

**ARTSQUEST AND AFFILIATES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**



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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, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2023 and 2022, and its changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the 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 audits.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our 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.

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



**CliftonLarsonAllen LLP**

Bethlehem, Pennsylvania  
July 3, 2024

**ARTSQUEST AND AFFILIATES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 11,147,037	\$ 16,927,125
Investments, at Fair Value	10,212,409	2,696,041
Accounts Receivable, Net	437,546	173,187
Other Receivables	11,076	986,225
Pledges Receivable, Net	728,329	441,253
Prepaid Expenses	126,612	168,848
Inventory	185,814	158,149
Total Current Assets	<u>22,848,823</u>	<u>21,550,828</u>
<b>PROPERTY, FURNITURE, AND EQUIPMENT, NET</b>	23,054,943	23,502,135
<b>OPERATING LEASE RIGHT-OF-USE ASSETS, NET</b>	84,000	-
<b>OTHER ASSETS</b>		
Restricted Investments, at Fair Value	1,310,662	1,124,211
Pledges Receivable, Net	1,275,431	552,187
Insurance Policies on Charitable Gift Annuities	2,267,644	2,617,882
Total Other Assets	<u>4,853,737</u>	<u>4,294,280</u>
Total Assets	<u><u>\$ 50,841,503</u></u>	<u><u>\$ 49,347,243</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current Portion of Term Debt	\$ 237,065	\$ 228,495
Current Portion of Vendor Advances	175,909	175,909
Current Portion of Lease Liability	18,651	-
Accounts Payable and Accrued Expenses	2,062,590	1,967,449
Deferred Revenue	995,605	955,445
Refundable Advances	14,000	70,000
Total Current Liabilities	<u>3,503,820</u>	<u>3,397,298</u>
<b>LONG-TERM LIABILITIES</b>		
Term Debt, Net of Current Portion	6,450,752	6,693,173
Vendor Advances, Net of Current Portion	938,182	1,114,091
Lease Liability, Net of Current Portion	65,349	-
Charitable Gift Annuities	2,464,293	2,592,594
Total Long-Term Liabilities	<u>9,918,576</u>	<u>10,399,858</u>
Total Liabilities	13,422,396	13,797,156
<b>NET ASSETS</b>		
Without Donor Restrictions	30,083,883	30,175,366
With Donor Restrictions	7,335,224	5,374,721
Total Net Assets	<u>37,419,107</u>	<u>35,550,087</u>
Total Liabilities and Net Assets	<u><u>\$ 50,841,503</u></u>	<u><u>\$ 49,347,243</u></u>

See accompanying Notes to Consolidated Financial Statements.

**ARTSQUEST AND AFFILIATES**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>PUBLIC SUPPORT AND REVENUE</b>			
Public Support:			
Contributions and Grants	\$ 4,310,180	\$ 2,296,320	\$ 6,606,500
Fundraising Events, Net of Direct Expenses of \$15,136	129,705	-	129,705
Contributed Nonfinancial Materials and Services	2,243,514	-	2,243,514
Loss on Charitable Gift Annuities	(266,698)	-	(266,698)
Total Support	6,416,701	2,296,320	8,713,021
Revenue:			
Programs and Events	3,538,948	-	3,538,948
Festivals	12,118,994	-	12,118,994
Box Office and Retail	1,098,603	-	1,098,603
Other	3,213,006	-	3,213,006
Total Revenue	19,969,551	-	19,969,551
Net Assets Released from Restrictions	522,269	(522,269)	-
Total Support and Revenue	26,908,521	1,774,051	28,682,572
<b>EXPENSES</b>			
Program Services:			
Programs and Events	8,755,111	-	8,755,111
Festivals	14,763,006	-	14,763,006
Box Office and Retail	504,562	-	504,562
Total Program Services	24,022,679	-	24,022,679
Supporting Services:			
General and Administrative	2,854,932	-	2,854,932
Fundraising	1,247,285	-	1,247,285
Total Supporting Services	4,102,217	-	4,102,217
Total Expenses	28,124,896	-	28,124,896
<b>INCOME (LOSS) FROM OPERATIONS</b>	(1,216,375)	1,774,051	557,676
Investment Income, Net	1,124,892	186,452	1,311,344
<b>CHANGE IN NET ASSETS</b>	(91,483)	1,960,503	1,869,020
Net Assets - Beginning of Year	30,175,366	5,374,721	35,550,087
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 30,083,883</u>	<u>\$ 7,335,224</u>	<u>\$ 37,419,107</u>

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
<b>PUBLIC SUPPORT AND REVENUE</b>			
Public Support:			
Contributions and Grants	\$ 3,756,134	\$ 1,198,992	\$ 4,955,126
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
<b>EXPENSES</b>			
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
<b>INCOME (LOSS) FROM OPERATIONS</b>	141,161	(757,126)	(615,965)
Investment Losses, Net	(240,515)	(228,320)	(468,835)
<b>CHANGE IN NET ASSETS</b>	(99,354)	(985,446)	(1,084,800)
Net Assets - Beginning of Year	30,274,720	6,360,167	36,634,887
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 30,175,366</u>	<u>\$ 5,374,721</u>	<u>\$ 35,550,087</u>

See accompanying Notes to Consolidated Financial Statements.

