



United Arts

OF CENTRAL FLORIDA

**UNITED ARTS OF CENTRAL FLORIDA, INC.**

**Financial Statements**

**June 30, 2020 and 2019**

**With Independent Auditor's Report**

**United Arts of Central Florida, Inc.**  
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**June 30, 2020 and 2019**

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## INDEPENDENT AUDITOR'S 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. ("United Arts" or the "Organization") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, 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.

### Auditor's 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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, 2020 and 2019, 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.

*Withum Smith + Brown, PC*

October 28, 2020

**United Arts of Central Florida, Inc.**  
**Statements of Financial Position**  
**June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 3,960,240	\$ 2,869,332
Amounts held for others/restricted cash and cash equivalents	4,008,974	4,459,425
Pledges and grants receivable, net	612,331	482,881
Prepaid expenses and other assets	43,830	40,418
Property and equipment, net of accumulated depreciation of \$105,893 and \$101,940	11,555	11,296
Board designated endowments	<u>25,877</u>	<u>26,535</u>
 Total assets	 <u>\$ 8,662,807</u>	 <u>\$ 7,889,887</u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 1,232,934	\$ 900,975
Deferred services revenue	118,185	121,192
Amounts held for others	4,008,974	4,459,425
Designations payable, less allowance for uncollectible pledges of \$0 and \$9,969	472,312	269,311
Note payable	<u>130,413</u>	<u>-</u>
Total liabilities	<u>5,962,818</u>	<u>5,750,903</u>
<b>Net assets</b>		
Without donor restrictions	2,216,929	1,916,229
With donor restrictions	<u>483,060</u>	<u>222,755</u>
Total net assets	<u>2,699,989</u>	<u>2,138,984</u>
 Total liabilities and net assets	 <u>\$ 8,662,807</u>	 <u>\$ 7,889,887</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, 2020 and 2019**

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support</b>						
Contributions						
Corporations	\$ 582,972	\$ -	\$ 582,972	\$ 632,460	\$ -	\$ 632,460
Government	3,558,250	-	3,558,250	2,326,623	-	2,326,623
Foundations	375,390	-	375,390	280,440	-	280,440
Individuals and workplace giving	2,747,223	-	2,747,223	1,842,622	-	1,842,622
Total contributions	7,263,835	-	7,263,835	5,082,145	-	5,082,145
Less: Donor designations, net						
of provision for losses	(3,034,701)	-	(3,034,701)	(2,331,503)	-	(2,331,503)
Net contributions	4,229,134	-	4,229,134	2,750,642	-	2,750,642
<b>Support and other revenue</b>						
Contract and services revenue	877,880	-	877,880	825,887	-	825,887
Sponsorships and events	93,980	17,500	111,480	66,288	-	66,288
Grants and other gifts	9,719	915,272	924,991	89,403	604,000	693,403
Gifts-in-kind	71,825	-	71,825	18,050	-	18,050
Interest income	7,489	-	7,489	21,385	-	21,385
Net assets released from restriction	672,467	(672,467)	-	713,547	(713,547)	-
Total support and other revenue	1,733,360	260,305	1,993,665	1,734,560	(109,547)	1,625,013
Total revenue	5,962,494	260,305	6,222,799	4,485,202	(109,547)	4,375,655
<b>Support grants and functional expenses</b>						
Support grants to arts organizations	4,119,279	-	4,119,279	2,858,267	-	2,858,267
Functional expenses						
Program	873,767	-	873,767	810,114	-	810,114
Fundraising	514,555	-	514,555	542,351	-	542,351
Management and general	154,193	-	154,193	140,763	-	140,763
Total functional expenses	1,542,515	-	1,542,515	1,493,228	-	1,493,228
Total support grants and functional expenses	5,661,794	-	5,661,794	4,351,495	-	4,351,495
<b>Change in net assets</b>	300,700	260,305	561,005	133,707	(109,547)	24,160
<b>Net assets</b>						
Beginning of year	1,916,229	222,755	2,138,984	1,782,522	332,302	2,114,824
End of year	\$ 2,216,929	\$ 483,060	\$ 2,699,989	\$ 1,916,229	\$ 222,755	\$ 2,138,984

