



ArtsQuest and Affiliates

December 31, 2019 and 2018

*Consolidated Financial Statements and
Independent Auditors' Report*

ARTSQUEST AND AFFILIATES
DECEMBER 31, 2019 AND 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
ArtsQuest and Affiliates

We have audited the accompanying consolidated financial statements of ArtsQuest and Affiliates, which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of functional expenses and cash flows for the years then ended and the consolidated statement of activities for the year ended December 31, 2019, and the related notes to the consolidated financial statements.

Management's Responsibility 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; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ArtsQuest and Affiliates as of December 31, 2019 and 2018, and its cash flows for the years then ended, and the changes in net assets for the year ended December 31, 2019 in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the ArtsQuest and Affiliates 2018 consolidated financial statements, and we expressed an unmodified audit opinion on those consolidated financial statements in our report dated December 17, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent in all material respects, with the audited financial statements from which it has been derived.

Concannon, Miller + Co., P.C.

Bethlehem, PA
July 30, 2020

ARTSQUEST AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2019	2018
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents - unrestricted	\$ 6,550,252	\$ 3,634,784
Investments, at fair value (Note 8)	2,304,167	178,102
Accounts receivable, net of allowance of \$57,731 and \$17,009 for 2019 and 2018, respectively (Note 2)	377,886	373,502
Other receivables	206,564	373,939
Pledges receivable, less allowance of \$7,893 and \$15,017 for 2019 and 2018, respectively (Note 5)	1,965,619	1,260,870
Prepaid expenses	248,123	193,119
Inventory	189,120	180,832
Total Current Assets	11,841,731	6,195,148
PROPERTY, FURNITURE AND EQUIPMENT, NET (Note 6)	24,685,265	25,129,420
OTHER ASSETS		
Restricted cash (Note 7)	45,369	71,935
Restricted investments (Note 8)	1,194,405	979,694
Pledges receivable, net (Note 5)	565,758	1,285,119
Insurance policies on charitable gift annuities	4,470,383	405,791
Total Other Assets	6,275,915	2,742,539
Total Assets	\$ 42,802,911	\$ 34,067,107
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Current portion of capital lease obligations (Note 13)	\$ 3,268	\$ 6,605
Current portion of term debt (Note 12)	215,995	211,745
Current portion of vendor advances (Note 20)	225,000	0
Accounts payable and accrued expenses	2,009,722	1,380,831
Deferred revenue	947,070	1,248,283
Refundable advances	188,099	369,078
Total Current Liabilities	3,589,154	3,216,542
LONG-TERM LIABILITIES		
Capital lease obligations, net of current portion (Note 13)	0	3,268
Term debt, net of current portion (Note 12)	7,136,971	7,352,960
Vendor advances, net of current portion (Note 20)	1,650,000	0
Charitable gift annuities (Note 10)	3,512,833	321,294
Total Long-Term Liabilities	12,299,804	7,677,522
Total Liabilities	15,888,958	10,894,064
NET ASSETS		
Net assets without donor restrictions	22,184,876	19,116,867
Net assets with donor restrictions	4,729,077	4,056,176
Total Net Assets	26,913,953	23,173,043
Total Liabilities and Net Assets	\$ 42,802,911	\$ 34,067,107

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

ARTSQUEST AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	2019		Totals	
	Without Donor	With Donor	2019	2018
	Restrictions	Restrictions		
PUBLIC SUPPORT AND REVENUE				
Public Support				
In-kind contributions	\$ 2,537,813	\$ 0	\$ 2,537,813	\$ 2,425,359
Contributions	4,454,683	1,854,624	6,309,307	3,400,976
Grants	1,515,409	468,400	1,983,809	1,187,650
Total Support	<u>8,507,905</u>	<u>2,323,024</u>	<u>10,830,929</u>	<u>7,013,985</u>
Revenue				
Programs	2,568,989		2,568,989	2,854,554
Festivals	10,457,637		10,457,637	8,261,379
Fundraising events, net of direct expenses of \$24,168 and \$18,371 for 2019 and 2018, respectively	110,207		110,207	116,129
Box office and retail	756,861		756,861	910,384
Other	2,299,731		2,299,731	2,162,107
Total Revenue	<u>16,193,425</u>	<u>0</u>	<u>16,193,425</u>	<u>14,304,553</u>
NET ASSETS RELEASED FROM RESTRICTIONS				
	1,850,736	(1,850,736)	0	0
Total Support and Revenue	<u>26,552,066</u>	<u>472,288</u>	<u>27,024,354</u>	<u>21,318,538</u>
EXPENSES				
Program services				
Programs and events	6,991,780		6,991,780	7,357,631
Festivals	13,028,096		13,028,096	11,712,760
Box office and retail	515,438		515,438	716,044
Total Program Services	<u>20,535,314</u>	<u>0</u>	<u>20,535,314</u>	<u>19,786,435</u>
Supporting services				
General & administrative	2,084,461		2,084,461	1,561,145
Fundraising	1,169,828		1,169,828	1,094,718
Total Supporting Services	<u>3,254,289</u>	<u>0</u>	<u>3,254,289</u>	<u>2,655,863</u>
Total Expenses	<u>23,789,603</u>	<u>0</u>	<u>23,789,603</u>	<u>22,442,298</u>
INCOME (LOSS) FROM OPERATIONS	2,762,463	472,288	3,234,751	(1,123,760)
INVESTMENT INCOME (LOSS), NET	305,546	200,613	506,159	(48,740)
CHANGE IN NET ASSETS	3,068,009	672,901	3,740,910	(1,172,500)
NET ASSETS, JANUARY 1	<u>19,116,867</u>	<u>4,056,176</u>	<u>23,173,043</u>	<u>24,345,543</u>
NET ASSETS, DECEMBER 31	<u>\$ 22,184,876</u>	<u>\$ 4,729,077</u>	<u>\$ 26,913,953</u>	<u>\$ 23,173,043</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, 2019
(WITH SUMMARIZED TOTALS FOR THE YEAR ENDED DECEMBER 31 2018)