**ARTSQUEST AND AFFILIATES**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2023**

	Programs and Events	Festivals	Box Office and Retail	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	Total
Salaries	\$ 2,508,693	\$ 1,548,213	\$ 382,772	\$ 4,439,678	\$ 669,667	\$ 897,321	\$ 1,566,988	\$ 6,006,666
Benefits and Taxes	465,604	287,342	71,041	823,987	124,287	181,457	305,744	1,129,731
Total Salaries and Related Expenses	2,974,297	1,835,555	453,813	5,263,665	793,954	1,078,778	1,872,732	7,136,397
Advertising	452,314	1,628,350	26	2,080,690	52,000	-	52,000	2,132,690
Artistic Expense	1,273,127	3,578,870	-	4,851,997	-	-	-	4,851,997
Bad Debt Expense	-	-	-	-	16,448	12,449	28,897	28,897
Bank Charges	-	-	8,953	8,953	530,571	-	530,571	539,524
Classroom Expenses	379,400	-	-	379,400	-	-	-	379,400
Cost of Goods Sold	59,363	235,735	41,318	336,416	-	-	-	336,416
Depreciation and Amortization	981,357	-	-	981,357	144,020	-	144,020	1,125,377
Equipment and Leases	7,248	-	-	7,248	8,472	-	8,472	15,720
Food and Beverage	122,989	2,988,152	-	3,111,141	-	-	-	3,111,141
Grants	-	-	-	-	-	-	-	-
Hospitality	23,859	182,470	-	206,329	-	-	-	206,329
Information Systems and Technology	-	-	-	-	292,555	-	292,555	292,555
Interest	-	-	-	-	214,659	-	214,659	214,659
Lighting, Sound and Staging	202,656	848,503	-	1,051,159	-	-	-	1,051,159
Miscellaneous	170,423	13,979	-	184,402	3,421	23,590	27,011	211,413
Occupancy	347,710	481,403	-	829,113	65,429	-	65,429	894,542
Office Expenses	134	-	-	134	150,487	44,842	195,329	195,463
Printing	167,118	44,720	452	212,290	4,272	361	4,633	216,923
Production	546,558	2,834,594	-	3,381,152	15,794	44,065	59,859	3,441,011
Professional Fees	-	-	-	-	553,931	43,200	597,131	597,131
Repairs and Maintenance	518,342	1,716	-	520,058	8,919	-	8,919	528,977
Supplies	227,977	2,416	-	230,393	-	-	-	230,393
Utilities	300,239	86,543	-	386,782	-	-	-	386,782
Total	5,780,814	12,927,451	50,749	18,759,014	2,060,978	168,507	2,229,485	20,988,499
Total Expenses by Function	<u>\$ 8,755,111</u>	<u>\$ 14,763,006</u>	<u>\$ 504,562</u>	<u>\$ 24,022,679</u>	<u>\$ 2,854,932</u>	<u>\$ 1,247,285</u>	<u>\$ 4,102,217</u>	<u>\$ 28,124,896</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	5,347,842	10,069,601	47,516	15,464,959	1,807,705	315,854	2,123,559	17,588,518
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 STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 1,869,020	\$ (1,084,800)
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Depreciation	1,102,691	1,138,451
Interest Expense - Amortization of Debt Issuance Costs	22,686	22,686
Bad Debt Expense	28,897	226,723
Realized (Gain) Loss on Investments	(39,278)	125,710
Unrealized (Gain) Loss on Investments	(435,583)	550,938
Change in Value of Annuity Agreements	266,698	263,455
Changes in Operating Assets and Liabilities:		
Accounts Receivable	(280,232)	(6,814)
Other Receivables	974,574	434,127
Pledges Receivable	(1,022,769)	353,067
Prepaid Expenses	42,236	12,928
Inventory	(27,665)	(74,686)
Accounts Payable and Accrued Expenses	95,141	241,105
Deferred Revenue	40,160	6,243
Refundable Advances	(56,000)	(6,000)
Net Cash Provided by Operating Activities	<u>2,580,576</u>	<u>2,203,133</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital Expenditures	(655,499)	(352,887)
Purchase of Restricted Investments, Net of Sales	(7,227,958)	(51,738)
Proceeds from Insurance Policies	350,238	413,953
Net Cash Provided (Used) by Investing Activities	<u>(7,533,219)</u>	<u>9,328</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on Term Borrowings	(256,537)	(248,499)
Payments on Vendor Advances	(175,909)	(175,909)
Payments on Annuities	(394,999)	(395,000)
Net Cash Used by Financing Activities	<u>(827,445)</u>	<u>(819,408)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(5,780,088)	1,393,053
Cash and Cash Equivalents - Beginning of Year	<u>16,927,125</u>	<u>15,534,072</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 11,147,037</u></u>	<u><u>\$ 16,927,125</u></u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
In-Kind Contribution of Services	<u><u>\$ 2,243,514</u></u>	<u><u>\$ 916,372</u></u>
Cash Payments for Interest	<u><u>\$ 214,659</u></u>	<u><u>\$ 222,698</u></u>

See accompanying Notes to Consolidated Financial Statements.

**ARTSQUEST AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

**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, 2023 AND 2022**

**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 those 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, 2023 and 2022 of approximately \$10,500,000 and \$15,853,000, 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, 2023 and 2022 was \$17,302 and \$10,754, 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 .17% to 4.24%. Amortization of the discounts is included in contribution revenue.

**ARTSQUEST AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

**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 doubtful accounts 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 doubtful accounts at December 31, 2023 and 2022 was \$55,478 and \$148,798, 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, 2023 AND 2022**

**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 functional expenses.

**Leases**

The Organization determines if an arrangement is a lease at inception. Operating leases are included in operating lease Right-of-Use (ROU) assets, current portion of operating lease liabilities, and long-term operating lease liabilities on the consolidated statement of financial position.