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, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Operating activities</b>		
Change in net assets	\$ 561,005	\$ 24,160
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	4,549	8,785
Bad debt expense	2,746	-
(Increase) decrease in board designated endowment	658	(506)
Changes in		
Pledges and grants receivable, net	(132,196)	(5,987)
Prepaid expenses and other assets	(3,412)	4,345
Accounts payable and accrued expenses	331,959	(65,457)
Deferred services revenue	(3,007)	200
Amounts held for others	(450,451)	901,920
Designations payable, net	<u>203,001</u>	<u>(68,184)</u>
Net cash provided by operating activities	<u>514,852</u>	<u>799,276</u>
<b>Investing activities</b>		
Purchase of property and equipment	<u>(4,808)</u>	<u>(10,925)</u>
<b>Financing activities</b>		
Proceeds from note payable	<u>130,413</u>	<u>-</u>
Net change in cash, cash equivalents and restricted cash equivalents	640,457	788,351
<b>Cash, cash equivalents and restricted cash equivalents</b>		
Beginning of year	<u>7,328,757</u>	<u>6,540,406</u>
End of year	<u>\$ 7,969,214</u>	<u>\$ 7,328,757</u>

The following tables provides a reconciliation of cash and cash equivalents and restricted cash equivalents reported on the statements of financial position that sum to the total of the same amounts in the statements of cash flows.

Cash and cash equivalents	\$ 3,960,240	\$ 2,869,332
Amounts held for others/restricted cash equivalents and receivables	<u>4,008,974</u>	<u>4,459,425</u>
	<u>\$ 7,969,214</u>	<u>\$ 7,328,757</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, 2020 and 2019**

	<b>2020</b>			
	<b>Program</b>	<b>Fundraising</b>	<b>Management and General</b>	<b>Total</b>
Salaries, taxes, and benefits	\$ 504,698	\$ 315,436	\$ 81,113	\$ 901,247
Advertising and promotion	58,089	75,213	-	133,302
Consulting and contracted services	45,438	36,415	51,043	132,896
Rents and utilities	58,149	30,950	4,690	93,789
Technology	13,100	20,034	3,987	37,121
Supplies	15,685	2,731	4,916	23,332
Printing and publication	55,825	16,000	147	71,972
Hospitality, meals, and awards	91,759	4,062	5,250	101,071
Depreciation	2,821	1,501	227	4,549
Dues and subscriptions	7,053	2,204	332	9,589
Postage	2,856	1,608	230	4,694
Corporate insurance	6,568	2,814	426	9,808
Telecommunication	6,208	2,902	440	9,550
Travel, conferences, and education	5,518	2,685	1,392	9,595
	<u>\$ 873,767</u>	<u>\$ 514,555</u>	<u>\$ 154,193</u>	<u>\$ 1,542,515</u>
	<b>2019</b>			
	<b>Program</b>	<b>Fundraising</b>	<b>Management and General</b>	<b>Total</b>
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
	<u>\$ 810,114</u>	<u>\$ 542,351</u>	<u>\$ 140,763</u>	<u>\$ 1,493,228</u>

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

**United Arts of Central Florida, Inc.**  
**Notes to Financial Statements**  
**June 30, 2020 and 2019**

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**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 a wide variety of 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:

**Net assets without donor restrictions:** Net assets that are not subject to donor-imposed stipulations. These assets may, however, be subject to Board designated restrictions.

**Net assets 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, 2020, the Organization does not have any assets that are required to be maintained permanently.

**Cash and Cash Equivalents**

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 is 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, 2020 and 2019, depreciation expense was \$4,549 and \$8,785, 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.



**United Arts of Central Florida, Inc.**  
**Notes to Financial Statements**  
**June 30, 2020 and 2019**

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**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 statements 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.

During the year ended June 30, 2020, specialized goods and/or services in the form of discounted and/or free advertising, space rental, hospitality, and supplies was received and recognized in the statement of activities as gifts-in-kind support of \$71,825 and the statement of functional expenses as hospitality, meals and awards of \$20,017, advertising and promotion of \$51,337 and supplies of \$471. During the year ended June 30, 2019, 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 statement of activities as gifts-in-kind support of \$18,050 and the statement of functional expenses as hospitality, meals and awards of \$15,700 and supplies of \$2,350.

**Functional Expenses**

Salaries and related benefits are allocated among functional categories based upon the estimated proportion of employee time spent for each function. A portion of general and administrative costs that benefit multiple functional areas have been allocated across program and supporting services based on estimated time spent by employees involved with those areas. All other expenses, including advertising, consulting, rent and hospitality costs 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.

**United Arts of Central Florida, Inc.**  
**Notes to Financial Statements**  
**June 30, 2020 and 2019**

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**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, 2020 or 2019.

**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. During the years ended June 30, 2020 and 2019, one entity accounted for approximately 55% and 32%, respectively of total revenue.

**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 each of the years ended June 30, 2020 and 2019, the Organization was awarded grants totaling \$100,000. Advertising expenses for the years ended June 30, 2020 and 2019, totaled \$133,302 and \$108,920, respectively.

**Subsequent Events**

The Organization has evaluated events and transactions through October 28, 2020, 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, other than the matter described in Note 8, that require adjustment to or disclosure in the financial statements.