	Programs and Events	Festivals	Box Office and Retail	Total Program Services	General & Administrative	Fundraising	Total Supporting Services	Totals	
								2019	2018
Salaries	\$ 2,146,200	\$ 1,444,269	\$ 291,661	\$ 3,882,130	\$ 606,621	\$ 750,526	\$ 1,357,147	\$ 5,239,277	\$ 5,195,440
Benefits and taxes	326,951	375,508	58,994	761,453	40,815	248,321	289,136	1,050,589	934,780
Total Salaries and Related Expenses	<u>2,473,151</u>	<u>1,819,777</u>	<u>350,655</u>	<u>4,643,583</u>	<u>647,436</u>	<u>998,847</u>	<u>1,646,283</u>	<u>6,289,866</u>	<u>6,130,220</u>
Advertising	572,555	1,267,983	397	1,840,935	66,615	25,375	91,990	1,932,925	2,279,046
Artistic expense	1,091,797	3,850,848		4,942,645			0	4,942,645	4,578,044
Bad debt (recoveries) expense				0	52,822		52,822	52,822	(69,461)
Bank charges			36,352	36,352	167,094		167,094	203,446	248,047
Classroom expenses	211,150	4,635		215,785			0	215,785	175,070
Cost of goods sold	70,608	223,848	122,970	417,426			0	417,426	400,310
Depreciation and amortization	853,979			853,979	194,031		194,031	1,048,010	1,150,626
Equipment and leases	14,606			14,606	26,505		26,505	41,111	83,341
Food and beverage	50,694	2,189,494		2,240,188			0	2,240,188	1,720,959
Hospitality		187,721		187,721			0	187,721	149,760
Information systems and technology			3,275	3,275	261,258		261,258	264,533	150,182
Interest				0	243,966		243,966	243,966	265,499
Lighting, sound and staging	26,273	893,289		919,562			0	919,562	621,193
Miscellaneous	85,097	28,021		113,118	82,870		82,907	196,025	153,770
Occupancy	282,280	468,312		750,592	32,545	37	32,545	783,137	710,775
Office	437	8	1,789	2,234	149,496	12,652	162,148	164,382	183,088
Printing	99,376	15,620		114,996		10,019	10,019	125,015	117,181
Production	359,510	2,002,823		2,362,333	22,378	45,198	67,576	2,429,909	2,152,774
Professional fees				0	132,559	77,700	210,259	210,259	263,821
Repairs and maintenance	270,864	2,925		273,789	4,886		4,886	278,675	354,489
Supplies	227,374	7,651		235,025			0	235,025	235,901
Utilities	302,029	65,141		367,170			0	367,170	387,663
	<u>4,518,629</u>	<u>11,208,319</u>	<u>164,783</u>	<u>15,891,731</u>	<u>1,437,025</u>	<u>170,981</u>	<u>1,608,006</u>	<u>17,499,737</u>	<u>16,312,078</u>
Total Expenses	<u>\$ 6,991,780</u>	<u>\$ 13,028,096</u>	<u>\$ 515,438</u>	<u>\$ 20,535,314</u>	<u>\$ 2,084,461</u>	<u>\$ 1,169,828</u>	<u>\$ 3,254,289</u>	<u>\$ 23,789,603</u>	<u>\$ 22,442,298</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, 2018

	<u>Programs and Events</u>	<u>Festivals</u>	<u>Box Office and Retail</u>	<u>Total Program Services</u>	<u>General & Administrative</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	<u>Total Expenses</u>
Salaries	\$ 2,100,597	\$ 1,532,821	\$ 300,152	\$ 3,933,570	\$ 553,608	\$ 708,262	\$ 1,261,870	\$ 5,195,440
Benefits and taxes	384,543	280,604	54,947	720,094	101,346	113,341	214,686	934,780
Total Salaries and Related Expenses	<u>2,485,140</u>	<u>1,813,425</u>	<u>355,099</u>	<u>4,653,664</u>	<u>654,954</u>	<u>821,603</u>	<u>1,476,556</u>	<u>6,130,220</u>
Advertising	572,554	1,693,695	2,417	2,268,666	2,172	8,208	10,380	2,279,046
Artistic expense	1,383,274	3,194,770		4,578,044			0	4,578,044
Bad debt				0	(83,670)	14,209	(69,461)	(69,461)
Bank charges			172,821	172,821	75,226		75,226	248,047
Classroom expenses	172,963	2,107		175,070			0	175,070
Cost of goods sold	42,588	198,413	159,309	400,310			0	400,310
Depreciation and amortization	1,024,660	63,852	11,729	1,100,241	10,545	39,840	50,385	1,150,626
Equipment and leases				0	83,341		83,341	83,341
Food and beverage	39,739	1,681,220		1,720,959			0	1,720,959
Hospitality	12,847	136,913		149,760			0	149,760
Information systems and technology			2,321	2,321	147,861		147,861	150,182
Interest				0	265,499		265,499	265,499
Lighting, Sound and Staging	34,029	587,164		621,193			0	621,193
Miscellaneous	58,016	62,092		120,108	27,262	6,400	33,662	153,770
Occupancy	248,791	454,198		702,989	7,786		7,786	710,775
Office	14,494	18,053	12,348	44,895	122,545	15,648	138,193	183,088
Printing	101,528	15,653		117,181			0	117,181
Production	376,925	1,700,923		2,077,848	25,720	49,206	74,926	2,152,774
Professional Fees				0	124,216	139,605	263,821	263,821
Repairs and maintenance	253,617	3,184		256,801	97,688		97,688	354,489
Supplies	226,489	9,412		235,901			0	235,901
Utilities	309,977	77,686		387,663			0	387,663
	<u>4,872,491</u>	<u>9,899,335</u>	<u>360,945</u>	<u>15,132,771</u>	<u>906,191</u>	<u>273,116</u>	<u>1,179,307</u>	<u>16,312,078</u>
Total Expenses	<u>\$ 7,357,631</u>	<u>\$ 11,712,760</u>	<u>\$ 716,044</u>	<u>\$ 19,786,435</u>	<u>\$ 1,561,145</u>	<u>\$ 1,094,719</u>	<u>\$ 2,655,863</u>	<u>\$ 22,442,298</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,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 3,740,910	\$ (1,172,500)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	1,025,325	1,150,626
Interest expense - amortization of debt issuance costs	22,686	22,686
Bad debt (recoveries) expense	52,822	(69,461)
Realized gain on investments	(31,330)	(88,126)
Unrealized (gain) loss on investments	(358,933)	170,682
Change in value of annuity agreement	278,279	7,616
Changes in operating assets and liabilities		
Accounts receivable	(57,206)	145,081
Other receivables	167,375	(261,196)
Pledges receivable	14,612	667,098
Prepaid expenses	(55,004)	25,654
Inventory	(8,288)	29,215
Accounts payable and accrued expenses	628,891	(476,166)
Deferred revenue	(301,213)	1,010,151
Net Cash Provided by Operating Activities	4,937,947	1,530,438
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(581,170)	(385,065)
Purchase of restricted investments, net of sales	(1,950,513)	(153,551)
Purchase of insurance policies, net of distributions	(3,608,653)	(405,791)
Net Cash Used in Investing Activities	(6,140,336)	(944,407)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease obligations	(6,605)	(6,295)
Payments on term borrowings	(234,425)	(247,590)
Proceeds from vendor advances	1,875,000	0
Proceeds from issuance of annuities, net of gift portion	2,913,260	325,000
Payments on annuities	(455,939)	(11,322)
Net Cash Provided by Financing Activities	4,091,291	59,793
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,888,902	645,824
CASH AND CASH EQUIVALENTS, JANUARY 1	3,706,719	3,060,895
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 6,595,621	\$ 3,706,719
<u>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</u>		
NON-CASH OPERATING ACTIVITIES		
In-kind contribution of services	\$ 2,537,813	\$ 2,375,882
ADDITIONAL CASH FLOW INFORMATION		
Cash payments for interest	\$ 243,966	\$ 252,424
CASH BALANCES, DECEMBER 31		
Unrestricted	6,550,252	3,634,784
Restricted for endowment	45,369	71,935
	\$ 6,595,621	\$ 3,706,719