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. the Organization has elected to recognize payments for short term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right-of-use assets on the consolidated statement of financial position.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Organization has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of all lease liabilities.

**ARTSQUEST AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

**NOTE 1    PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Leases (Continued)**

In evaluating contracts to determine if they qualify as a lease, the Organization considers factors such as if the Organization has obtained substantially all the rights to the underlying asset through exclusivity, if the Organization can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgement.

**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.

**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.

**ARTSQUEST AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

**NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue Recognition (Continued)**

Revenue (Continued)

The following table shows the Organization's revenue disaggregated according to the timing of the transfer of goods or services at December 31:

	2023	2022
Revenue Recognized at a Point in Time:		
Ticket Sales and Associated Fees	\$ 13,406,317	\$ 12,313,799
Food and Beverage	2,665,348	2,633,407
Classes and Programs	652,799	625,250
Rental Fees	1,578,652	1,089,660
Merchandise	760,637	615,702
Miscellaneous	440,944	321,783
Total	<u>\$ 19,504,697</u>	<u>\$ 17,599,601</u>
Revenue Recognized Over Time:		
Advertising	<u>\$ 445,479</u>	<u>\$ 70,730</u>

Contract assets as of December 31, 2023, 2022 and 2021, consisted solely of accounts receivable of \$437,546, \$173,187 and \$166,373, respectively. Contract liabilities at December 31, 2023, 2022 and 2021 consisted solely of deferred revenue which totaled \$995,605, \$955,445 and \$949,202, 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, 2023 and 2022 were \$2,132,689 and \$415,488, respectively. For the years ended December 31, 2023 and 2022, and included in total advertising costs, the Organization received \$1,322,300 and \$24,063, respectively, of in-kind advertising.



**ARTSQUEST AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

**NOTE 1    PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

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, 2023 and 2022, 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 Standard**

At the beginning of 2023, ArtsQuest adopted FASB ASU 2016-13, *Financial Instruments – Credit Losses* (Topic 326): *Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses. ArtsQuest adopted this new guidance utilizing the modified retrospective transition method. The adoption of this Standard did not have a material impact on the Organization's consolidated financial statements.

**Subsequent Events**

The Organization has evaluated events and transactions for potential recognition or disclosure in the consolidated financial statements through July 3, 2024, 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, 2023 AND 2022**

**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.

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 consolidated statement of financial position date, comprise the following:

	2023	2022
Cash and Cash Equivalents	\$ 11,147,037	\$ 16,927,125
Investments Available for Operations	10,212,409	2,696,041
Accounts Receivable, Net	437,546	173,187
Other Receivables	11,076	986,225
Pledges Receivable Within 12 Months	728,329	441,253
Total	22,536,397	21,223,831
Less: Cash Held to Meet Donor Restrictions	4,020,802	3,257,070
Total	<u>\$ 18,515,595</u>	<u>\$ 17,966,761</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:

	2023	2022
Time Restricted Sponsorships and Contributions	\$ 2,224,681	\$ 1,178,467
Less: Unamortized Discount	165,443	36,229
Less: Allowance for Uncollectible Pledges Contributions	55,478	148,798
Total	<u>\$ 2,003,760</u>	<u>\$ 993,440</u>
Less than One Year	\$ 728,329	\$ 441,253
One to Five Years	1,275,431	552,187
Total	<u>\$ 2,003,760</u>	<u>\$ 993,440</u>

**ARTSQUEST AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

**NOTE 3 PLEDGES RECEIVABLE (CONTINUED)**

At December 31, 2023 and 2022, pledges receivable include promises to give totaling approximately \$764,000 and \$150,000, respectively, from two and one donors, respectively, which represented 38% and 15%, respectively, of the total pledges receivable.

**NOTE 4 PROPERTY, FURNITURE, AND EQUIPMENT**

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

	2023	2022
Land	\$ 3,004,392	\$ 3,004,392
Building	24,872,025	24,872,026
Building and Site Improvements	6,240,500	6,239,087
Construction in Progress	2,177,250	1,885,590
Furniture and Fixtures	3,009,651	2,757,936
Staging Equipment	4,150,067	4,046,854
Vehicles	106,139	98,640
Total	43,560,024	42,904,525
Less: Accumulated Depreciation	20,505,081	19,402,390
Total	<u>\$ 23,054,943</u>	<u>\$ 23,502,135</u>

Depreciation expense was \$1,102,691 and \$1,138,451 for the years ended December 31, 2023 and 2022, 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, 2023 and 2022, respectively, are considered Level 1 investments.

Restricted investments at December 31, 2023 and 2022 totaled \$1,310,662 and \$1,124,211, 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, 2023 AND 2022**

**NOTE 5 INVESTMENTS (CONTINUED)**

Investments at December 31, 2023, are summarized as follows:

	Level 1	Level 2	Level 3	Total
Without Donor Restrictions:				
Money Market Funds	\$ 7,472,634	\$ -	\$ -	\$ 7,472,634
Mutual Funds				
Large Cap	1,305,457	-	-	1,305,457
Small / Mid Cap	312,992	-	-	312,992
Developed International	84,672	-	-	84,672
Other International	36,510	-	-	36,510
Alternatives	123,373	-	-	123,373
Fixed Income Funds:				
U.S. Treasuries	253,981	-	-	253,981
Multi-Sector	622,791	-	-	622,791
Total Investments				
Without Donor Restrictions	10,212,410	-	-	10,212,410
With Donor Restrictions:				
Money Market Funds	89,261	-	-	89,261
Mutual Funds:				
Large Cap	557,567	-	-	557,567
Small / Mid Cap	160,588	-	-	160,588
Developed International	79,684	-	-	79,684
Other International	25,056	-	-	25,056
Alternatives	48,132	-	-	48,132
Fixed Income Funds:				
U.S. Treasuries	51,827	-	-	51,827
Multi-Sector	298,546	-	-	298,546
Total Investments				
With Donor Restrictions	1,310,661	-	-	1,310,661
Total Investments	<u>\$ 11,523,071</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,523,071</u>

