



United Arts
OF CENTRAL FLORIDA

**UNITED ARTS OF CENTRAL FLORIDA, INC.
Financial Statements
June 30, 2019 and 2018
With Independent Auditors' Report**

United Arts of Central Florida, Inc.
June 30, 2019 and 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors,
United Arts of Central Florida, Inc.:

We have audited the accompanying financial statements of United Arts of Central Florida, Inc. (the "Organization") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 from 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 auditors' 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 auditors consider 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 Organization'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 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 financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Organization adopted Accounting Standards Update ("ASU") No. 2016-14, Non-for-Profit Entities (Topic 958). Our opinion is not modified with respect to this matter.

Withum Smith + Brown, PC

October 23, 2019

United Arts of Central Florida, Inc.
Statements of Financial Position
June 30, 2019 and 2018

	2019	2018
Assets		
Cash and cash equivalents	\$ 2,869,332	\$ 2,982,901
Amounts held for others/restricted cash equivalents and receivables	4,459,425	3,557,505
Pledges and grants receivable, net	482,881	476,894
Prepaid expenses and other assets	40,418	44,763
Property and equipment, net of accumulated depreciation of \$101,940 and \$120,655	11,296	9,156
Board designated endowments	<u>26,535</u>	<u>26,029</u>
Total assets	<u>\$ 7,889,887</u>	<u>\$ 7,097,248</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 900,975	\$ 966,432
Deferred services revenue	121,192	120,992
Amounts held for others	4,459,425	3,557,505
Designations payable, less allowance for uncollectible pledges of \$9,969 and \$11,785	<u>269,311</u>	<u>337,495</u>
Total liabilities	<u>5,750,903</u>	<u>4,982,424</u>
Net assets		
Without donor restrictions	1,916,229	1,782,522
With donor restrictions	<u>222,755</u>	<u>332,302</u>
Total net assets	<u>2,138,984</u>	<u>2,114,824</u>
Total liabilities and net assets	<u>\$ 7,889,887</u>	<u>\$ 7,097,248</u>

The Notes to Financial Statements are an integral part of these statements.

United Arts of Central Florida, Inc.
Statements of Activities
Years Ended June 30, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support						
Contributions						
Corporations	\$ 632,460	\$ --	\$ 632,460	\$ 618,245	\$ --	\$ 618,245
Government	2,326,623	--	2,326,623	2,111,885	--	2,111,885
Foundations	280,440	--	280,440	151,560	--	151,560
Individuals and workplace giving	1,842,622	--	1,842,622	1,842,110	--	1,842,110
Total contributions	5,082,145	--	5,082,145	4,723,800	--	4,723,800
Less: donor designations, net						
of provision for losses	(2,331,503)	--	(2,331,503)	(2,064,448)	--	(2,064,448)
Net contributions	2,750,642	--	2,750,642	2,659,352	--	2,659,352
Support and other revenue						
Contract and services revenue	825,887	--	825,887	928,106	--	928,106
Sponsorships and events	66,288	--	66,288	42,685	--	42,685
Grants and other gifts	89,403	604,000	693,403	65,263	240,000	305,263
Gifts-in-kind	18,050	--	18,050	170	--	170
Interest income	21,385	--	21,385	9,040	--	9,040
Net assets released from restriction	713,547	(713,547)	--	689,912	(689,912)	--
Total support and other revenue	1,734,560	(109,547)	1,625,013	1,735,176	(449,912)	1,285,264
Total revenue	4,485,202	(109,547)	4,375,655	4,394,528	(449,912)	3,944,616
Support grants and functional expenses						
Support grants to arts organizations	2,858,267	--	2,858,267	2,853,898	--	2,853,898
Functional expenses						
Program	810,114	--	810,114	806,399	--	806,399
Fundraising	542,351	--	542,351	522,338	--	522,338
Management and general	140,763	--	140,763	127,450	--	127,450
Total functional expenses	1,493,228	--	1,493,228	1,456,187	--	1,456,187
Total support grants and functional expenses	4,351,495	--	4,351,495	4,310,085	--	4,310,085
Change in net assets	133,707	(109,547)	24,160	84,443	(449,912)	(365,469)
Net assets						
Beginning of year, as restated (see note 3)	1,782,522	332,302	2,114,824	1,698,079	782,214	2,480,293
End of year	\$ 1,916,229	\$ 222,755	\$ 2,138,984	\$ 1,782,522	\$ 332,302	\$ 2,114,824

The Notes to Financial Statements are an integral part of these statements.

