,927,125
Investments, at Fair Value	0	2,696,041	-	-	-	2,696,041
Accounts Receivable, Net	169,856	-	3,331	-	-	173,187
Other Receivables	986,225	-	-	-	-	986,225
Pledges Receivable, Net	389,878	35,000	-	16,375	-	441,253
Prepaid Expenses	168,550	-	-	298	-	168,848
Due from Affiliate	-	5,561,207	-	-	(5,561,207)	0
Inventory	158,149	-	-	-	-	158,149
Total Current Assets	<u>18,272,374</u>	<u>8,591,960</u>	<u>12,242</u>	<u>235,459</u>	<u>(5,561,207)</u>	<u>21,550,828</u>
PROPERTY, FURNITURE, AND EQUIPMENT, NET	26,563,845	-	-	107,040	(3,168,750)	23,502,135
OTHER ASSETS						
Restricted Investments, at Fair Value	-	1,124,211	-	-	-	1,124,211
Pledges Receivable, Net	552,187	-	-	-	-	552,187
Insurance Policies on Charitable Gift Annuities	-	2,617,882	-	-	-	2,617,882
Total Other Assets	<u>552,187</u>	<u>3,742,093</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,294,280</u>
Total Assets	<u><u>45,388,406</u></u>	<u><u>12,334,053</u></u>	<u><u>12,242</u></u>	<u><u>342,499</u></u>	<u><u>(8,729,957)</u></u>	<u><u>49,347,243</u></u>
LIABILITIES						
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Current Portion of Term Debt	\$ 228,495	\$ -	\$ -	\$ -	\$ -	\$ 228,495
Current Portion of Vendor Advances	175,909	-	-	-	-	175,909
Accounts Payable and Accrued Expenses	1,959,323	8,097	-	29	-	1,967,449
Due to Affiliate	5,193,017	-	348,768	19,422	(5,561,207)	-
Deferred Revenue	955,445	-	-	0	-	955,445
Refundable Advances	70,000	-	-	0	-	70,000
Total Current Liabilities	<u>8,582,189</u>	<u>8,097</u>	<u>348,768</u>	<u>19,451</u>	<u>(5,561,207)</u>	<u>3,397,298</u>
LONG-TERM LIABILITIES						
Term Debt, Net of Current Portion	6,693,173	-	-	-	-	6,693,173
Vendor Advances, Net of Current Portion	1,114,091	-	-	-	-	1,114,091
Charitable Gift Annuities	-	2,592,594	-	-	-	2,592,594
Total Long-Term Liabilities	<u>7,807,264</u>	<u>2,592,594</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,399,858</u>
Total Liabilities	<u>16,389,453</u>	<u>2,600,691</u>	<u>348,768</u>	<u>19,451</u>	<u>(5,561,207)</u>	<u>13,797,156</u>
NET ASSETS						
Without Donor Restrictions	24,899,820	8,474,149	(336,526)	306,673	(3,168,750)	30,175,366
With Donor Restrictions	4,099,133	1,259,213	-	16,375	-	5,374,721
Total Net Assets	<u>28,998,953</u>	<u>9,733,362</u>	<u>(336,526)</u>	<u>323,048</u>	<u>(3,168,750)</u>	<u>35,550,087</u>
Total Liabilities and Net Assets	<u><u>\$ 45,388,406</u></u>	<u><u>\$ 12,334,053</u></u>	<u><u>\$ 12,242</u></u>	<u><u>\$ 342,499</u></u>	<u><u>\$ (8,729,957)</u></u>	<u><u>\$ 49,347,243</u></u>