**ARTSQUEST AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

**NOTE 5 INVESTMENTS (CONTINUED)**

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

	Level 1	Level 2	Level 3	Total
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
Emerging International	-	-	-	-
Other International	42,840	-	-	42,840
Alternatives	138,252	-	-	138,252
Fixed Income Funds:				
U.S. Treasuries	249,473	-	-	249,473
Mortgages/Asset Backed	-	-	-	-
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>

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

	2023	2022
Interest and Dividends	\$ 794,769	\$ 231,312
Unrealized Gains (Losses)	497,849	(550,938)
Realized Gains (Losses)	42,072	(125,710)
Less: Investment Fees	23,346	23,499
Total Investment Income (Loss)	<u>\$ 1,311,344</u>	<u>\$ (468,835)</u>

Amounts reported above for interest and dividends is inclusive of interest earned on the Organization's money market and sweep accounts maintained as cash and cash equivalents.

**ARTSQUEST AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 6    ENDOWMENT**

The Organization has established three endowment funds as of December 31, 2023. 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**  
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**NOTE 6 ENDOWMENT (CONTINUED)**

**Spending Policy (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, 2023	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ 25,107	\$ 1,249,213	\$ 1,274,320
Appropriations	-	-	-
Investment Income			
Interest and Dividends, Net of Fees	-	28,268	28,268
Unrealized Gains	-	127,045	127,045
Realized Gains	-	31,139	31,139
Total Investment Income	-	186,452	186,452
Endowment Net Assets - End of Year	<u>\$ 25,107</u>	<u>\$ 1,435,665</u>	<u>\$ 1,460,772</u>
 December 31, 2022			
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>

**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, 2023 AND 2022**

**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, 2023 and 2022, the present value of these annuities was \$2,464,293 and \$2,592,594, respectively, and the fair value of the insurance contracts was \$2,267,644 and \$2,617,882, respectively.

During the years ended December 31, 2023 and 2022, the Organization incurred losses of \$266,698 and \$263,455, 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 SOFR plus 2.12% (6.46% at December 31, 2023). There were no borrowings against the line as of December 31, 2023 and 2022, respectively.

**NOTE 9 TERM DEBT**

Term debt consisted of the following at December 31, 2023:

<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.	\$ 5,392,040	\$ 71,837	\$ 5,320,203



**ARTSQUEST AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

**NOTE 9 TERM DEBT (CONTINUED)**

<u>Description (Continued)</u>	<u>Outstanding Principal</u>	<u>Debt Issuance Costs, Net</u>	<u>Term Debt, Net</u>
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.	\$ 1,367,614	\$ -	\$ 1,367,614
Total Term Debt	6,759,654	71,837	6,687,817
Less: Current Maturities	259,751	22,686	237,065
Term Debt, Net of Current Maturities	<u>\$ 6,499,903</u>	<u>\$ 49,151</u>	<u>\$ 6,450,752</u>

Term debt maturities, at December 31, 2023 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>
2024	\$ 259,751	\$ 22,686	\$ 237,065
2025	268,092	22,686	245,406
2026	276,704	22,686	254,018
2027	5,955,107	3,779	5,951,328
Total	<u>\$ 6,759,654</u>	<u>\$ 71,837</u>	<u>\$ 6,687,817</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, 2023 the Organization believes it was in compliance with these covenants.

**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 consolidated statement of activities. Payment on these credits were received throughout 2022 and 2023. Related receivables as of December 31, 2023 and 2022 were \$0- and \$928,891, respectively, and were included in other receivables in the consolidated statements of financial position.

**ARTSQUEST AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

**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, 2023 and 2022, the Organization has recorded a contribution for the fair market value of the leased premises of \$406,189 and \$393,237, 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:

	2023	2022
Advertising/Marketing	\$ 1,322,300	\$ 24,063
Equipment Rental	38,852	36,170
Hospitality	19,738	-
Performer Accommodations	17,545	-
Promotions/Signage	26,845	56,113
Services	417,188	362,313
Property Rental	406,189	396,837
Supplies	14,232	40,876
	<u>\$ 2,262,889</u>	<u>\$ 916,372</u>

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, 2023 and 2022, 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.

**ARTSQUEST AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

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

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, 2023 and 2022, the Organization elected to make contributions of \$67,499 and \$65,406 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 2023 and 2022 amounted to \$2,902 and \$18,880, respectively.

**NOTE 14 NET ASSETS WITH DONOR RESTRICTIONS**

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

	2023	2022
Subject to Expenditure for Specified Purpose:		
Future Festival Sponsorships	\$ -	\$ 295,266
Future Programs and Operations	-	128,007
Memberships	336,544	320,045
Re-Imagine Campaign	5,563,015	3,382,190
Total	<u>5,899,559</u>	<u>4,125,508</u>
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	288,915	102,463
Total	<u>1,435,665</u>	<u>1,249,213</u>
Total Net Assets with Donor Restrictions	<u><u>\$ 7,335,224</u></u>	<u><u>\$ 5,374,721</u></u>

**ARTSQUEST AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

**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:

	2023	2022
Purpose Restrictions Accomplished:		
Sponsorships for Festivals	\$ 192,501	\$ 1,217,549
Appropriation of Endowment	-	46,333
Sustaining Memberships	187,319	156,276
Programs, Events, and Other Activities	142,449	535,960
	<u>522,269</u>	<u>1,956,118</u>
Total Net Assets Released from Donor Restrictions	<u>\$ 522,269</u>	<u>\$ 1,956,118</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.