United Arts of Central Florida, Inc.
Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Change in net assets	\$ 24,160	\$ (365,469)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	8,785	16,625
Decrease in board designated endowment	(506)	(757)
Changes in		
Amounts held for others/restricted cash equivalents and receivables	901,920	(227,196)
Pledges and grants receivable, net	(5,987)	546,203
Prepaid expenses and other assets	4,345	12,517
Accounts payable and accrued expenses	(65,457)	(15,583)
Deferred services revenue	200	(11,067)
Amounts held for others	(901,920)	227,196
Designations payable, net	<u>(68,184)</u>	<u>(102,352)</u>
Net cash provided by (used in) operating activities	<u>(102,644)</u>	<u>80,117</u>
Cash flows from investing activities		
Purchase of property and equipment	<u>(10,925)</u>	<u>--</u>
Net increase (decrease) in cash and cash equivalents	(113,569)	80,117
Cash and cash equivalents		
Beginning of year	<u>2,982,901</u>	<u>2,902,784</u>
End of year	<u>\$ 2,869,332</u>	<u>\$ 2,982,901</u>

The Notes to Financial Statements are an integral part of these statements.

United Arts of Central Florida, Inc.
Statements of Functional Expenses
Years Ended June 30, 2019 and 2018

2019				
	Program	Fundraising	Management and General	Total
Salaries, taxes, and benefits	\$ 474,769	\$ 315,639	\$ 104,025	\$ 894,433
Advertising and promotion	77,362	31,558	--	108,920
Consulting and contracted services	70,714	60,668	4,523	135,905
Rents and utilities	50,423	33,329	10,738	94,490
Technology	16,220	20,249	5,444	41,913
Supplies	11,155	5,468	11,210	27,833
Printing and publication	56,732	25,494	239	82,465
Hospitality, meals, and awards	18,617	26,481	879	45,977
Depreciation	5,008	3,338	439	8,785
Dues and subscriptions	7,506	2,891	368	10,765
Postage	1,661	5,929	136	7,726
Corporate insurance	6,118	3,224	424	9,766
Telecommunication	6,411	3,784	497	10,692
Travel, conferences, and education	7,418	4,299	1,841	13,558
Total functional expenses	\$ 810,114	\$ 542,351	\$ 140,763	\$ 1,493,228
2018				
	Program	Fundraising	Management and General	Total
Salaries, taxes, and benefits	\$ 478,929	\$ 346,553	\$ 103,516	\$ 928,998
Advertising and promotion	71,942	25,485	--	97,427
Consulting and contracted services	62,854	29,416	10,629	102,899
Rents and utilities	51,640	36,617	5,633	93,890
Technology	18,210	27,588	1,280	47,078
Supplies	8,516	3,921	2,193	14,630
Printing and publication	56,419	15,738	--	72,157
Hospitality, meals, and awards	15,108	10,379	--	25,487
Depreciation	9,144	6,483	998	16,625
Dues and subscriptions	9,295	4,275	625	14,195
Postage	4,579	3,118	469	8,166
Corporate insurance	4,733	2,401	370	7,504
Telecommunication	7,726	5,234	766	13,726
Travel, conferences, and education	7,304	5,130	971	13,405
Total functional expenses	\$ 806,399	\$ 522,338	\$ 127,450	\$ 1,456,187

The Notes to Financial Statements are an integral part of these statements.