**ARTSQUEST AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022**

	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
PUBLIC SUPPORT AND REVENUE								
Public Support:								
Contributions and Grants	\$ 3,219,835	\$ 1,198,992	\$ 123,900	\$ -	\$ -	\$ -	\$ 458,732	\$ -
Fundraising Events, Net of Direct Expenses of \$4,068	-	-	14,923	-	-	-	-	-
Contributed Nonfinancial Materials and Services	814,543	-	2,083	-	-	-	99,746	-
Loss on Charitable Gift Annuities	-	-	(263,455)	-	-	-	-	-
Total Support	4,034,378	1,198,992	(122,549)	-	-	-	558,478	-
Revenue:								
Programs and Events	2,660,608	-	-	-	70,730	-	86,917	-
Festivals	11,002,358	-	-	-	-	-	-	-
Box Office and Retail	914,928	-	-	-	-	-	-	-
Other	3,172,382	-	-	-	-	-	-	-
Total Revenue	17,750,276	-	-	-	70,730	-	86,917	-
Net Assets Released from Restrictions	1,909,785	(1,909,785)	46,333	(46,333)	-	-	-	-
Total Support and Revenue	23,694,439	(710,793)	(76,216)	(46,333)	70,730	-	645,395	-
FUNCTIONAL EXPENSES								
Program Services:								
Programs	7,602,146	-	62,333	-	155,313	-	471,939	-
Festivals	11,777,731	-	-	-	-	-	-	-
Box Office and Retail	400,083	-	-	-	-	-	-	-
Total Program Services	19,779,960	-	62,333	-	155,313	-	471,939	-
Supporting Services:								
General and Administrative	2,767,246	-	2,254	-	93	-	2,727	-
Fundraising	923,798	-	122,445	-	-	-	17,579	-
Total Supporting Services	3,691,044	-	124,699	-	93	-	20,306	-
Total Expenses	23,471,004	-	187,032	-	155,406	-	492,245	-
INCOME (LOSS) FROM OPERATIONS	223,435	(710,793)	(263,248)	(46,333)	(84,676)	-	153,150	-
Investment Income (Loss), Net	128,696	-	(369,211)	(228,320)	-	-	-	-
CHANGE IN NET ASSETS	352,131	(710,793)	(632,459)	(274,653)	(84,676)	-	153,150	-
Net Assets - Beginning of Year, as previously reported	25,402,439	4,809,926	9,106,608	1,533,866	(251,850)	-	153,523	63,394
Prior Period Adjustment	(854,750)	-	-	-	-	-	-	(47,019)
Net Assets - Beginning of Year, as restated	24,547,689	4,809,926	9,106,608	1,533,866	(251,850)	-	153,523	16,375
NET ASSETS - END OF YEAR	<u>\$ 24,899,820</u>	<u>\$ 4,099,133</u>	<u>\$ 8,474,149</u>	<u>\$ 1,259,213</u>	<u>\$ (336,526)</u>	<u>\$ -</u>	<u>\$ 306,673</u>	<u>\$ 16,375</u>

ARTSQUEST AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED DECEMBER 31, 2022