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.

**ARTSQUEST AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

**NOTE 16 COMMITMENTS AND VENDOR ADVANCES (CONTINUED)**

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 \$1,114,091 and \$1,290,000, as of December 2023 and 2022, respectively.

For the years ended December 31, 2023 and 2022, the Organization's net income (loss) on these contracts amounted to \$1,800,429 and \$1,743,413, respectively. These amounts are included in other income on the consolidated statement of activities.

**NOTE 17 LEASES**

In April 2023, the Organization executed a lease for several copiers under a long-term, noncancelable lease agreement. The lease expires March 2028 and requires monthly payments of \$1,771 throughout the term. In the normal course of business, it is expected that the lease will be renewed or replaced by similar leases.

The following tables provide quantitative information concerning the Organizations lease for the year ended December 31, 2023:

Operating Lease Cost	\$ 15,935
Cash Paid for Amounts Included in the Measurement of Lease Liabilities:	
Operating Cash Flows from Operating Leases	\$ 15,935
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities:	\$ 97,565
Weighted-Average Remaining Lease Term - Operating Leases	4.3 years
Weighted-Average Discount Rate - Operating Leases	3.52%

**ARTSQUEST AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**

**NOTE 17 LEASES (CONTINUED)**

A maturity analysis of annual undiscounted cash flows for lease liabilities as of December 31, 2023, is as follows:

Year Ending December 31,	Amount
2024	\$ 21,247
2025	21,247
2026	21,247
2027	21,247
2028	5,310
Undiscounted Cash Flows	90,298
Less: Imputed Interest	(6,298)
Total Present Value	<u>\$ 84,000</u>
Short-Term Lease Liabilities	\$ 18,651
Long-Term Lease Liabilities	65,349
Total	<u>\$ 84,000</u>

Operating lease assets were \$97,565 and related accumulated amortization was \$13,565 at December 31, 2023. The Organization held no right of use assets as of December 31, 2022.

**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 statement of financial position as of December 31, 2023, 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 July 3, 2024, 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 Statement of Supporting Expenses, and Consolidating Statement 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  
July 3, 2024

**ARTSQUEST AND AFFILIATES**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2023**

	ArtsQuest	ArtsQuest Foundation	Artonomous Media	Friends of the Levitt Pavilion at Steelstacks	Eliminations	Total
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash and Cash Equivalents	\$ 10,356,212	\$ 351,283	\$ 29,394	\$ 410,148	\$ -	\$ 11,147,037
Investments, at Fair Value	7,294,536	2,917,873	-	-	-	10,212,409
Accounts Receivable, Net	429,821	-	7,150	575	-	437,546
Other Receivables	11,076	-	-	-	-	11,076
Pledges Receivable, Net	703,329	25,000	-	-	-	728,329
Prepaid Expenses	126,612	-	-	-	-	126,612
Due from Affiliate	332,881	-	-	-	(332,881)	-
Inventory	185,814	-	-	-	-	185,814
Total Current Assets	19,440,281	3,294,156	36,544	410,723	(332,881)	22,848,823
<b>PROPERTY, FURNITURE, AND EQUIPMENT, NET</b>	25,979,512	-	-	131,681	(3,056,250)	23,054,943
<b>OPERATING LEASE RIGHT-OF-USE ASSETS, NET</b>	84,000	-	-	-	-	84,000
<b>OTHER ASSETS</b>						
Restricted Investments, at Fair Value	-	1,310,662	-	-	-	1,310,662
Pledges Receivable, Net	1,275,431	-	-	-	-	1,275,431
Insurance Policies on Charitable Gift Annuities	-	2,267,644	-	-	-	2,267,644
Investment in Subsidiary	(41,304)	(40,487)	-	-	81,791	-
Total Other Assets	1,234,127	3,537,819	-	-	81,791	4,853,737
Total Assets	<u>\$ 46,737,920</u>	<u>\$ 6,831,975</u>	<u>\$ 36,544</u>	<u>\$ 542,404</u>	<u>\$ (3,307,340)</u>	<u>\$ 50,841,503</u>
<b>LIABILITIES</b>						
<b>LIABILITIES AND NET ASSETS</b>						
<b>CURRENT LIABILITIES</b>						
Current Portion of Term Debt	\$ 237,065	\$ -	\$ -	\$ -	\$ -	\$ 237,065
Current Portion of Vendor Advances	175,909	-	-	-	-	175,909
Current Portion of Lease Liability	18,651	-	-	-	-	18,651
Accounts Payable and Accrued Expenses	2,046,406	9,975	6,203	6	-	2,062,590
Due to Affiliate	-	-	112,132	220,749	(332,881)	-
Deferred Revenue	995,605	-	-	-	-	995,605
Refundable Advances	14,000	-	-	-	-	14,000
Total Current Liabilities	3,487,636	9,975	118,335	220,755	(332,881)	3,503,820
<b>LONG-TERM LIABILITIES</b>						
Term Debt, Net of Current Portion	6,450,752	-	-	-	-	6,450,752
Vendor Advances, Net of Current Portion	938,182	-	-	-	-	938,182
Lease Liability Net of Current Portion	65,349	-	-	-	-	65,349
Charitable Gift Annuities	-	2,464,293	-	-	-	2,464,293
Total Long-Term Liabilities	7,454,283	2,464,293	-	-	-	9,918,576
Total Liabilities	10,941,919	2,474,268	118,335	220,755	(332,881)	13,422,396
<b>NET ASSETS</b>						
Without Donor Restrictions	29,896,442	2,922,042	(81,791)	321,649	(2,974,459)	30,083,883
With Donor Restrictions	5,899,559	1,435,665	-	-	-	7,335,224
Total Net Assets	35,796,001	4,357,707	(81,791)	321,649	(2,974,459)	37,419,107
Total Liabilities and Net Assets	<u>\$ 46,737,920</u>	<u>\$ 6,831,975</u>	<u>\$ 36,544</u>	<u>\$ 542,404</u>	<u>\$ (3,307,340)</u>	<u>\$ 50,841,503</u>