1. NATURE OF OPERATIONS

United Arts of Central Florida, Inc. (“United Arts” or the “Organization”) is a not-for-profit corporation organized and operated exclusively for cultural and educational purposes in order to further programs in arts, science, and history. Monies raised by United Arts are spent on programs and grants to various arts, science, and history organizations throughout Lake, Orange, Osceola and Seminole counties.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets, support, revenues and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Without donor restrictions – Net assets that are not subject to donor-imposed stipulations. These assets may, however, be subject to Board designation.

With donor restrictions – Net assets that are subject to donor-imposed stipulations. These stipulations either require the Organization to maintain the net asset permanently, generally permitting all or part of the income earned on related investments be used for general or specific purposes, or be met either by the completion of a stipulated action and/or the passage of time. As of June 30, 2019, the Organization does not have any assets that are required to be maintained permanently.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Pledges and Grants Receivable

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

Property and Equipment

Property and equipment consists of furniture, office equipment, and software and are recorded at cost, if purchased, and at fair market value on the date received, if donated. Depreciation is computed using the straight-line method over the estimated useful lives of the assets of three to seven years. For the years ended June 30, 2019 and 2018, depreciation expense was \$8,785 and \$16,625, respectively.

Contributions and Designations

Unconditional promises to give, including pledges and grants receivable, are recognized in the period received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Donor designations are included in total contributions, but are deducted to arrive at net contributions for presentation purposes on the statements of activities. Contributions received that are designated to a specified organization by the donor are recorded as designations payable. Pledges received that are designated to a specific organization by the donor are recorded as designations receivable and uncollected designations due when the related promise to give is received, net of an allowance for uncollectible pledges.

Donor Restricted Contributions

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or are restricted by the donor for specific purposes are reported as donor restricted support that increases that net asset class. United Arts operates on a forward funding basis; therefore, contributions toward the current annual campaign are time restricted by the board to fund grants, programs, and operations in the next fiscal year.

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

Due to the timing of revenue recognition in relationship to the release of time and/or purpose restricted net assets, the Organization may experience fluctuations in its total change in net assets. These fluctuations are normal and do not impact general operations.

Deferred Services Revenue

Deferred services revenue represents administrative fees received for grants awarded by Orange County (see Note 4) and restricted program revenue, which have not yet been earned.

Contributed Services and Goods

Contributed services are recognized and recorded at fair market value only to the extent they create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donations. Contributed goods are recognized at fair market value on the date received. Specialized goods and/or services in the form of event space and audio/video system rental and a donation of furniture was received and recognized in the statements of activities as gifts-in-kind support of \$18,050 and the statements of functional expenses as hospitality, meals and awards of \$15,700 and Supplies of \$2,350, and a donation of \$170 during the years ended June 30, 2019 and 2018, respectively.

Functional Expenses

Salaries and related benefits are allocated among functional categories based upon the estimated proportion of time spent for each function. All other expenses are either directly allocated or distributed based upon management's estimate of the relative functional activity.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

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

Accounting principles generally accepted in the United States of America prescribe requirements for the recognition of income taxes in financial statements, and the amounts recognized are affected by income tax positions taken by the Organization in its tax returns. The Organization's status as an exempt organization is defined as an income tax position under these requirements. While management believes it has complied with the Internal Revenue Code, the sustainability of some income tax positions taken by the Organization in its tax returns may be uncertain. There are minimum thresholds of likelihood that uncertain tax positions are required to meet before being recognized in the financial statements. Management does not believe that the Organization has any material uncertain tax positions at June 30, 2019 or 2018.

Concentration of Credit Risk

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

In addition, the Organization receives substantial support from individuals, businesses, and governmental entities in the Central Florida area. The financial strength of the Organization is therefore contingent upon the economy of Central Florida.