	ArtsQuest and Affiliates				Totals
	2022	Eliminations	Without Donor Restrictions	With Donor Restrictions	
PUBLIC SUPPORT AND REVENUE					
Public Support:					
Contributions and Grants	\$ 5,001,459	\$ (46,333)	\$ 3,756,134	\$ 1,198,992	\$ 4,955,126
Fundraising Events, Net of Direct Expenses of \$4,068	14,923	-	14,923	-	14,923
In-Kind Contributions	916,372	-	916,372	-	916,372
Loss on Charitable Gift Annuities	(263,455)	-	(263,455)	-	(263,455)
Total Support	<u>5,669,299</u>	<u>(46,333)</u>	<u>4,423,974</u>	<u>1,198,992</u>	<u>5,622,966</u>
Revenue:					
Programs and Events	2,818,255	-	2,818,255	-	2,818,255
Festivals	11,002,358	-	11,002,358	-	11,002,358
Box Office and Retail	914,928	-	914,928	-	914,928
Other	3,172,382	(237,592)	2,934,790	-	2,934,790
Total Revenue	<u>17,907,923</u>	<u>(237,592)</u>	<u>17,670,331</u>	<u>-</u>	<u>17,670,331</u>
Net Assets Released from Restrictions	-	-	1,956,118	(1,956,118)	-
Total Support and Revenue	<u>23,577,222</u>	<u>(283,925)</u>	<u>24,050,423</u>	<u>(757,126)</u>	<u>23,293,297</u>
EXPENSES					
Program Services:					
Programs	8,291,731	(396,425)	7,895,306	-	7,895,306
Festivals	11,777,731	-	11,777,731	-	11,777,731
Box Office and Retail	400,083	-	400,083	-	400,083
Total Program Services	<u>20,469,545</u>	<u>(396,425)</u>	<u>20,073,120</u>	<u>-</u>	<u>20,073,120</u>
Supporting Services:					
General and Administrative	2,772,320	-	2,772,320	-	2,772,320
Fundraising	1,063,822	-	1,063,822	-	1,063,822
Total Supporting Services	<u>3,836,142</u>	<u>-</u>	<u>3,836,142</u>	<u>-</u>	<u>3,836,142</u>
Total Expenses	<u>24,305,687</u>	<u>(396,425)</u>	<u>23,909,262</u>	<u>-</u>	<u>23,909,262</u>
INCOME (LOSS) FROM OPERATIONS	(728,465)	112,500	141,161	(757,126)	(615,965)
Investment Income (Loss), Net	<u>(468,835)</u>	<u>-</u>	<u>(240,515)</u>	<u>(228,320)</u>	<u>(468,835)</u>
CHANGE IN NET ASSETS	(1,197,300)	112,500	(99,354)	(985,446)	(1,084,800)
Net Assets - Beginning of Year, as previously reported	40,817,906	(3,281,250)	31,129,470	6,407,186	37,536,656
Prior Period Adjustment	<u>(901,769)</u>	<u>-</u>	<u>(854,750)</u>	<u>(47,019)</u>	<u>(901,769)</u>
Net Assets - Beginning of Year, as restated	<u>39,916,137</u>	<u>(3,281,250)</u>	<u>30,274,720</u>	<u>6,360,167</u>	<u>36,634,887</u>
NET ASSETS - END OF YEAR	<u>\$ 38,718,837</u>	<u>\$ (3,168,750)</u>	<u>\$ 30,175,366</u>	<u>\$ 5,374,721</u>	<u>\$ 35,550,087</u>

ARTSQUEST AND AFFILIATES
CONSOLIDATING STATEMENT OF PROGRAM EXPENSES
YEAR ENDED DECEMBER 31, 2022

	Programs and Events				Total	Festivals	Box Office and Retail	Eliminations	Total Program Services
	ArtsQuest	ArtsQuest Foundation	Artonomous Media	Friends of the Levitt Pavilion at Steelstacks					
Salaries	\$ 2,161,082	\$ -	\$ 38,592	\$ 165,000	\$ 2,364,674	\$ 1,449,053	\$ 299,092	\$ (203,592)	\$ 3,909,227
Benefits and Taxes	386,382	-	-	-	386,382	259,077	53,475	-	698,934
Total Salaries and Related Expenses	2,547,464	-	38,592	165,000	2,751,056	1,708,130	352,567	(203,592)	4,608,161
Advertising	172,390	-	-	6,165	178,555	233,636	1,091	-	413,282
Artistic Expense	1,316,184	-	-	128,109	1,444,293	3,085,244	-	-	4,529,537
Bad Debt (Recoveries) Expense	-	-	-	-	-	-	-	-	-
Bank Charges	-	-	-	-	-	-	6,636	-	6,636
Classroom Expenses	342,442	-	-	-	342,442	1,158	-	-	343,600
Cost of Goods Sold	54,178	-	-	1,863	56,041	213,391	36,904	-	306,336
Depreciation and Amortization	1,069,517	-	-	36,962	1,106,479	-	-	(112,500)	993,979
Equipment and Leases	-	-	-	7,546	7,546	-	-	-	7,546
Food and Beverage	60,234	-	-	-	60,234	2,665,939	-	-	2,726,173
Grants	198	62,333	-	-	62,531	-	-	(62,333)	198
Hospitality	12,782	-	-	-	12,782	187,689	-	-	200,471
Information Systems and Technology	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-
Lighting, Sound, and Staging	128,050	-	-	916	128,966	776,005	-	-	904,971
Miscellaneous	295,565	-	-	18,150	313,715	19,792	-	(18,000)	315,507
Occupancy	235,828	-	-	98,896	334,724	446,422	-	-	781,146
Office Expenses	81	-	-	-	81	-	-	-	81
Printing	1,392	-	116,721	307	118,420	43,453	2,885	-	164,758
Production	491,061	-	-	8,025	499,086	2,311,237	-	-	2,810,323
Professional Fees	-	-	-	-	-	-	-	-	-
Repairs and Maintenance	370,566	-	-	-	370,566	6,900	-	-	377,466
Supplies	207,952	-	-	-	207,952	5,013	-	-	212,965
Utilities	296,262	-	-	-	296,262	73,722	-	-	369,984
Total	5,054,682	62,333	116,721	306,939	5,540,675	10,069,601	47,516	(192,833)	15,464,959
Total Expenses by Function	\$ 7,602,146	\$ 62,333	\$ 155,313	\$ 471,939	\$ 8,291,731	\$ 11,777,731	\$ 400,083	\$ (396,425)	\$ 20,073,120