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

ARTSQUEST AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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. Aronomous 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, Aronomous Media and the Friends of the Levitt Pavilion, collectively known as the "Organization". ArtsQuest Foundation (the "Foundation"), Aronomous 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.

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset classes. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended December 31, 2018, from which the summarized information was derived.

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*.

ARTSQUEST AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2019 AND 2018

NOTE 2 Summary of Significant Accounting Policies (Continued)

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.

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 \$5,830,000 at December 31, 2019.

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, 2019 and 2018 was \$57,731 and \$17,009, respectively.

ARTSQUEST AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2019 AND 2018

NOTE 2 Summary of Significant Accounting Policies (Continued)

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 1.31% to 2.62%. Amortization of the discounts is included in contribution revenue.

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, 2019 and 2018 was \$7,893 and \$15,017, 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.

ARTSQUEST AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2019 AND 2018

NOTE 2 Summary of Significant Accounting Policies (Continued)

Valuation of Investments in Securities at Fair Value (Continued)

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.

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 operations.

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.

ARTSQUEST AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2019 AND 2018

NOTE 2 Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Public Support (Continued)

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.

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:

	December 31,	
	2019	2018
Revenue recognized at a point in time:		
Ticket sales and associated fees	\$ 11,291,226	\$ 10,045,203
Food and beverage	1,876,977	1,618,009
Classes and programs	718,362	587,451
Rental fees	976,276	923,849
Merchandise	805,203	742,983
Miscellaneous	392,873	275,590
	<u>\$ 16,060,917</u>	<u>\$ 14,193,085</u>
Revenue recognized over time:		
Advertising	<u>\$ 132,508</u>	<u>\$ 111,468</u>

ARTSQUEST AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2019 AND 2018

NOTE 2 Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

As of December 31, 2019 and 2018, the Organization held no contract assets. Contract liabilities at December 31, 2019 and 2018 consisted solely of deferred revenue which totaled \$947,070 and \$1,248,283, respectively. Deferred revenue is generated primarily from ticket sales for events which will occur in a future period.

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, 2019 and 2018 were \$1,932,925 and \$2,279,046, respectively. For the years ended December 31, 2019 and 2018, and included in total advertising costs, the Organization received \$1,401,556 and \$1,744,597, respectively, of in-kind advertising.

Functional Allocation of Expenses

The 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 basis of 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.

ARTSQUEST AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2019 AND 2018

NOTE 2 Summary of Significant Accounting Policies (Continued)

Income Taxes (Continued)

Accordingly, no provision for income taxes is included in the accompanying consolidated financial statements.

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 financial statements when it is more-likely-than-not the position will be sustained upon examination by tax authorities.

As of December 31, 2019 and 2018, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the 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 Change in Accounting Principle

In May 2014, the FASB issued new revenue recognition guidance under Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). The guidance provides a single, comprehensive model for recognizing revenue from contracts with customers. The new revenue recognition guidance supersedes existing guidance and requires expanded disclosures relating to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The Organization adopted the new standard effective January 1, 2019 using the modified retrospective transition method, which requires the cumulative effect of adoption, if any, to be recognized as an adjustment to opening retained earnings in the period of adoption.

As part of the adoption of the ASU, the Organization elected the following transition practical expedients: (i) to reflect the aggregate of all contract modifications that occurred prior to the date of initial application when identifying satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price; and (ii) to apply the standard only to contracts that are not completed at the initial date of application. Because contract modifications are minimal, there is not a significant impact as a result of electing these practical expedients.

The Organization’s revenue arrangements generally consist of a single performance obligation to transfer promised goods or services. As a result, the Organization did not identify any material differences in the amount and timing of revenue recognition for its revenue streams. Accordingly, the Organization did not record any transition adjustment upon adoption of the new guidance. Based on the Organization’s evaluation process and review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard.

ARTSQUEST AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2019 AND 2018

NOTE 4 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 - unrestricted	\$	6,550,252
Investments available for operations		2,304,167
Accounts receivable, net		377,886
Other receivables		206,564
Pledges receivable within twelve months		1,965,619
		\$ 11,404,488

In addition, and as more fully described in Note 11, the Organization also has a committed line of credit in the amount of \$1,000,000, which it could draw upon in the event of an unanticipated liquidity need.

NOTE 5 Pledges Receivable

	December 31,	
	2019	2018
Time restricted sponsorships and contributions	\$ 2,628,857	\$ 2,636,928
Less unamortized discount	89,587	75,922
Less allowance for uncollectible pledges contributions	7,893	15,017
	\$ 2,531,377	\$ 2,545,989
Less than one year	\$ 1,965,619	\$ 1,260,870
One to five years	565,758	1,285,119
	\$ 2,531,377	\$ 2,545,989

At December 31, 2019 and 2018, pledges receivables include promises to give totaling approximately \$1,425,200 and \$1,320,000, respectively, from five and two donors, respectively.

ARTSQUEST AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2019 AND 2018

NOTE 6 Property, Furniture and Equipment

	December 31,	
	2019	2018
Buildings and improvements	\$ 27,780,433	\$ 27,765,435
Site improvements	1,827,635	1,812,424
Land	3,004,392	3,004,392
Construction in progress	2,318,798	1,907,085
Furniture, fixtures and equipment	2,103,357	2,028,760
Staging equipment	3,617,097	3,553,946
Vehicles	98,640	97,140
	40,750,352	40,169,182
Less accumulated depreciation	16,065,087	15,039,762
	\$ 24,685,265	\$ 25,129,420

Depreciation expense was \$1,025,325 and \$1,150,626 for the years ended December 31, 2019 and 2018, respectively.