Advertising Expense

Advertising costs are expensed as incurred. The Organization actively advertises its brand and runs collaborative marketing campaigns on behalf of the arts, science, and history organizations it supports. Advertising is designed to raise awareness for the region's arts and cultural organizations and the diverse variety of events available. Marketing is done regionally to attract residents as well as throughout the state, nationally and internationally to attract tourists to experience arts and culture while they are in the area. The Organization solicits funding specifically to support these marketing efforts. For the years ended June 30, 2019 and 2018, the Organization was awarded grants totaling \$100,000 for each year. Advertising expenses for the years ended June 30, 2019 and 2018, totaled \$108,920 and \$97,427, respectively.

Subsequent Events

The Organization has evaluated events and transactions through October 23, 2019, which is the date the financial statements were available to be issued. Based upon this evaluation, the Organization has determined that no subsequent events have occurred that require adjustment to or disclosure in the financial statements.

New Accounting Pronouncements Issued Not Yet Effective

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2014-09 "Revenue from Contracts with Customers (Topic 606)", which supersedes all existing revenue recognition requirements. Together with subsequent amendments, this created Accounting Standards Codification Topic 606 ("ASC 606"). ASC 606 requires an entity to recognize revenue when it transfers goods or services to customers in an amount that reflects the consideration that the entity expects to receive for those goods or services. ASC 606 also expands disclosure requirements. ASC 606 is effective for non-public entities for annual reporting periods beginning after December 15, 2018. ASC 606 allows for either "full retrospective" adoption, meaning the standard is applied to all of the periods presented, or "modified retrospective" adoption, meaning the standard is applied only to the most current period presented in the financial statements. At this time, management believes that ASC 606 will not have a material impact on its financial statements because existing contractual performance obligations, which determine when and how revenue is recognized, are not materially changed under ASC 606.

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Notes to Financial Statements
June 30, 2019 and 2018

In June 2018 the FASB issued Accounting Standards Update 2018-08 (“ASU”), Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The FASB issued this ASU to improve and clarify existing guidance on revenue recognition of grants and contracts by not-for-profit organizations (“NFPs”) because there is diversity in practice among NFPs with characterizing grants and similar contracts with government agencies and others as reciprocal transactions (exchanges) or nonreciprocal transactions (contributions) and distinguishing between conditional and unconditional contributions. This ASU also provides guidance to help determine whether a contribution is conditional or unconditional, and better distinguish a donor-imposed condition from a donor-imposed restriction. The effective date upon issuance for the Organization would be the year beginning July 1, 2019.

In February 2016, the FASB issued ASU 2016-02 Leases (Topic 842), which requires the recognition of a “right to use” asset and a lease liability, initially measured at the present value of the lease payments on the statement of financial position for all of the Organization’s lease obligations. The effective date upon issuance for the Organization would be the year beginning July 1, 2020.

The Organization is currently evaluating the effect that these pronouncements will have on its financial statements and related disclosures.

New Accounting Pronouncement Adopted in Current Year

During 2019, the Organization adopted ASU 2016-14 – Not-for-profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-profit Entities. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit’s liquidity, financial performance and cash flows. The main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; and the recognition of underwater endowment funds as a reduction in net assets with donor restrictions. This guidance also enhances disclosures for board designated endowments, composition of net assets without donor restrictions, liquidity and presentation of expenses by both their natural and functional classification. The Organization applied ASU 2016-14 retrospectively. A recap of the prior year net asset classifications driven by the adoption of ASU 2016-14 as of June 30, 2019 is as follows:

	June 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
Net Asset Classifications			
As restated (see note 3)			
Unrestricted	\$ 1,782,522	\$ --	\$ 1,782,522
Temporarily restricted	--	332,302	332,302
Net assets as restated	<u>\$ 1,782,522</u>	<u>\$ 332,302</u>	<u>\$ 2,114,824</u>

3. REVISION TO PREVIOUSLY ISSUED FINANCIAL STATEMENTS

The Organization's previously issued financial statements have been revised to reclassify net assets in prior periods. The reclassification is related to internally designated funds associated with the annual giving campaign, causing net assets without donor restrictions to be understated and net assets with donor restrictions to be overstated by \$901,471 and \$884,163 as of June 30, 2018 and 2017, respectively.

