



Financial Statements and Accompanying Information  
with Independent Auditors' Report

ArtsWave

August 31, 2023 and 2022



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## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors  
Cincinnati Institute of Fine Arts (dba ArtsWave):

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the accompanying financial statements of Cincinnati Institute of Fine Arts (dba ArtsWave) (a not-for-profit organization), which comprise the statements of financial position as of August 31, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cincinnati Institute of Fine Arts (dba ArtsWave) as of August 31, 2023 and 2022, 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.

#### **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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Cincinnati Institute of Fine Arts (dba ArtsWave) and to meet our other 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 opinions.

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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Cincinnati Institute of Fine Arts (dba ArtsWave)'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

**Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Cincinnati Institute of Fine Arts (dba ArtsWave)'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Cincinnati Institute of Fine Arts (dba ArtsWave)'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 audit.

**Other Matters***Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of Endowment and Board Designated Endowment Fair Values are presented for purposes of additional analysis and are not a required part of the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

*Clark, Schaefer, Hackett & Co.*

Cincinnati, Ohio  
January 17, 2024

# ArtsWave

## STATEMENTS OF FINANCIAL POSITION

August 31, 2023 and 2022

	2023	2022
<b>ASSETS</b>		
Cash, cash equivalents, and restricted cash (Note B)	\$ 4,965,024	4,541,564
Pledges receivable, net (Note C)	3,726,634	3,831,359
Accrued interest receivable	223,897	165,727
Investments, at fair value (Note D)	111,564,859	107,826,393
Beneficial interest in trust (Note D)	3,137,364	3,119,090
Property and equipment, net (Note F)	1,682,401	1,265,364
Operating lease right of use assets (Note G)	1,391,703	1,467,824
Finance lease right of use assets (Note G)	25,744	-
Other assets	188,134	249,849
	<u>126,905,760</u>	<u>122,467,170</u>
Total assets	\$ 126,905,760	122,467,170
<b>LIABILITIES</b>		
Grants payable (Note H)	\$ 9,597,110	9,284,718
Refundable advance (Note B)	19,450	21,175
Accounts payable and accrued expenses	159,998	605,506
Note payable (Note P)	1,714,318	579,493
Operating lease liability (Note G)	1,389,572	1,465,493
Finance lease liability (Note G)	25,729	-
Funds held for the benefit of others (Note I)	43,720,802	42,621,169
	<u>56,626,979</u>	<u>54,577,554</u>
Total liabilities	56,626,979	54,577,554
<b>NET ASSETS (DEFICIT)</b>		
Operating	1,117,401	1,019,242
Board designated	17,346,239	17,283,510
Total without donor restrictions	<u>18,463,640</u>	<u>18,302,752</u>
With donor restrictions (Note J)	51,815,141	49,586,864
	<u>70,278,781</u>	<u>67,889,616</u>
Total net assets	70,278,781	67,889,616
	<u>\$ 126,905,760</u>	<u>122,467,170</u>
Total liabilities and net assets	\$ 126,905,760	122,467,170

The accompanying notes are an integral part of these statements.

**ArtsWave**

**STATEMENT OF ACTIVITIES**

Year ended August 31, 2023  
(with comparative summarized financial information for year ended August 31, 2022)

	Without Donor Restrictions			Totals	
	Operating	Board Designated Endowment	Total	With Donor Restrictions	
					2023      2022
Revenues, gains and other support:					
Annual community campaign	\$ 5,755,480	-	5,755,480	4,346,035	10,101,515      10,327,090
Contributions of nonfinancial assets	256,644	-	256,644	-	256,644      287,391
Gifts, bequests and grants	1,005,256	-	1,005,256	1,635,286	2,640,542      13,943,545
Net investment return	60,480	1,278,219	1,338,699	3,483,306	4,822,005      (8,388,307)
Spending rate allocation	2,688,818	(876,134)	1,812,684	(1,812,684)	-      -
Beneficial interest value change	-	-	-	18,274	18,274      (778,221)
Other revenues	53,155	-	53,155	-	53,155      24,566
Net assets released from restrictions (Note J)	5,376,526	65,414	5,441,940	(5,441,940)	-      -
Total revenues, gains and other support	15,196,359	467,499	15,663,858	2,228,277	17,892,135      15,416,064
Expenses:					
Program services:					
Grants to arts organizations	10,462,905	-	10,462,905	-	10,462,905      20,080,442
Other	1,598,020	-	1,598,020	-	1,598,020      1,580,465
Supporting services:					
Management and general	1,329,272	-	1,329,272	-	1,329,272      1,067,033
Fundraising	2,112,773	-	2,112,773	-	2,112,773      1,915,007
Total expenses	15,502,970	-	15,502,970	-	15,502,970      24,642,947
Revenues net of expenses	(306,611)	467,499	160,888	2,228,277	2,389,165      (9,226,883)
Transfers (to)/from endowment	404,770	(404,770)	-	-	-      -
Change in net assets	98,159	62,729	160,888	2,228,277	2,389,165      (9,226,883)
Net assets, beginning of year	1,019,242	17,283,510	18,302,752	49,586,864	67,889,616      77,116,499
Net assets, end of year	\$ 1,117,401	17,346,239	18,463,640	51,815,141	70,278,781      67,889,616