**Accounting Pronouncements Adopted in Current Year**

*Revenue*

The Financial Accounting Standards Board ("FASB") issued new guidance that created Accounting Standards Codification Topic ("ASC") 606, *Revenue from Contracts with Customers*, as amended, that supersedes or replaces nearly all GAAP revenue recognition guidance. ASC 606 established a core principle that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The Organization adopted the requirements of the new guidance as of July 1, 2019, utilizing the modified retrospective method of transition with no effect on net assets.

**United Arts of Central Florida, Inc.**  
**Notes to Financial Statements**  
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*Contributions*

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (“ASU 2018-08”). This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional or unconditional. The Organization adopted the requirements of the new guidance as of July 1, 2019, utilizing the modified prospective method of transition with no effect on net assets.

*Restricted Cash*

In November 2016, the FASB issued ASU No. 2016-18, Statement of Cash Flows (Topic 230): *Restricted Cash* (“ASU 2016-18”). ASU 2016-18 requires the inclusion of restricted cash and restricted cash equivalents with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The Organization adopted the provisions of ASU 2016-18 as of July 1, 2019 on a retrospective basis, which resulted in the inclusion of the Organization’s restricted cash balances along with cash in the Organization’s statements of cash flows.

**Accounting Pronouncement Issued, But Not Yet Adopted**

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, 2022. The Organization is currently evaluating the effect that this pronouncement will have on its financial statements and related disclosures.

**Risks and Uncertainties**

Management is currently evaluating the impact of the COVID-19 pandemic and has concluded that while it is reasonably possible that the virus could have a negative impact on the Organization’s financial position and changes in its net assets, the specific impact is not readily determinable as of the date of these financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

**3. DEFERRED SERVICES REVENUE**

United Arts provides grants administration services for Orange County, Florida (see Note 4). 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 for each of the years ending June 30, 2020 and 2019. 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, 2020 and 2019, were \$212,207 and \$210,789, respectively. As of June 30, 2020 and 2019, deferred service fee revenue was \$118,185 and \$121,192, respectively.

**4. 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, 2020 and 2019, the Organization received \$4,130,731 and \$5,433,878, respectively, in funding for grants awarded for Cultural Tourism and/or Cultural Facilities and/or Blockbuster grants and disbursed \$4,183,893 and \$4,332,835, respectively, in funding for those grants, which were recorded as amounts held for others in the statements of financial position. During the year ended June 30, 2020, \$7,500 is being held by the Organization and for the year ended June 30, 2019, \$187,100 was returned to Orange County for grant awards that had been forfeited by the grantees.

**United Arts of Central Florida, Inc.**  
**Notes to Financial Statements**  
**June 30, 2020 and 2019**

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.

Amounts held for Orange County, including interest, consist of the following as of June 30:

	<u>2020</u>	<u>2019</u>
Cultural Facilities Grants	\$ 898,365	\$ 1,715,366
Cultural Tourism Grants	1,346,400	1,073,000
Blockbuster Fund	1,256,423	1,663,476
Forfeited Grants	7,500	-
Arts & Cultural Affairs	<u>33</u>	<u>33</u>
Funds held for Orange County	3,508,721	4,451,875
Interest held for Orange County	<u>253</u>	<u>7,550</u>
Amounts held for Orange County	<u>\$ 3,508,974</u>	<u>\$ 4,459,425</u>

**Dr. P. Phillips Foundation**

On May 28, 2019, the Organization entered into an agreement with the Dr. Phillips Foundation to facilitate the building of a pavilion to be located at the City of Orlando Regional Park on Princeton Street in Orlando, Florida. Funding would be paid to the Organization, who would distribute the funds to the City of Orlando for construction costs of the pavilion. The total cost of the project is \$1,500,000. As of June 30, 2020, the Organization has received \$1,500,000 from the Dr. P. Phillips Foundation for this project and disbursed \$1,000,000 to the City of Orlando. As of June 30, 2020, the Organization is holding \$500,000 for this project.

Since the Organization acts as an intermediary or agent for these funds on behalf of the Dr. P. Phillips Foundation, these grants are not considered revenues of the Organization.

**5. PLEDGES AND GRANTS RECEIVABLE**

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

	<u>2020</u>	<u>2019</u>
Less than one year	\$ 618,154	\$ 486,683
Less: Allowance for doubtful accounts	<u>(5,823)</u>	<u>(3,802)</u>
	<u>\$ 612,331</u>	<u>\$ 482,881</u>

**6. NOTE PAYABLE**

On April 14, 2020, the Organization secured a Payroll Protection Program (“PPP”) loan from the Small Business Administration in the amount of \$130,413. The loan has an interest deferment period of six months with an interest rate of 1% per annum and maturity date of two years from issue date. The PPP note may be completely forgiven so long as the Organization utilizes the proceeds for certain expenses, such as payroll, rent, and utilities, and maintains certain employee counts wage levels. The Organization intends to use all the proceeds for these purposes and expects to qualify for full forgiveness.