NOTE 7 Restricted Cash

The Organization has classified, as restricted, certain cash and cash equivalents that are not available for use in its operations. The amounts restricted at December 31, 2019 and 2018 represent the cash portion of the Organization's Endowments which are restricted based on the contributions, earnings and appropriations during each year. Details of the endowments are more fully described in Note 9.

NOTE 8 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, 2019 and 2018, respectively, are considered Level 1 investments, and are summarized as follows:

	Investments at Fair Value as of December 31, 2019			
	Level 1	Level 2	Level 3	Total
<i>Without Donor Restrictions:</i>				
Mutual funds				
Large cap MF	\$ 1,062,159	\$ 0	\$ 0	\$ 1,062,159
Small / mid cap	156,680			156,680
Developed international	150,070			150,070
Emerging international	103,481			103,481
Other international	71,944			71,944
Alternatives	76,172			76,172
Fixed income funds				
US treasuries	25,471			25,471
Mortgages/asset backed	125,531			125,531
Multi-sector	532,660			532,660
	2,304,168	0	0	2,304,168

ARTSQUEST AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2019 AND 2018

NOTE 8 Investments (Continued)

Investments at Fair Value as of December 31, 2019
(Continued)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<i>With Donor Restrictions:</i>				
Mutual funds				
Large cap MF	554,119			554,119
Small / mid cap	68,654			68,654
Developed international	74,747			74,747
Emerging international	47,164			47,164
Other international	30,850			30,850
Alternatives	109,758			109,758
Fixed income funds				
US treasuries	10,319			10,319
Mortgages/asset backed	64,012			64,012
Multi-sector	234,782			234,782
	<u>1,194,405</u>	<u>0</u>	<u>0</u>	<u>1,194,405</u>
	<u>\$ 3,498,573</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,498,573</u>

Investments at Fair Value as of December 31, 2018

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<i>Without Donor Restrictions:</i>				
Mutual funds				
Large cap MF	\$ 75,733	\$ 0	\$ 0	\$ 75,733
Small / mid cap	10,445			10,445
Developed international	13,924			13,924
Emerging international	9,503			9,503
Other international	5,720			5,720
Alternatives	12,363			12,363
Fixed income funds				
US treasuries	2,522			2,522
Mortgages/asset backed	9,909			9,909
Multi-sector	37,983			37,983
	<u>178,102</u>	<u>0</u>	<u>0</u>	<u>178,102</u>

ARTSQUEST AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2019 AND 2018

NOTE 8 Investments (Continued)

Investments at Fair Value as of December 31, 2018				
(Continued)				
	Level 1	Level 2	Level 3	Total
<i>With Donor Restrictions:</i>				
Mutual funds				
Large cap MF	405,619			405,619
Small / mid cap	54,767			54,767
Developed international	63,291			63,291
Emerging international	38,968			38,968
Other international	25,030			25,030
Alternatives	104,172			104,172
Fixed income funds				
US treasuries	9,761			9,761
Mortgages/asset backed	62,636			62,636
Multi-sector	215,450			215,450
	979,694	0	0	979,694
	\$ 1,157,796	\$ 0	\$ 0	\$ 1,157,796

Restricted investments at December 31, 2019 and 2018 totaled \$1,194,405 and \$979,694, 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 9.

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 9 Endowment

The Organization has established three endowment funds as of December 31, 2019. The first of which 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.

ARTSQUEST AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2019 AND 2018

NOTE 9 Endowment (Continued)

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 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.

ARTSQUEST AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2019 AND 2018

NOTE 9 Endowment (Continued)

The change in endowment net assets for the years ended December 31, 2019 and 2018 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets at January 1, 2017	\$ 0	\$ 1,117,335	\$ 1,117,335
Investment income (loss)			
Interest and dividends, net of fees		15,395	15,395
Unrealized losses		(153,539)	(153,539)
Realized gains		84,939	84,939
Total investment income (loss)	<u>0</u>	<u>(53,205)</u>	<u>(53,205)</u>
Endowment net assets at December 31, 2018	\$ 0	\$ 1,064,130	\$ 1,064,130
Contributions		100,000	100,000
Investment income			
Interest and dividends, net of fees		19,257	19,257
Unrealized gains		168,087	168,087
Realized gains		13,269	13,269
Total investment income	<u>0</u>	<u>200,613</u>	<u>200,613</u>
Endowment net assets at December 31, 2019	<u>\$ 0</u>	<u>\$ 1,364,743</u>	<u>\$ 1,364,743</u>

NOTE 10 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 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.

ARTSQUEST AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2019 AND 2018

NOTE 10 Split-Interest Annuity Agreements (Continued)

As of December 31, 2019 and 2018, the present value of these annuities was \$3,512,833 and \$321,294, respectively, and the fair value of the insurance contracts was \$4,470,383 and \$405,791, respectively.

NOTE 11 Line of Credit

The Organization has a \$1,000,000 unsecured line of credit available with a bank for operational purposes. The line of credit expires December 31, 2020. Interest on outstanding borrowings is payable at the bank's prime rate minus 1% (3.75% at December 31, 2019). There were no borrowings against the line as of December 31, 2019 and 2018, respectively.

NOTE 12 Term Debt

	December 31, 2019		
	Outstanding Principal	Debt Issuance Costs, Net	Term Debt, Net
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.	\$ 5,995,440	\$ 162,581	\$ 5,832,859
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.	1,515,714		1,515,714
Note payable, bank, requiring monthly payments of \$410 including a fixed rate of interest of 5.5%, final payment due November 2020, secured by a vehicle.	4,393		4,393
Total term debt	7,515,547	162,581	7,352,966
Less current maturities	238,681	22,686	215,995
Term debt, net of current maturities	\$ 7,276,866	\$ 139,895	\$ 7,136,971

	December 31, 2018		
	Outstanding Principal	Debt Issuance Costs, Net	Term Debt, Net
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.	\$ 6,181,794	\$ 185,266	\$ 5,996,528

ARTSQUEST AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2019 AND 2018

NOTE 12 Term Debt (Continued)

	December 31, 2018 (Continued)		
	Outstanding Principal	Debt Issuance Costs, Net	Term Debt, Net
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.	1,557,394		1,557,394
Note payable, bank, requiring monthly payments of \$1,937 including a fixed rate of interest of 6.5%, final payment due January 2019, secured by equipment.	1,845		1,845
Note payable, bank, requiring monthly payments of \$410 including a fixed rate of interest of 5.5%, final payment due November 2020, secured by a vehicle.	8,938		8,938
Total term debt	7,749,971	185,266	7,564,705
Less current maturities	234,431	22,686	211,745
Term debt, net of current maturities	\$ 7,515,540	\$ 162,580	\$ 7,352,960

Term debt maturities at December 31, 2019 are as follows:

	Principal Payments	Amortization of Debt Issuance Costs	Total, Net of Amortization
2020	\$ 238,681	\$ 22,686	\$ 215,995
2021	243,309	22,686	220,623
2022	250,715	22,686	228,029
2023	258,782	22,686	236,096
2024	266,533	22,686	243,847
Thereafter	6,257,527	49,151	6,208,376
	\$ 7,515,547	\$ 162,581	\$ 7,352,966

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, 2019 the Organization was in compliance with these covenants.