**ARTSQUEST AND AFFILIATES**  
**CONSOLIDATING STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2023**

	ArtsQuest		ArtsQuest Foundation		Artonomous Media		Friends of the Levitt Pavilion at Steelstacks	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
<b>PUBLIC SUPPORT AND REVENUE</b>								
Public Support:								
Contributions and Grants	\$ 4,050,697	\$ 2,296,320	\$ 41,188	\$ -	\$ -	\$ -	\$ 332,216	\$ -
Grants - intercompany	5,520,783							
Fundraising Events, Net of Direct Expenses of \$15,136	-	-	129,705	-	-	-	-	-
Contributed Nonfinancial Materials and Services	2,126,087	-	-	-	-	-	117,427	-
Loss on Charitable Gift Annuities	-	-	(266,698)	-	-	-	-	-
Total Support	11,697,567	2,296,320	(95,805)	-	-	-	449,643	-
Revenue:								
Programs and Events	3,018,766	-	-	-	445,479	-	74,703	-
Festivals	12,118,994	-	-	-	-	-	-	-
Box Office and Retail	1,098,603	-	-	-	-	-	-	-
Other	3,419,594	-	-	-	19,375	-	-	-
Total Revenue	19,655,957	-	-	-	464,854	-	74,703	-
Net Assets Released from Restrictions	495,894	(495,894)	10,000	(10,000)	-	-	16,375	(16,375)
Total Support and Revenue	31,849,418	1,800,426	(85,805)	(10,000)	464,854	-	540,721	(16,375)
<b>FUNCTIONAL EXPENSES</b>								
Program Services:								
Programs	8,383,933	-	5,634,704	-	209,978	-	499,663	-
Festivals	14,763,006	-	-	-	-	-	-	-
Box Office and Retail	504,562	-	-	-	-	-	-	-
Total Program Services	23,651,501	-	5,634,704	-	209,978	-	499,663	-
Supporting Services:								
General and Administrative	2,839,910	-	5,536	-	141	-	9,345	-
Fundraising	1,057,240	-	173,308	-	-	-	16,737	-
Total Supporting Services	3,897,150	-	178,844	-	141	-	26,082	-
Total Expenses	27,548,651	-	5,813,548	-	210,119	-	525,745	-
<b>INCOME (LOSS) FROM OPERATIONS</b>	4,300,767	1,800,426	(5,899,353)	(10,000)	254,735	-	14,976	(16,375)
Investment Loss from Subsidiary	(41,304)	-	(40,487)	-	-	-	-	-
Investment Income, Net	737,159	-	387,733	186,452	-	-	-	-
<b>CHANGE IN NET ASSETS</b>	4,996,622	1,800,426	(5,552,107)	176,452	254,735	-	14,976	(16,375)
Net Assets - Beginning of Year	24,899,820	4,099,133	8,474,149	1,259,213	(336,526)	-	306,673	16,375
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 29,896,442</u>	<u>\$ 5,899,559</u>	<u>\$ 2,922,042</u>	<u>\$ 1,435,665</u>	<u>\$ (81,791)</u>	<u>\$ -</u>	<u>\$ 321,649</u>	<u>\$ -</u>

**ARTSQUEST AND AFFILIATES**  
**CONSOLIDATING STATEMENT OF ACTIVITIES (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2023**