The accompanying notes are an integral part of this statement.

# ArtsWave

## STATEMENT OF ACTIVITIES

Year ended August 31, 2022

	Without Donor Restrictions				
	Operating	Board Designated Endowment	Total	With Donor Restrictions	Totals
Revenues, gains and other support:					
Annual community campaign	\$ 6,065,981	-	6,065,981	4,261,109	10,327,090
Contributions of nonfinancial assets	287,391	-	287,391	-	287,391
Gifts, bequests and grants	3,584,980	-	3,584,980	10,358,565	13,943,545
Net investment return	(24,445)	(2,792,657)	(2,817,102)	(5,571,205)	(8,388,307)
Spending rate allocation	2,598,196	(831,400)	1,766,796	(1,766,796)	-
Beneficial interest value change	-	-	-	(778,221)	(778,221)
Other revenues	24,566	-	24,566	-	24,566
Net assets released from restrictions (Note J)	14,824,393	79,866	14,904,260	(14,904,260)	-
Total revenues, gains and other support	27,361,063	(3,544,191)	23,816,872	(8,400,808)	15,416,064
Expenses:					
Program services:					
Grants to arts organizations	20,080,442	-	20,080,442	-	20,080,442
Other	1,580,465	-	1,580,465	-	1,580,465
Supporting services:					
Management and general	1,067,033	-	1,067,033	-	1,067,033
Fundraising	1,915,007	-	1,915,007	-	1,915,007
Total expenses	24,642,947	-	24,642,947	-	24,642,947
Revenues net of expenses	2,718,115	(3,544,191)	(826,075)	(8,400,808)	(9,226,883)
Transfers (to)/from endowment	(1,322,406)	1,322,406	-	-	-
Change in net assets	1,395,710	(2,221,785)	(826,075)	(8,400,808)	(9,226,883)
Net assets, beginning of year	(376,468)	19,505,295	19,128,827	57,987,672	77,116,499
Net assets, end of year	\$ 1,019,242	17,283,510	18,302,752	49,586,864	67,889,616

The accompanying notes are an integral part of this statement.



# ArtsWave

## STATEMENT OF FUNCTIONAL EXPENSES

Year ended August 31, 2023

		Supporting Services		
	Program	Management		
	Services	and General	Fundraising	Total
Grants to arts organizations	\$ 10,462,905	-	-	10,462,905
Arts events and workshops	168,637	1,728	83,627	253,992
Professional fees*	240,245	84,753	-	324,998
Salaries	692,808	424,080	1,041,950	2,158,838
Employee benefits	146,015	95,576	281,575	523,166
Stationery and other printing	73	4,596	2,995	7,664
Office supplies	2,827	3,472	6,626	12,925
Telephone and internet access	8,681	10,767	21,061	40,509
Postage	64	1,010	22,245	23,319
Office rent and occupancy	35,126	34,065	78,092	147,283
Equipment rental and maintenance	16,684	20,179	94,817	131,680
Office furniture and equipment	8,111	6,210	18,032	32,353
Travel and meetings	8,886	26,601	20,204	55,691
Promotion, publicity and printing*	229,687	250,274	120,918	600,879
Computer consulting and training*	6,185	27,107	74,195	107,487
Insurance	-	20,528	-	20,528
Provision for bad debt	-	-	130,772	130,772
Depreciation	-	186,138	-	186,138
Interest	-	75,649	-	75,649
Other	33,991	56,539	115,664	206,194
Total	\$ 12,060,925	1,329,272	2,112,773	15,502,970

\* Included in these expenses are donated services.