NOTE 13 Leasing Arrangements

The Organization has entered into various capital lease obligations for certain equipment, which expire through July 2020. At December 31, 2019, the gross amount of equipment and related accumulated amortization recorded under capital leases were as follows:

ARTSQUEST AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2019 AND 2018

NOTE 13 Leasing Arrangements (Continued)

Equipment	\$	30,763
Less accumulated amortization		<u>27,686</u>
		<u>\$ 3,077</u>

The Organization has several non-cancelable operating leases, primarily for office equipment, which expire at various dates through April 2023.

Future minimum lease payments under non-cancelable operating leases and future minimum capital lease payments as of December 31, 2019 are:

	Capital Leases	Operating Leases
2020	\$ 3,468	\$ 80,536
2021	0	51,789
2022	0	34,224
2023	0	11,436
2024	0	<u>3,840</u>
Total Minimum Lease Payments	<u>3,468</u>	<u>\$ 181,825</u>
Less amount representing interest	<u>200</u>	
Present value of minimum capital lease payments	3,268	
Less current portion of capital lease obligations	<u>3,268</u>	
Capital lease obligations, net of current portion	<u>\$ 0</u>	

Total rent expense for operating leases was \$71,625 and \$22,959 and for the years ended December 31, 2019 and 2018, 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 lease term is 10 years expiring in June 2020, at the rate of \$1 per year, with three 10-year renewal options. The Organization has recorded an in-kind contribution for the fair market value of the leased premises of \$340,928 for each of the years ended December 31, 2019 and 2018.

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, 2019 AND 2018

NOTE 15 Concessionaire Payments

During the Musikfest festival, the Organization sells tickets for the purchase of food and beverages during the festival. In general, under the terms of contracts with concessionaires, the Organization is obligated to reimburse a percentage of the face value of tickets turned in to concessionaires during the festival. Included in festivals expense for the fiscal years ended December 31, 2019 and 2018 were \$1,700,541 and \$1,286,820, respectively, representing such reimbursements.

NOTE 16 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, 2019 and 2018, the Organization elected to make contributions of \$70,946 and \$54,893, respectively, to the plan.

NOTE 17 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 2019 and 2018 amounted to \$26,329 and \$14,971, respectively.

NOTE 18 Net Assets with Donor Restrictions

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

	December 31,	
	2019	2018
Subject to expenditure for specific purpose:		
Future festival sponsorships	\$ 1,279,325	\$ 1,753,976
Future programs and operations	451,651	427,030
Memberships	145,310	374,322
Re-Imagine Campaign	1,488,048	436,718
Subject to the Organization's appropriation:		
Original donor-restricted gift required to be maintained in perpetuity by donor	1,146,750	1,046,750
Accumulated gain	217,993	17,380
	\$ 4,729,077	\$ 4,056,176

NOTE 19 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:

ARTSQUEST AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2019 AND 2018

NOTE 19 Net Assets Released from Donor Restrictions (Continued)

	December 31,	
	2019	2018
Purpose restrictions accomplished:		
Sponsorships for festivals	\$ 835,652	\$ 1,026,331
Sustaining memberships	266,512	232,152
Programs, events and other activities	748,572	386,838
	\$ 1,850,736	\$ 1,645,321

NOTE 20 Commitments and Vendor Advances

The Organization entered into a food service contract, effective October 2010 through April 2018, as amended, which included several financial commitments. The Organization was required and did pay a management fee of \$75,000 for the first year, \$100,000 for the second year and \$125,000 for each year thereafter. All net profits derived from this contract were split between the Organization and the contractor on a 90/10 split. Any net losses, as applicable, derived from this contract were paid to the contractor on a monthly basis.

In April 2018, the Organization entered into a new food service contract with a different contractor, which does not require any management fee and continues to split the net profits derived from the contract between the Organization and new contractor on a 90/10 split. If the activity results in a loss, the Organization pays the vendor on a monthly basis.

For the years ended December 31, 2019 and 2018, the Organization's net income on these contracts amounted to \$1,074,508 and \$1,007,230, respectively. These amounts are included in other income on the consolidated statement of activities.

In addition, under the food service contract signed in August 2018, 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. Subsequently, 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 funding. 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.

NOTE 21 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.

ARTSQUEST AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
DECEMBER 31, 2019 AND 2018

NOTE 21 Recent Accounting Pronouncements (Continued)

Leases (Continued)

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 22 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 23 Subsequent Events

The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through July 30, 2020, the date the financial statements were available to be issued. Subsequent to December 31, 2019, a global pandemic of the COVID-19 virus caused substantial economic disruption, including a significant decline in the Company's operating revenue and cash flows. The Organization is actively addressing the situation by working with customers and vendors on payment terms, requesting deferral on payments for certain debt and operating obligations, and applying for financial assistance through various government stimulus programs. Management continues to evaluate the impact of the pandemic on operations and does not consider the decline to be permanent.

INDEPENDENT AUDITORS' 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 statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of cash flows for the years then ended and the consolidated statement of activities and functional expenses for the year ended December 31, 2019, and the related notes to the consolidated financial statements, and have issued our report thereon dated July 30, 2020, 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 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 30, 2020

ARTSQEST AND AFFILIATES
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019
(WITH SUMMARIZED COMPARATIVE TOTALS FOR 2018)