ARTSQUEST AND AFFILIATES
CONSOLIDATING STATEMENT OF SUPPORTING EXPENSES
YEAR ENDED DECEMBER 31, 2022

	General and Administrative					Fundraising					Total Supporting Services
	ArtsQuest	ArtsQuest	Artonomous	Friends of the	Total	ArtsQuest	ArtsQuest	Artonomous	Friends of the	Total	
	Foundation	Foundation	Media	Levitt Pavilion at Steelstacks		Foundation	Foundation	Media	Levitt Pavilion at Steelstacks		
Salaries	\$ 818,309	\$ -	\$ -	\$ -	\$ 818,309	\$ 532,363	\$ 103,563	\$ -	\$ -	\$ 635,926	\$ 1,454,235
Benefits and Taxes	146,306	-	-	-	146,306	95,182	16,860	-	-	112,042	258,348
Total Salaries and Related Expenses	964,615	-	-	-	964,615	627,545	120,423	-	-	747,968	1,712,583
Advertising	1,606	-	-	-	1,606	600	-	-	-	600	2,206
Artistic Expense	-	-	-	-	-	-	-	-	-	-	-
Bad Debt (Recoveries) Expense	-	1,000	-	-	1,000	225,723	-	-	-	225,723	226,723
Bank Charges	436,832	679	-	392	437,903	-	-	-	-	-	437,903
Classroom Expenses	-	-	-	-	-	-	-	-	-	-	-
Cost of Goods Sold	-	-	-	-	-	-	-	-	-	-	-
Depreciation and Amortization	144,472	-	-	-	144,472	-	-	-	-	-	144,472
Equipment and Leases	6,690	-	-	-	6,690	-	-	-	-	-	6,690
Food and Beverage	-	-	-	-	-	-	-	-	-	-	-
Grants	-	-	-	-	-	-	-	-	-	-	-
Hospitality	-	-	-	-	-	-	-	-	-	-	-
Information Systems and Technology	200,179	-	-	-	200,179	-	-	-	-	-	200,179
Interest	222,698	-	-	-	222,698	-	-	-	-	-	222,698
Lighting, Sound, and Staging	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	151,214	175	93	763	152,245	4,867	-	-	-	4,867	157,112
Occupancy	47,003	-	-	-	47,003	-	-	-	-	-	47,003
Office Expenses	129,128	-	-	1,572	130,700	3,077	-	-	-	3,077	133,777
Printing	5,697	-	-	-	5,697	-	-	-	-	-	5,697
Production	10,185	-	-	-	10,185	23,586	2,022	-	17,579	43,187	53,372
Professional Fees	440,891	400	-	-	441,291	38,400	-	-	-	38,400	479,691
Repairs and Maintenance	6,036	-	-	-	6,036	-	-	-	-	-	6,036
Supplies	-	-	-	-	-	-	-	-	-	-	-
Utilities	-	-	-	-	-	-	-	-	-	-	-
Total	1,802,631	2,254	93	2,727	1,807,705	296,253	2,022	-	17,579	315,854	2,123,559
Total Expenses by Function	\$ 2,767,246	\$ 2,254	\$ 93	\$ 2,727	\$ 2,772,320	\$ 923,798	\$ 122,445	\$ -	\$ 17,579	\$ 1,063,822	\$ 3,836,142