	2023	Eliminations	ArtsQuest and Affiliates		Totals
			Without Donor Restrictions	With Donor Restrictions	
<b>PUBLIC SUPPORT AND REVENUE</b>					
Public Support:					
Contributions and Grants	\$ 6,720,421	\$ (113,921)	\$ 4,310,180	\$ 2,296,320	\$ 6,606,500
Grants - intercompany	5,520,783	(5,520,783)	-	-	-
Fundraising Events, Net of Direct Expenses of \$15,136	129,705	-	129,705	-	129,705
In-Kind Contributions	2,243,514	-	2,243,514	-	2,243,514
Loss on Charitable Gift Annuities	(266,698)	-	(266,698)	-	(266,698)
Total Support	14,347,725	(5,634,704)	6,416,701	2,296,320	8,713,021
Revenue:					
Programs and Events	3,538,948	-	3,538,948	-	3,538,948
Festivals	12,118,994	-	12,118,994	-	12,118,994
Box Office and Retail	1,098,603	-	1,098,603	-	1,098,603
Other	3,438,969	(225,963)	3,213,006	-	3,213,006
Total Revenue	20,195,514	(225,963)	19,969,551	-	19,969,551
Net Assets Released from Restrictions	-	-	522,269	(522,269)	-
Total Support and Revenue	34,543,239	(5,860,667)	26,908,521	1,774,051	28,682,572
<b>EXPENSES</b>					
Program Services:					
Programs	14,728,278	(5,973,167)	8,755,111	-	8,755,111
Festivals	14,763,006	-	14,763,006	-	14,763,006
Box Office and Retail	504,562	-	504,562	-	504,562
Total Program Services	29,995,846	(5,973,167)	24,022,679	-	24,022,679
Supporting Services:					
General and Administrative	2,854,932	-	2,854,932	-	2,854,932
Fundraising	1,247,285	-	1,247,285	-	1,247,285
Total Supporting Services	4,102,217	-	4,102,217	-	4,102,217
Total Expenses	34,098,063	(5,973,167)	28,124,896	-	28,124,896
<b>INCOME (LOSS) FROM OPERATIONS</b>	445,176	112,500	(1,216,375)	1,774,051	557,676
Investment Income from Subsidiary	(81,791)	81,791	-	-	-
Investment Income, Net	1,311,344	-	1,124,892	186,452	1,311,344
<b>CHANGE IN NET ASSETS</b>	1,674,729	194,291	(91,483)	1,960,503	1,869,020
Net Assets - Beginning of Year	38,718,837	(3,168,750)	30,175,366	5,374,721	35,550,087
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 40,393,566</u>	<u>\$ (2,974,459)</u>	<u>\$ 30,083,883</u>	<u>\$ 7,335,224</u>	<u>\$ 37,419,107</u>

**ARTSQUEST AND AFFILIATES**  
**CONSOLIDATING STATEMENT OF PROGRAM EXPENSES**  
**YEAR ENDED DECEMBER 31, 2023**

	Programs and Events								
	ArtsQuest	ArtsQuest Foundation	Artonomous Media	Friends of the Levitt Pavilion at Steelstacks	Total	Festivals	Box Office and Retail	Eliminations	Total Program Services
Salaries	\$ 2,508,693	\$ -	\$ 42,963	\$ 165,000	\$ 2,716,656	\$ 1,548,213	\$ 382,772	\$ (207,963)	\$ 4,439,678
Benefits and Taxes	465,604	-	-	-	465,604	287,342	71,041	-	823,987
Total Salaries and Related Expenses	2,974,297	-	42,963	165,000	3,182,260	1,835,555	453,813	(207,963)	5,263,665
Advertising	435,919	-	-	16,395	452,314	1,628,350	26	-	2,080,690
Bad Debt (Recoveries) Expense	-	-	-	-	-	-	-	-	-
Bank Charges	-	-	-	-	-	-	8,953	-	8,953
Classroom Expenses	379,400	-	-	-	379,400	-	-	-	379,400
Cost of Goods Sold	58,638	-	-	725	59,363	235,735	41,318	-	336,416
Depreciation and Amortization	1,068,602	-	-	25,255	1,093,857	-	-	(112,500)	981,357
Equipment and Leases	-	-	-	7,248	7,248	-	-	-	7,248
Food and Beverage	122,989	-	-	-	122,989	2,988,152	-	-	3,111,141
Grants	-	5,634,704	-	-	5,634,704	-	-	(5,634,704)	-
Hospitality	23,859	-	-	-	23,859	182,470	-	-	206,329
Information Systems and Technology	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-
Lighting, Sound, and Staging	200,707	-	-	1,949	202,656	848,503	-	-	1,051,159
Miscellaneous	170,273	-	-	18,150	188,423	13,979	-	(18,000)	184,402
Occupancy	245,869	-	-	101,841	347,710	481,403	-	-	829,113
Office Expenses	134	-	-	-	134	-	-	-	134
Printing	103	-	167,015	-	167,118	44,720	452	-	212,290
Production	539,417	-	-	7,141	546,558	2,834,594	-	-	3,381,152
Professional Fees	-	-	-	-	-	-	-	-	-
Repairs and Maintenance	518,342	-	-	-	518,342	1,716	-	-	520,058
Supplies	227,977	-	-	-	227,977	2,416	-	-	230,393
Utilities	300,239	-	-	-	300,239	86,543	-	-	386,782
Total	5,409,636	5,634,704	167,015	334,663	11,546,018	12,927,451	50,749	(5,765,204)	18,759,014
Total Expenses by Function	<u>\$ 8,383,933</u>	<u>\$ 5,634,704</u>	<u>\$ 209,978</u>	<u>\$ 499,663</u>	<u>\$ 14,728,278</u>	<u>\$ 14,763,006</u>	<u>\$ 504,562</u>	<u>\$ (5,973,167)</u>	<u>\$ 24,022,679</u>