	ArtsQuest	ArtsQuest Foundation	Artonomous Media	Friends of the Levitt Pavillion at Steelstacks	Eliminations	December 31,	
						2019	2018
ASSETS							
CURRENT ASSETS							
Cash and cash equivalents - unrestricted	\$ 6,189,480	\$ 219,322	\$ 24,442	\$ 117,008	\$ 0	\$ 6,550,252	\$ 3,634,784
Investments, at fair value		2,304,167				2,304,167	178,102
Accounts receivable, net of allowance of \$57,731 and \$17,009 for 2019 and 2018, respectively	372,211		5,675			377,886	373,502
Other receivables	206,564					206,564	373,939
Pledges receivable, less allowance of \$7,893 and \$15,017 for 2019 and 2018, respectively	1,864,993	100,626				1,965,619	1,260,870
Prepaid expenses	248,123					248,123	193,119
Due from affiliate		5,526,688			(5,526,688)	0	0
Inventory	189,120					189,120	180,832
Total Current Assets	<u>9,070,491</u>	<u>8,150,803</u>	<u>30,117</u>	<u>117,008</u>	<u>(5,526,688)</u>	<u>11,841,731</u>	<u>6,195,148</u>
PROPERTY, FURNITURE AND EQUIPMENT, NET	<u>28,076,553</u>			<u>114,962</u>	<u>(3,506,250)</u>	<u>24,685,265</u>	<u>25,129,420</u>
OTHER ASSETS							
Restricted cash		45,369				45,369	71,935
Restricted investments, at fair value		1,194,405				1,194,405	979,694
Pledges receivable, net	555,320	10,438				565,758	1,285,119
Insurance policies on charitable gift annuities		4,470,383				4,470,383	405,791
Total Other Assets	<u>555,320</u>	<u>5,720,595</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>6,275,915</u>	<u>2,742,539</u>
Total Assets	<u>\$ 37,702,364</u>	<u>\$ 13,871,398</u>	<u>\$ 30,117</u>	<u>\$ 231,970</u>	<u>\$ (9,032,938)</u>	<u>\$ 42,802,911</u>	<u>\$ 34,067,107</u>
LIABILITIES AND NET ASSETS							
CURRENT LIABILITIES							
Current portion of capital lease obligations	\$ 3,268	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,268	\$ 6,605
Current portion of term debt	215,995					215,995	211,745
Current portion of vendor advances	225,000					225,000	0
Accounts payable and accrued expenses	1,997,386	8,336	4,000			2,009,722	1,380,831
Due to affiliate	5,083,670		231,735	211,283	(5,526,688)	0	0
Deferred revenue	925,453		21,617			947,070	1,248,283
Refundable advances	188,099					188,099	369,078
Total Current Liabilities	<u>8,638,871</u>	<u>8,336</u>	<u>257,352</u>	<u>211,283</u>	<u>(5,526,688)</u>	<u>3,589,154</u>	<u>3,216,542</u>
LONG-TERM LIABILITIES							
Capital lease obligations, net of current portion						0	3,268
Term debt, net of current portion	7,136,971					7,136,971	7,352,960
Vendor advances, net of current portion	1,650,000					1,650,000	0
Charitable gift annuities		3,512,833				3,512,833	321,294
Total Long-Term Liabilities	<u>8,786,971</u>	<u>3,512,833</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>12,299,804</u>	<u>7,677,522</u>
Total Liabilities	<u>17,425,842</u>	<u>3,521,169</u>	<u>257,352</u>	<u>211,283</u>	<u>(5,526,688)</u>	<u>15,888,958</u>	<u>10,894,064</u>
NET ASSETS							
Net assets without donor restrictions	16,966,005	8,954,342	(227,235)	(1,986)	(3,506,250)	22,184,876	19,116,867
Net assets with donor restrictions	3,310,517	1,395,887		22,673		4,729,077	4,056,176
Total Net Assets	<u>20,276,522</u>	<u>10,350,229</u>	<u>(227,235)</u>	<u>20,687</u>	<u>(3,506,250)</u>	<u>26,913,953</u>	<u>23,173,043</u>
Total Liabilities and Net Assets	<u>\$ 37,702,364</u>	<u>\$ 13,871,398</u>	<u>\$ 30,117</u>	<u>\$ 231,970</u>	<u>\$ (9,032,938)</u>	<u>\$ 42,802,911</u>	<u>\$ 34,067,107</u>

ARTSQUEST AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019

	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	\$ 1,384,786	\$ 1,734,749	\$ 2,794,058	\$ 119,875	\$ 0	\$ 0	\$ 275,839	\$ 0
Grants	1,366,443	432,400	35,953				113,013	36,000
Fundraising events, net of direct expenses of \$24,168 and \$18,371 for 2019 and 2018, respectively			110,207					
In-kind contributions	2,413,727						124,086	
Total Support	<u>5,164,956</u>	<u>2,167,149</u>	<u>2,940,218</u>	<u>119,875</u>	<u>0</u>	<u>0</u>	<u>512,938</u>	<u>36,000</u>
Revenue								
Programs and events	2,411,432				132,508		25,049	
Festivals	10,457,637							
Box office and retail	756,861							
Other	2,541,908							
Total Revenue	<u>16,167,838</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>132,508</u>	<u>0</u>	<u>25,049</u>	<u>0</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>1,836,637</u>	<u>(1,836,637)</u>	<u>772</u>	<u>(772)</u>			<u>13,327</u>	<u>(13,327)</u>
Total Support and Revenue	<u>23,169,431</u>	<u>330,512</u>	<u>2,940,990</u>	<u>119,103</u>	<u>132,508</u>	<u>0</u>	<u>551,314</u>	<u>22,673</u>
FUNCTIONAL EXPENSES								
Program services								
Programs	6,662,088		16,000		147,553		520,816	
Festivals	13,028,096							
Box office and retail	515,438							
Total Program Services	<u>20,205,622</u>	<u>0</u>	<u>16,000</u>	<u>0</u>	<u>147,553</u>	<u>0</u>	<u>520,816</u>	<u>0</u>
Supporting services								
General & administrative	2,071,222		6,120		222		6,897	
Fundraising	998,762		167,773		0		3,293	
Total Supporting Services	<u>3,069,984</u>	<u>0</u>	<u>173,893</u>	<u>0</u>	<u>222</u>	<u>0</u>	<u>10,190</u>	<u>0</u>
Total Expenses	<u>23,275,606</u>	<u>0</u>	<u>189,893</u>	<u>0</u>	<u>147,775</u>	<u>0</u>	<u>531,006</u>	<u>0</u>
INCOME (LOSS) FROM OPERATIONS	(106,175)	330,512	2,751,097	119,103	(15,267)	0	20,308	22,673
INVESTMENT INCOME, NET	54,581		250,965	200,613				
CHANGE IN NET ASSETS	(51,594)	330,512	3,002,062	319,716	(15,267)	0	20,308	22,673
NET ASSETS, JANUARY 1	17,017,599	2,980,005	5,952,280	1,076,171	(211,968)	0	(22,294)	0
NET ASSETS, DECEMBER 31	<u>\$ 16,966,005</u>	<u>\$ 3,310,517</u>	<u>\$ 8,954,342</u>	<u>\$ 1,395,887</u>	<u>\$ (227,235)</u>	<u>\$ 0</u>	<u>\$ (1,986)</u>	<u>\$ 22,673</u>