The accompanying notes are an integral part of this statement.

# ArtsWave

## STATEMENT OF FUNCTIONAL EXPENSES

Year ended August 31, 2022

		Supporting Services		
	Program Services	Management and General	Fundraising	Total
Grants to arts organizations	\$ 20,080,442	-	-	20,080,442
Arts events and workshops	146,471	7,326	49,521	203,318
Professional fees*	123,219	54,712	-	177,931
Salaries	664,851	407,012	967,585	2,039,448
Employee benefits	153,834	97,163	250,484	501,481
Stationery and other printing	-	2,345	5,399	7,744
Office supplies	1,947	2,196	4,351	8,494
Telephone and internet access	7,475	7,385	17,936	32,796
Postage	999	768	17,233	19,000
Office rent and occupancy	30,344	22,308	67,517	120,169
Equipment rental and maintenance	13,824	32,910	80,691	127,425
Office furniture and equipment	5,651	4,294	12,677	22,622
Travel and meetings	5,767	18,838	11,489	36,094
Promotion, publicity and printing*	408,659	270,631	101,112	780,402
Computer consulting and training*	9,762	29,160	79,661	118,583
Insurance	-	20,456	-	20,456
Provision for bad debt	-	-	174,680	174,680
Depreciation	-	471	-	471
Other	7,662	89,058	74,671	171,391
Total	\$ 21,660,907	1,067,033	1,915,007	24,642,947

\* Included in these expenses are donated services.

The accompanying notes are an integral part of this statement.

**STATEMENTS OF CASH FLOWS**

August 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ 2,389,165	\$ (9,226,883)
Adjustments to reconcile change in net assets to net cash provided by/(used in) operating activities:		
Depreciation	186,138	471
Net (gain) loss on investments	(3,517,832)	9,885,458
Beneficial Interest in trust value change	(18,274)	778,221
Pledges receivable	(26,047)	11,355
Loss on doubtful pledges	130,772	174,680
Accrued interest receivable	(58,170)	(26,653)
Amortization of operating lease right of use assets	76,121	73,262
Amortization of finance lease right of use assets	3,147	-
Grants payable	312,392	18,344
Accounts payable and accrued expenses	(445,508)	(33,758)
Refundable advance	(1,725)	(6,776,778)
Other assets	61,715	49,496
Operating lease liability	(75,921)	(75,593)
Loss on disposal of fixed assets	1,353	-
Net cash used in operating activities	<u>(982,674)</u>	<u>(5,148,378)</u>
Cash flows from investing activities:		
Proceeds from sales of investments	25,732,214	38,051,830
Purchases of investments	(24,853,215)	(38,308,927)
Purchases of property and equipment	<u>(604,562)</u>	<u>(960,425)</u>
Net cash provided by (used in) investing activities	<u>274,437</u>	<u>(1,217,522)</u>
Cash flows from financing activities:		
Borrowings under line-of-credit agreement	1,277,418	579,493
Payments on line-of-credit borrowings	(142,593)	-
Finance lease liability	<u>(3,128)</u>	<u>-</u>
Net cash provided by financing activities	1,131,697	579,493
Net change in cash, cash equivalents, and restricted cash	423,460	(5,786,407)
Cash, cash equivalents, and restricted cash at beginning of year	<u>4,541,564</u>	<u>10,327,971</u>
Cash, cash equivalents, and restricted cash at end of year	<u>\$ 4,965,024</u>	<u>\$ 4,541,564</u>
Supplemental disclosures:		
Interest paid	\$ <u>76,349</u>	\$ <u>-</u>
Property and equipment purchases in accounts payable	\$ <u>-</u>	\$ <u>303,527</u>
Finance lease right of use assets obtained with lease liability	\$ <u>28,857</u>	\$ <u>-</u>

The accompanying notes are an integral part of this statement.

## ArtsWave

### NOTES TO THE FINANCIAL STATEMENTS

August 31, 2023 and 2022

#### NOTE A – ORGANIZATION

The Cincinnati Institute of Fine Arts, doing business as ArtsWave, was founded in 1927 by Charles Phelps Taft and Anna Sinton Taft whose fortune and foresight left a legacy of support for the arts for future generations to enjoy. The Taft family endowed a major gift, provided it be matched by the people of Cincinnati.