**ARTSQUEST AND AFFILIATES**  
**CONSOLIDATING STATEMENT OF SUPPORTING EXPENSES**  
**YEAR ENDED DECEMBER 31, 2023**

	General and Administrative					Fundraising					Total Supporting Services
	ArtsQuest	ArtsQuest Foundation	Artonomous Media	Friends of the Levitt Pavilion at Steelstacks	Total	ArtsQuest	ArtsQuest Foundation	Artonomous Media	Friends of the Levitt Pavilion at Steelstacks	Total	
Salaries	\$ 669,667	\$ -	\$ -	\$ -	\$ 669,667	\$ 765,455	\$ 131,866	\$ -	\$ -	\$ 897,321	\$ 1,566,988
Benefits and Taxes	124,287	-	-	-	124,287	142,065	39,392	-	-	181,457	305,744
Total Salaries and Related Expenses	793,954	-	-	-	793,954	907,520	171,258	-	-	1,078,778	1,872,732
Advertising	52,000	-	-	-	52,000	-	-	-	-	-	52,000
Bad Debt (Recoveries) Expense	16,448	-	-	-	16,448	12,449	-	-	-	12,449	28,897
Bank Charges	526,371	3,741	-	459	530,571	-	-	-	-	-	530,571
Depreciation and Amortization	144,020	-	-	-	144,020	-	-	-	-	-	144,020
Equipment and Leases	8,472	-	-	-	8,472	-	-	-	-	-	8,472
Information Systems and Technology	292,555	-	-	-	292,555	-	-	-	-	-	292,555
Interest	214,659	-	-	-	214,659	-	-	-	-	-	214,659
Miscellaneous	(1,843)	(25)	141	5,148	3,421	23,590	-	-	-	23,590	27,011
Occupancy	65,429	-	-	-	65,429	-	-	-	-	-	65,429
Office Expenses	145,354	1,395	-	3,738	150,487	44,842	-	-	-	44,842	195,329
Printing	4,272	-	-	-	4,272	361	-	-	-	361	4,633
Production	15,794	-	-	-	15,794	25,278	2,050	-	16,737	44,065	59,859
Professional Fees	553,506	425	-	-	553,931	43,200	-	-	-	43,200	597,131
Repairs and Maintenance	8,919	-	-	-	8,919	-	-	-	-	-	8,919
Total	2,045,956	5,536	141	9,345	2,060,978	149,720	2,050	-	16,737	168,507	2,229,485
Total Expenses by Function	<u>\$ 2,839,910</u>	<u>\$ 5,536</u>	<u>\$ 141</u>	<u>\$ 9,345</u>	<u>\$ 2,854,932</u>	<u>\$ 1,057,240</u>	<u>\$ 173,308</u>	<u>\$ -</u>	<u>\$ 16,737</u>	<u>\$ 1,247,285</u>	<u>\$ 4,102,217</u>

**ARTSQUEST AND AFFILIATES**  
**CONSOLIDATING STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2023**

	ArtsQuest	ArtsQuest Foundation	Artonomous Media	Friends at the Levitt Pavilion at Steelstacks	Eliminations	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Change in Net Assets	\$ 6,797,048	\$ (5,375,655)	\$ 254,735	\$ (1,399)	\$ 194,291	\$ 1,869,020
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:						
Depreciation	1,189,936	-	-	25,255	(112,500)	1,102,691
Interest Expense - Amortization of Debt Issuance Costs	22,686	-	-	-	-	22,686
Bad Debt Expense	28,897	-	-	-	-	28,897
Realized (Gain) Loss on Investments	-	(39,278)	-	-	-	(39,278)
Unrealized (Gain) Loss on Investments	-	(435,583)	-	-	-	(435,583)
Change in Value of Annuity Agreements	-	266,698	-	-	-	266,698
Cancellation of Debt Income - Affiliate	-	-	-	-	-	-
Forgiveness of Amounts Due - Affiliate	-	-	-	-	-	-
Changes in Operating Assets and Liabilities:						
Accounts Receivable	(276,413)	-	(3,819)	-	-	(280,232)
Other Receivables	975,149	-	-	(575)	-	974,574
Pledges Receivable	(1,049,144)	10,000	-	16,375	-	(1,022,769)
Due from affiliate	(332,881)	5,561,207	-	-	(5,228,326)	-
Prepaid Expenses	41,938	-	-	298	-	42,236
Inventory	(27,665)	-	-	-	-	(27,665)
Accounts Payable and Accrued Expenses	87,083	1,878	6,203	(23)	-	95,141
Due to Affiliate	(5,193,017)	-	(236,636)	201,327	5,228,326	-
Deferred Revenue	40,160	-	-	-	-	40,160
Refundable Advances	(56,000)	-	-	-	-	(56,000)
Net Cash Provided (Used) by Operating Activities	2,247,777	(10,733)	20,483	241,258	81,791	2,580,576
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Capital Expenditures, Net of Disposals	(605,603)	-	-	(49,896)	-	(655,499)
Proceeds from Sale of Investments, Net of Purchases	(7,294,536)	66,578	-	-	-	(7,227,958)
Proceeds from Insurance Policies	-	350,238	-	-	-	350,238
Investment in Subsidiary	41,304	40,487	-	-	(81,791)	-
Net Cash Provided (Used) by Investing Activities	(7,858,835)	457,303	-	(49,896)	(81,791)	(7,533,219)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Payments on Term Borrowings	(256,537)	-	-	-	-	(256,537)
Proceeds from (Payments on) Vendor Advances, Net	(175,909)	-	-	-	-	(175,909)
Payments on Annuities	-	(394,999)	-	-	-	(394,999)
Net Cash Provided (Used) by Financing Activities	(432,446)	(394,999)	-	-	-	(827,445)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(6,043,504)	51,571	20,483	191,362	-	(5,780,088)
Cash and Cash Equivalents - Beginning of Year	16,399,716	299,712	8,911	218,786	-	16,927,125
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 10,356,212</u>	<u>\$ 351,283</u>	<u>\$ 29,394</u>	<u>\$ 410,148</u>	<u>\$ -</u>	<u>\$ 11,147,037</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>						
Noncash Operating Activities:						
In-Kind Contribution of Services	<u>\$ 2,126,087</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 117,427</u>	<u>\$ -</u>	<u>\$ 2,243,514</u>
Additional Cash Flow Information:						
Cash Payments for Interest	<u>\$ 214,659</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 214,659</u>



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