ARTSQUEST AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	ARTSQUEST AND AFFILIATES				Totals	
	2019	Eliminations	Without Donor Restrictions	With Donor Restrictions	2019	2018
SUPPORT						
In-kind contributions	\$ 2,537,813	\$ 0	\$ 2,537,813	\$ 0	\$ 2,537,813	\$ 2,425,359
Contributions	6,309,307		4,454,683	1,854,624	6,309,307	3,400,976
Grants	1,983,809		1,515,409	468,400	1,983,809	1,187,650
Total Support	<u>10,830,929</u>	<u>0</u>	<u>8,507,905</u>	<u>2,323,024</u>	<u>10,830,929</u>	<u>7,013,985</u>
REVENUE						
Programs and events	2,568,989		2,568,989		2,568,989	2,854,554
Festivals	10,457,637		10,457,637		10,457,637	8,261,379
Fundraising events, net of direct expenses of \$24,168 and \$18,371 for 2019 and 2018, respectively	110,207		110,207		110,207	116,129
Box office and retail	756,861		756,861		756,861	910,384
Other	2,541,908	(242,177)	2,299,731		2,299,731	2,162,107
Total Revenue	<u>16,435,602</u>	<u>(242,177)</u>	<u>16,193,425</u>	<u>0</u>	<u>16,193,425</u>	<u>14,304,553</u>
NET ASSETS RELEASED FROM RESTRICTIONS						
Total Support and Revenue	<u>0</u>		<u>1,850,736</u>	<u>(1,850,736)</u>	<u>0</u>	<u>0</u>
	<u>27,266,531</u>	<u>(242,177)</u>	<u>26,552,066</u>	<u>472,288</u>	<u>27,024,354</u>	<u>21,318,538</u>
EXPENSES						
Program services						
Programs	7,346,457	(354,677)	6,991,780		6,991,780	7,357,631
Festivals	13,028,096		13,028,096		13,028,096	11,712,760
Box office and retail	515,438		515,438		515,438	716,044
Total Program Services	<u>20,889,991</u>	<u>(354,677)</u>	<u>20,535,314</u>	<u>0</u>	<u>20,535,314</u>	<u>19,786,435</u>
Supporting services						
General & administrative	2,084,461		2,084,461		2,084,461	1,561,145
Fundraising	1,169,828		1,169,828		1,169,828	1,094,718
Total Supporting Services	<u>3,254,289</u>	<u>0</u>	<u>3,254,289</u>	<u>0</u>	<u>3,254,289</u>	<u>2,655,863</u>
Total Expenses	<u>24,144,280</u>	<u>(354,677)</u>	<u>23,789,603</u>	<u>0</u>	<u>23,789,603</u>	<u>22,442,298</u>
INCOME (LOSS) FROM OPERATIONS	3,122,251	112,500	2,762,463	472,288	3,234,751	(1,123,760)
INVESTMENT INCOME (LOSS), NET	506,159		305,546	200,613	506,159	(48,740)
CHANGE IN NET ASSETS	3,628,410	112,500	3,068,009	672,901	3,740,910	(1,172,500)
NET ASSETS, JANUARY 1	26,791,793	(3,618,750)	19,116,867	4,056,176	23,173,043	24,345,543
NET ASSETS, DECEMBER 31	<u>\$ 30,420,203</u>	<u>\$ (3,506,250)</u>	<u>\$ 22,184,876</u>	<u>\$ 4,729,077</u>	<u>\$ 26,913,953</u>	<u>\$ 23,173,043</u>

ARTSQEST AND AFFILIATES
CONSOLIDATING STATEMENT OF PROGRAM EXPENSES
YEAR ENDED DECEMBER 31, 2019

	<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	\$ 2,146,200	\$ 0	\$ 48,177	\$ 160,000	\$ 2,354,377	\$ 1,444,269	\$ 291,661	\$ (208,177)	\$ 3,882,130
Benefits and taxes	326,951				326,951	375,508	58,994		761,453
Total Salaries and Related Expenses	<u>2,473,151</u>	<u>0</u>	<u>48,177</u>	<u>160,000</u>	<u>2,681,328</u>	<u>1,819,777</u>	<u>350,655</u>	<u>(208,177)</u>	<u>4,643,583</u>
Advertising	521,504			51,051	572,555	1,267,983	397		1,840,935
Artistic expense	939,111			152,686	1,091,797	3,850,848			4,942,645
Bank charges					0		36,352		36,352
Classroom expenses	211,150				211,150	4,635			215,785
Cost of goods sold	69,422			1,186	70,608	223,848	122,970		417,426
Depreciation and amortization	933,171			33,308	966,479			(112,500)	853,979
Equipment & leases				14,606	14,606				14,606
Food and Beverage	50,694				50,694	2,189,494			2,240,188
Grants		16,000			16,000			(16,000)	0
Hospitality					0	187,721			187,721
Information systems and technology					0		3,275		3,275
Lighting, sound and staging	24,852			1,421	26,273	893,289			919,562
Miscellaneous	84,924			18,173	103,097	28,021		(18,000)	113,118
Occupancy	199,727			82,553	282,280	468,312			750,592
Office expenses	437				437	8	1,789		2,234
Printing			99,376		99,376	15,620			114,996
Production	353,678			5,832	359,510	2,002,823			2,362,333
Repairs and maintenance	270,864				270,864	2,925			273,789
Supplies	227,374				227,374	7,651			235,025
Utilities	302,029				302,029	65,141			367,170
	<u>4,188,937</u>	<u>16,000</u>	<u>99,376</u>	<u>360,816</u>	<u>4,665,129</u>	<u>11,208,319</u>	<u>164,783</u>	<u>(146,500)</u>	<u>15,891,731</u>
	<u>\$ 6,662,088</u>	<u>\$ 16,000</u>	<u>\$ 147,553</u>	<u>\$ 520,816</u>	<u>\$ 7,346,457</u>	<u>\$ 13,028,096</u>	<u>\$ 515,438</u>	<u>\$ (354,677)</u>	<u>\$ 20,535,314</u>