ARTSQUEST AND AFFILIATES
CONSOLIDATING STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022

	ArtsQuest	ArtsQuest Foundation	Artonomous Media	Friends at the Levitt Pavilion at Steelstacks	Eliminations	2022
CASH FLOWS FROM OPERATING ACTIVITIES						
Change in Net Assets	\$ (358,662)	\$ (907,112)	\$ (84,676)	\$ 153,150	\$ 112,500	\$ (1,084,800)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:						
Depreciation	1,213,989	-	-	36,962	(112,500)	1,138,451
Interest Expense - Amortization of Debt Issuance Costs	22,686	-	-	-	-	22,686
Bad Debt Expense	225,723	1,000	-	-	-	226,723
Realized Loss on Investments	-	125,710	-	-	-	125,710
Unrealized Loss on Investments	-	550,938	-	-	-	550,938
Change in Value of Annuity Agreements, Net of Termination of Annuities and Underlying Insurance Contracts	-	263,455	-	-	-	263,455
Changes in Operating Assets and Liabilities:						
Accounts Receivable	(23,008)	8,500	7,694	-	-	(6,814)
Other Receivables	434,127	-	-	-	-	434,127
Pledges Receivable	329,067	24,000	-	-	-	353,067
Due from affiliate	-	(5,180)	-	-	5,180	-
Prepaid Expenses	10,425	-	-	2,503	-	12,928
Inventory	(74,686)	-	-	-	-	(74,686)
Accounts Payable and Accrued Expenses	262,889	(14,013)	(7,800)	29	-	241,105
Due to affiliate	74,545	-	78,996	(148,361)	(5,180)	-
Deferred Revenue	11,243	-	-	(5,000)	-	6,243
Refundable Advances	(6,000)	-	-	-	-	(6,000)
Net Cash Provided (Used) by Operating Activities	<u>2,122,338</u>	<u>47,298</u>	<u>(5,786)</u>	<u>39,283</u>	<u>-</u>	<u>2,203,133</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Capital Expenditures, Net of Disposals	(301,564)	-	-	(51,323)	-	(352,887)
Proceeds from Sale of Investments, Net of Purchases	-	(51,738)	-	-	-	(51,738)
Proceeds from Insurance Policies	-	413,953	-	-	-	413,953
Net Cash Provided (Used) by Investing Activities	<u>(301,564)</u>	<u>362,215</u>	<u>-</u>	<u>(51,323)</u>	<u>-</u>	<u>9,328</u>
CASH FLOWS FROM FINANCING ACTIVITIES						
Payments on Term Borrowings	(248,499)	-	-	-	-	(248,499)
Proceeds from (Payments on) Vendor Advances, Net	(175,909)	-	-	-	-	(175,909)
Payments on Annuities	-	(395,000)	-	-	-	(395,000)
Net Cash Provided (Used) by Financing Activities	<u>(424,408)</u>	<u>(395,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(819,408)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,396,366	14,513	(5,786)	(12,040)	-	1,393,053
Cash and Cash Equivalents - Beginning of Year	<u>15,003,350</u>	<u>285,199</u>	<u>14,697</u>	<u>230,826</u>	<u>-</u>	<u>15,534,072</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 16,399,716</u>	<u>\$ 299,712</u>	<u>\$ 8,911</u>	<u>\$ 218,786</u>	<u>\$ -</u>	<u>\$ 16,927,125</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION						
Noncash Operating Activities:						
In-Kind Contribution of Services	<u>\$ 814,543</u>	<u>\$ 2,083</u>	<u>\$ -</u>	<u>\$ 99,746</u>	<u>\$ -</u>	<u>\$ 916,372</u>
Additional Cash Flow Information:						
Cash Payments for Interest	<u>\$ 222,698</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 222,698</u>