In 1949, ArtsWave established the annual community campaign to help support the Cincinnati Art Museum, the Cincinnati Symphony Orchestra (CSO), Taft Museum of Art and Cincinnati Opera. In 1978, the Cincinnati Ballet, Cincinnati Playhouse in the Park, May Festival, Contemporary Arts Center and Arts Grants Program were added as additional beneficiaries. An associate membership level was added in 1999.

During 2008, ArtsWave embarked on a research initiative designed to develop an inclusive community dialogue leading to broadly shared public responsibility for arts and culture in the region. With the research results as its basis, the organization developed recommendations for a new mission, community goals, business strategies, and a new name. In September 2010, the Board of Trustees approved the recommended mission and the new name, ArtsWave. ArtsWave supports arts organizations large and small throughout the area to help them create a vital arts scene and all the communitywide benefits that come with that – from economic vitality to more visitors and new businesses to a greater sense of connectedness among the people who live here.

In June 2012, ArtsWave transitioned to impact-based grantmaking. In 2015, ArtsWave developed the Blueprint for Collective Action, a 10-year strategic plan that outlines five strategic objectives that drive economic vibrancy and social connection through the arts. In 2020, the ArtsWave board approved ArtsWave's diversity, equity, inclusion and access commitment, "Lifting As We Learn", with key performance indicators for ArtsWave and the arts sector. In 2023, ArtsWave awarded grants providing general operating support to 48 local arts organizations through the Sustaining Impact grant program. Additionally, a pool of funds was approved for African American Arts, Catalyzing Impact, Partnering for Impact, Pride, and Young Professional programming project grants to be made over the course of fiscal year 2024.

These financial statements do not include the accounts of the participating organizations which are separate legal entities, except for endowment funds held in trust and for the benefit of others for certain of these organizations participating in ArtsWave's investment pool (Note I).

#### NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### 1. Basis of Presentation

The financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) for not-for-profit organizations.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

August 31, 2023 and 2022

Under these provisions, net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of ArtsWave and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve/board designated endowment.

Net assets with donor restrictions – Net assets subject to donor (or certain grantor) 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. A portion of perpetual endowment funds are subject to a time restriction under an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resource be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Generally, the donors of these assets permit ArtsWave to use all, or part of the income earned on related investments for general or specific purposes.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Contributions for which the donor-imposed restrictions were met within the same period are recorded in net assets with donor restrictions and then released from restrictions. All expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Contributed property and equipment is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as support without restrictions.

**2. Cash, Cash Equivalents, and Restricted Cash**

All cash is maintained in interest-bearing accounts. See also Note K.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash to the sum of corresponding amounts reported within the statements of financial position and the statements of cash flows.

	2023	2022
Cash and cash equivalents	\$ 2,744,855	3,248,732
Cash restricted for specific purposes	2,220,169	1,292,832
	<u>\$ 4,965,024</u>	<u>4,541,564</u>

## ArtsWave

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2023 and 2022

#### 3. Pledges Receivable

Pledges, less an allowance for uncollectible amounts, are recorded as receivables in the year made. Pledges for support in the current annual community campaign are recorded as support revenues. Legacies and bequests made by will or trust are recorded when ArtsWave has an irrevocable right to the bequest and the proceeds are measurable. ArtsWave determines its allowance for uncollectible pledges by considering several factors, including the length of time pledges are past due, ArtsWave's previous loss history and the donor's current ability to pay. When amounts are determined to be uncollectible, they are charged to the allowance. Recoveries of amounts previously written off replenish the allowance. Pledges receivable due beyond one year are discounted using the risk-free interest rate in effect during the year the pledge is received.

#### 4. Investments

ArtsWave's investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Net investment return is reported in the statements of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external and direct internal investment expenses.

The vast majority of assets of endowment and Board designated endowment funds are pooled for investment purposes on a fair value basis. Under this method, each participating fund was assigned units based on the relationship of the fair value of all investments at the time they were pooled.

Each month, the pooled assets are valued at fair value, and new unit values are assigned. The unit fair value at the beginning of the month is used to determine the number of units to be allocated as dollars are added to or withdrawn from the pool during the month.