ARTSQEST AND AFFILIATES
CONSOLIDATING STATEMENT OF SUPPORTING EXPENSES
YEAR ENDED DECEMBER 31, 2019

	<u>General and Administrative</u>				<u>Fundraising</u>					<u>Total Supporting Services</u>	
	<u>ArtsQuest</u>	<u>ArtsQuest Foundation</u>	<u>Artonomous Media</u>	<u>Friends of the Levitt Pavilion at Steelstacks</u>	<u>Total</u>	<u>ArtsQuest</u>	<u>ArtsQuest Foundation</u>	<u>Artonomous Media</u>	<u>Friends of the Levitt Pavilion at Steelstacks</u>		<u>Total</u>
Salaries	606,621	\$ 0	\$ 0	\$ 0	\$ 606,621	\$ 633,973	\$ 116,553	\$ 0	\$ 0	\$ 750,526	\$ 1,357,147
Benefits and taxes	40,815				40,815	239,513	8,808			248,321	289,136
Total Salaries and Related Expenses	<u>647,436</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>647,436</u>	<u>873,486</u>	<u>125,361</u>	<u>0</u>	<u>0</u>	<u>998,847</u>	<u>1,646,283</u>
Advertising	66,615				66,615	25,375				25,375	91,990
Bad debt (recoveries) expense	52,822				52,822					0	52,822
Bank charges	166,040	178		876	167,094					0	167,094
Depreciation and amortization	194,031				194,031					0	194,031
Equipment & leases	26,505				26,505					0	26,505
Information systems and technology	261,258				261,258					0	261,258
Interest	243,966				243,966					0	243,966
Miscellaneous	76,996	527	222	5,125	82,870	12	25			37	82,907
Occupancy	32,545				32,545					0	32,545
Office expenses	148,600			896	149,496	12,652				12,652	162,148
Printing	0				0	9,929	90			10,019	10,019
Production	22,378				22,378	41,608	297		3,293	45,198	67,576
Professional fees	127,144	5,415			132,559	35,700	42,000			77,700	210,259
Repairs and maintenance	4,886				4,886					0	4,886
	<u>1,423,786</u>	<u>6,120</u>	<u>222</u>	<u>6,897</u>	<u>1,437,025</u>	<u>125,276</u>	<u>42,412</u>	<u>0</u>	<u>3,293</u>	<u>170,981</u>	<u>1,608,006</u>
	<u>\$ 2,071,222</u>	<u>\$ 6,120</u>	<u>\$ 222</u>	<u>\$ 6,897</u>	<u>\$ 2,084,461</u>	<u>\$ 998,762</u>	<u>\$ 167,773</u>	<u>\$ 0</u>	<u>\$ 3,293</u>	<u>\$ 1,169,828</u>	<u>\$ 3,254,289</u>

ARTSQUEST AND AFFILIATES
CONSOLIDATING STATEMENTS OF CASH FLOWS
(WITH COMPARATIVE TOTALS FOR 2018)

	<u>ArtsQuest</u>	<u>ArtsQuest Foundation</u>	<u>Artonomous Media</u>	<u>Friends at the Levitt Pavillion at Steelstacks</u>	<u>Eliminations</u>	<u>Years Ended December 31,</u>	
						<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES							
Change in net assets	\$ 278,918	\$ 3,321,778	\$ (15,267)	\$ 42,981	\$ 112,500	\$ 3,740,910	\$ (1,172,500)
Adjustments to reconcile change in net assets to net cash provided by operating activities							
Depreciation	1,104,517			33,308	(112,500)	1,025,325	1,150,626
Interest expense - amortization of debt issuance costs	22,686					22,686	22,686
Bad debt (recoveries) expense	52,822					52,822	(69,461)
Realized gain on investments		(31,330)				(31,330)	(88,126)
Unrealized (gain) loss on investments		(358,933)				(358,933)	170,682
Change in value of annuity agreement		278,279				278,279	7,616
Changes in operating assets and liabilities							
Accounts receivable	(59,239)	2,500	(467)			(57,206)	145,081
Other receivables	167,375					167,375	(261,196)
Pledges receivable	101,135	(86,523)				14,612	667,098
Due from affiliate		(76,207)			76,207	0	0
Prepaid expenses	(55,004)					(55,004)	25,654
Inventory	(8,288)					(8,288)	29,215
Accounts payable and accrued expenses	649,766	(3,875)	(17,000)			628,891	(476,166)
Due to affiliate	97,876		42,982	(64,651)	(76,207)	0	0
Deferred revenue	(307,620)	(210)	6,617			(301,213)	1,010,151
Refundable advances	(180,979)					(180,979)	369,078
Net Cash Provided by (Used in) Operating Activities	<u>1,863,965</u>	<u>3,045,479</u>	<u>16,865</u>	<u>11,638</u>	<u>0</u>	<u>4,937,947</u>	<u>1,530,438</u>
CASH FLOWS FROM INVESTING ACTIVITIES							
Capital expenditures, net of disposals	(557,129)			(24,041)		(581,170)	(385,065)
Proceeds from sale of investments, net of purchases		(1,950,513)				(1,950,513)	(153,551)
Purchase of insurance policies, net of distributions		(3,608,653)				(3,608,653)	(405,791)
Net Cash Used in Investing Activities	<u>(557,129)</u>	<u>(5,559,166)</u>	<u>0</u>	<u>(24,041)</u>	<u>0</u>	<u>(6,140,336)</u>	<u>(944,407)</u>
CASH FLOWS FROM FINANCING ACTIVITIES							
Payments on line of credit, net						0	0
Payments on capital lease obligations	(6,605)					(6,605)	(6,295)
Payments on term borrowings	(234,425)					(234,425)	(247,590)
Proceeds from vendor advances	1,875,000					1,875,000	0
Proceeds from issuance of annuities, net of gift portion		2,913,260				2,913,260	325,000
Payments on annuities		(455,939)				(455,939)	(11,322)
Net Cash Provided by (Used in) Financing Activities	<u>1,633,970</u>	<u>2,457,321</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,091,291</u>	<u>59,793</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>2,940,806</u>	<u>(56,366)</u>	<u>16,865</u>	<u>(12,403)</u>	<u>0</u>	<u>2,888,902</u>	<u>645,824</u>
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>3,248,674</u>	<u>321,057</u>	<u>7,577</u>	<u>129,411</u>		<u>3,706,719</u>	<u>3,060,895</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 6,189,480</u>	<u>\$ 264,691</u>	<u>\$ 24,442</u>	<u>\$ 117,008</u>	<u>\$ 0</u>	<u>\$ 6,595,621</u>	<u>\$ 3,706,719</u>
<u>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</u>							
NON CASH OPERATING ACTIVITIES							
In-kind contribution of services	<u>\$ 2,413,727</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 124,086</u>	<u>\$ 0</u>	<u>\$ 2,537,813</u>	<u>\$ 2,375,882</u>
ADDITIONAL CASH FLOW INFORMATION							
Cash payments for interest	<u>\$ 243,966</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 243,966</u>	<u>\$ 252,424</u>