As a result, net assets without donor restrictions increased as of June 30, 2018 and 2017 by \$901,471 and \$884,163, respectively, and net assets with donor restrictions decreased as of June 30, 2018 and 2017 by \$901,471 and \$884,163, respectively, as compared to the Organization's previously issued financial statements. Revenues without donor restrictions increased and revenues with donor restrictions decreased by \$2,611,915 for the year ended June 30, 2018, as compared to the Organization's previously issued financial statements. These revisions had no effect on total net assets or the total change in net assets as of, and for the year ended, June 30, 2018.

4. DEFERRED SERVICES REVENUE

United Arts provides grants administration services for Orange County, Florida (see Note 5). Service fees are set at 8% of the first \$2,000,000 in grants awarded and 5% thereafter up to total administrative fees of \$210,000 and \$199,000 for the years ending June 30, 2019 and 2018, respectively. Administrative fee revenue is earned ratably over the term of the grant of 18 – 21 months and is recorded as contract and services revenue in the statements of activities. Total administrative fees earned during the years ended June 30, 2019 and 2018, were \$210,789 and \$210,816, respectively. As of June 30, 2019 and 2018, deferred service fee revenue was \$120,392 and \$120,992, respectively.

United Arts has partnered with the State of Florida, Division of Cultural Affairs, and the University of Florida, Center for Arts and Medicine, to put on the Creating Healthy Communities: Arts + Public Health Conference on September 23-24, 2019. As of June 30, 2019, the Organization has received and is holding \$800 in registration fees for this conference.

5. AMOUNTS HELD FOR OTHERS

Orange County

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

During the years ended June 30, 2019 and 2018, the Organization received \$5,433,878 and \$4,558,388, respectively, in funding for grants awarded for Cultural Tourism and/or Cultural Facilities and/or Blockbuster grants and disbursed \$4,332,835 and \$4,738,382, respectively, in funding for those grants, which were recorded as amounts held for others in the statements of financial position. During the years ended June 30, 2019 and 2018, \$187,100 and \$25,000 was returned to Orange County for grant awards that had been forfeited by the grantees, respectively.

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

United Arts of Central Florida, Inc.
Notes to Financial Statements
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Amounts held for Orange County, including interest, consist of the following as of June 30:

	2019	2018
Cultural Facilities Grants	\$ 1,715,366	\$ 1,569,285
Cultural Tourism Grants	1,073,000	934,465
Blockbuster Fund	1,663,476	1,033,949
Arts Education	--	7,059
Arts & Cultural Affairs	<u>33</u>	<u>6,183</u>
Funds held for Orange County	4,451,875	3,550,941
Interest held for Orange County	<u>7,550</u>	<u>6,564</u>
Amounts held for Orange County	<u>\$ 4,459,425</u>	<u>\$ 3,557,505</u>

6. PLEDGES AND GRANTS RECEIVABLE

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

	2019	2018
Less than one year	\$ 486,683	\$ 480,027
Less allowance for doubtful accounts	<u>(3,802)</u>	<u>(3,133)</u>
	<u>\$ 482,881</u>	<u>\$ 476,894</u>

7. NET ASSETS

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

	2019	2018
Available for operations	\$ 946,509	\$ 868,639
Board designated funds restricted for future years	943,185	887,854
Board designated endowment investments	<u>26,535</u>	<u>26,029</u>
	<u>\$ 1,916,229</u>	<u>\$ 1,782,522</u>

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

	2019	2018
Purpose restricted – events website	78,172	82,632
Time and purpose restricted – grants	135,454	89,634
Time and purpose restricted – creative industries vocational program	<u>9,129</u>	<u>160,036</u>
	<u>\$ 222,755</u>	<u>\$ 332,302</u>

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In June 2016, the Organization was awarded a two-year grant in the amount of \$350,000 from a financial institution. The grant funded the development and implementation of a creative industries vocational program at a new high school being built in Osceola County. The program is a collaboration among the Organization, the School District of Osceola County, and Valencia College. Students participating in the program will be trained in back-of-house creative skills preparing them for careers in the arts or entertainment industries. Funding is time and purpose restricted with \$50,000 and \$300,000 allocated to fiscal years 2017 and 2018, respectively, of which \$300,000 is included in net assets with donor restrictions on the statements of financial position.