**United Arts of Central Florida, Inc.**  
**Notes to Financial Statements**  
**June 30, 2020 and 2019**

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**7. NET ASSETS**

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

	<u>2020</u>	<u>2019</u>
Available for operations	\$ 1,117,814	\$ 946,509
Board designated funds restricted for future years	1,073,238	943,185
Board designated endowment investments	<u>25,877</u>	<u>26,535</u>
	<u>\$ 2,216,929</u>	<u>\$ 1,916,229</u>

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

	<u>2020</u>	<u>2019</u>
Purpose restricted – events website	\$ 67,872	\$ 78,172
Time and purpose restricted – grants	86,140	144,583
Purpose restricted - Orange County Venue Subsidy Grant	<u>329,048</u>	<u>-</u>
	<u>\$ 483,060</u>	<u>\$ 222,755</u>

Net assets with donor restrictions during the years ended June 30, 2020 and 2019 of \$672,467 and \$713,547, respectively, were released from donor restrictions to support grants and operations in the current period.

In October 2019, the Organization was awarded \$500,000 in funding from Orange County to create a venue subsidy grant program to make the rental of performance space throughout Orange County more affordable. In February 2020, the first cycle of grants totaling \$277,689 were awarded to 19 agencies. Due to COVID-19, many of the events associated with the first cycle of funding were cancelled and 9 organizations forfeited their awards, leaving \$329,048 available to be awarded in the next grant round. The second round of funding was postponed due to COVID-19 related venue closures, with a second cycle award date of July 2020.

**8. COMMITMENTS AND CONTINGENCIES**

The Organization leases office space and office equipment under operating leases, which expire on various dates from 2021 through 2025. Future minimum lease payments due under operating leases having an initial or remaining non-cancelable term of more than one year at June 30, 2020, are approximated as follows:

2021	\$ 67,503
2022	11,422
2023	9,246
2024	4,896
2025	<u>2,013</u>
	<u>\$ 95,080</u>

Rent expense is recorded on a straight-line basis over the life of the lease. Total rent expense for each of the years ended June 30, 2020 and 2019, was approximately \$86,000, and is included in rent and utilities in the statements of functional expenses. As of June 30, 2020 and 2019, deferred rent expense was \$5,117 and \$8,347, respectively.

**United Arts of Central Florida, Inc.**  
**Notes to Financial Statements**  
**June 30, 2020 and 2019**

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In August 2020, the Organization entered into a new office space lease agreement for a period of sixty three months with a monthly rental payment beginning in November 2020 of \$4,300.

**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 \$23,638 and \$25,064 to the plans during the years ended June 30, 2020 and 2019, 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 2020 and 2019, the Board elected to take a distribution of \$483 and \$477, respectively, from the United Arts Endowment Fund, and \$481 and \$475, respectively, from the United Arts of Central Florida Arts and Education Endowment Fund, to support the Organization’s programming.

The two endowment funds are as follows as of June 30:

	<u>2020</u>	<u>2019</u>
United Arts of Central Florida Endowment Fund	\$ 12,975	\$ 13,305
United Arts of Central Florida Arts and Education Endowment Fund	<u>12,902</u>	<u>13,230</u>
	<u>\$ 25,877</u>	<u>\$ 26,535</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, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Board-designated endowment net assets, beginning of year	<u>\$ 26,535</u>	<u>\$ 26,029</u>
Net investment gain	666	1,695
Distributions	(964)	(952)
Investments fees	<u>(360)</u>	<u>(237)</u>
Change in board-designated endowment net assets	<u>(658)</u>	<u>506</u>
Board-designated endowment net assets, end of year	<u>\$ 25,877</u>	<u>\$ 26,535</u>

**United Arts of Central Florida, Inc.**  
**Notes to Financial Statements**  
**June 30, 2020 and 2019**

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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’s financial assets available within one year of the financial position date for general expenditures are as follows:

	<u>2020</u>	<u>2019</u>
Financial assets, at year end		
Cash and cash equivalents	\$ 3,960,240	\$ 2,869,332
Pledges and grants receivable	<u>612,331</u>	<u>482,881</u>
Total financial assets, at year end	4,572,571	3,352,213
Less: Amounts unavailable for general expenditures within one year due to		
Net assets with donor restrictions	(483,060)	(222,755)
Board designated funds internally restricted	(1,073,238)	(943,185)
Minimum operating lease payments	<u>(67,503)</u>	<u>(104,424)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,948,770</u>	<u>\$ 2,081,849</u>

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.