Net assets with donor restrictions during the years ended June 30, 2019 and 2018 of \$713,547 and \$689,912, respectively, were released from donor restrictions to support grants and operations in the current period.

8. COMMITMENTS AND CONTINGENCIES

The Organization leases office space and office equipment under operating leases, which expire on various dates from 2020 through 2023. Future minimum lease payments due under operating leases having an initial or remaining non-cancelable term of more than one year at June 30, 2019, are approximated as follows:

Year Ending June 30,	
2020	\$ 104,424
2021	64,147
2022	7,396
2023	<u>6,090</u>
	<u>\$ 182,057</u>

Rent expense is recorded on a straight-line basis over the life of the lease. Total rent expense for the years ended June 30, 2019 and 2018, was approximately \$86,000 for both years, and is included in rent and utilities in the statements of functional expenses. As of June 30, 2019 and 2018, deferred rent expense was \$8,347 and \$10,822, respectively.

9. EMPLOYEE BENEFIT PLAN

The Organization provides its employees with defined contribution plans under the provisions of Section 403(b) and 401(k) of the Internal Revenue Code. All employees are eligible to participate immediately upon hire. After one year of employment, participating employees have their contribution matched 100% up to 5% of eligible compensation and are 100% vested immediately. The Organization contributed \$25,064 and \$30,056 to the plans during the years ended June 30, 2019 and 2018, respectively.

10. BOARD DESIGNATED ENDOWMENTS

The Organization maintains two board designated endowment funds with the Central Florida Foundation ("CFF"). Each fund was seeded with \$10,000, which was taken from board-designated assets that had been set aside for this purpose. The Board of Directors oversees the funds management. During fiscal years 2019 and 2018, the Board elected to take a distribution of \$477 and \$469, respectively, from the United Arts Endowment Fund, and \$475 and \$468, respectively, from the United Arts of Central Florida Arts and Education Endowment Fund, to support the Organization's programming.

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Notes to Financial Statements
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The two endowment funds are as follows as of June 30:

	2019	2018
United Arts of Central Florida Endowment Fund	\$ 13,305	\$ 13,051
United Arts of Central Florida Arts and Education Endowment Fund	<u>13,230</u>	<u>12,978</u>
	<u>\$ 26,535</u>	<u>\$ 26,029</u>

In accordance with accounting standards on the reporting of endowment funds, these funds are classified as unrestricted net assets on the statements of financial position.

The Organization's changes in the board-designated endowments for the years ended June 30, 2019 and 2018 are as follows:

	2019	2018
Board-designated endowment net assets, beginning of year	<u>\$ 26,029</u>	<u>\$ 25,272</u>
Net investment gain	1,695	2,019
Distributions	(952)	(937)
Investments fees	<u>(237)</u>	<u>(325)</u>
Change in board-designated endowment net assets	<u>506</u>	<u>757</u>
Board-designated endowment net assets, end of year	<u>\$ 26,535</u>	<u>\$ 26,029</u>

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

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

11. FINANCIAL ASSETS AND LIQUIDITY RESOURCES

The Organization has \$3,072,932 of financial assets available within one year as of June 30, 2019 to meet cash needs for general expenditures consisting of cash of \$2,869,332 and receivables of \$203,600. Financial assets subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year as of June 30, 2019 total \$4,765,241, consisting of amounts held for others of \$4,459,425, board designated endowments of \$26,535, and receivables of \$279,281. As part of the Organization's liquidity management, it has a policy to structure its financial assets according to their nearness of conversion to cash and liabilities according to the nearness of their maturity and resulting use of cash.