#### 5. Beneficial Interest in Trust

ArtsWave values its beneficial interest in trust at the fair value of the assets at year-end as reported by the trustee, a financial institution, without adjustment by management.

#### 6. Property and Equipment

Property and equipment are recorded at cost or the fair value at the date received, if donated. Capitalization limits are set at \$2,500; expenditures for items costing less are expensed. These assets are depreciated on the straight-line method over their estimated useful lives. Leasehold improvements are amortized over the lesser of their estimated useful life or the remaining life of the lease. Equipment and furniture have estimated useful lives of three to seven years.

#### 7. Capitalized Interest

Capitalized interest is included as part of the cost of property and equipment. The capitalization rates are based on the organization's weighted-average cost of borrowings used to finance the expenditures. Capitalized interest during 2023 was not material.

## ArtsWave

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2023 and 2022

#### 8. Grants Payable

Grants payable consists of Board-approved distributions of annual campaign income and endowment income to be paid in the following fiscal year.

#### 9. Refundable Advance

Refundable advance represents monies received in advance from conditional contributions for which the conditions have not been met.

#### 10. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

#### 11. Federal Income Tax

ArtsWave has been determined to be exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code. It has been determined that ArtsWave is not a private foundation. ArtsWave is subject to income tax that is derived from business activities unrelated to its exempt purpose. ArtsWave files an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS to report its unrelated business taxable income. No amounts have been accrued for unrelated business income tax as the amounts are not material.

#### 12. Advertising

Advertising costs are expensed as incurred. For the years ended August 31, 2023 and 2022, advertising costs were \$444,463 and \$543,739 respectively.

#### 13. Donated Services

Donated goods used in ArtsWave's programs are recorded as income and expense or additions to the property fund at the time the items are received. Donated services are recorded as public support only if they create or enhance nonfinancial assets or require specialized skills. Donated goods and services were estimated at \$256,644 and \$287,391 for the years ended August 31, 2023 and 2022, respectively.

#### 14. Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services categories based on specific identifications or staff time spent within each function.

#### 15. Fair Value Measurements

Fair value is generally determined based on quoted market prices in active markets for identical assets or liabilities. If quoted market prices are not available, ArtsWave uses valuation techniques that place greater reliance on observable inputs and less reliance on unobservable inputs. In measuring fair value,

## ArtsWave

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2023 and 2022

ArtsWave may adjust for risks and uncertainties if a market participant would include such an adjustment in its pricing.

#### 16. Subsequent events

ArtsWave evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through January 17, 2024, the date which the financial statements were available to be issued.

#### 17. Reclassifications

Certain items from 2022 have been reclassified to conform to the current year presentation. Such reclassifications did not have an effect on total assets, liabilities, net assets or changes in net assets.

### NOTE C – PLEDGES RECEIVABLE

As of August 31, 2023 and 2022, contributors to ArtsWave have made unconditional promises to give totaling \$3,726,634 and \$3,831,359, respectively.

Pledges receivable are due as follows:

	2023	2022
Within one year	\$ 3,900,456	4,143,359
Two to five years	75,000	-
	<u>3,975,456</u>	<u>4,143,359</u>
Less:		
Present value component	(3,822)	-
Allowance for uncollectible pledges	<u>(245,000)</u>	<u>(312,000)</u>
Total pledges receivable	<u>\$ 3,726,634</u>	<u>3,831,359</u>

For the year ended August 31, 2023, estimated cash flows from pledges receivable due in two to five years have been discounted to the present value using a discount rate of 5.37%.



**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

August 31, 2023 and 2022

**NOTE D – FAIR VALUE MEASUREMENTS**

Fair value is defined as the price that will be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements and disclosures are based on a three-level hierarchy. Fair value instruments measured at fair value on a recurring basis using quoted prices for identical instruments in an active market (or level 1 inputs) include cash and cash equivalents, equity securities and mutual funds. Financial instruments measured at fair value based on quoted market prices for similar instruments in active markets (or level 2 inputs) include fixed income securities. Financial instruments measured at fair value based on unobservable inputs (or level 3 inputs) include the beneficial interest in trust.

ArtsWave invests in hedge, high yield bond, and private equity funds for which ArtsWave bases fair value on the net asset value of each fund, adjusted for distributions, redemptions, market changes, and other financial and operational information obtained by ArtsWave's management. As a practical expedient, ArtsWave measures the fair value of certain investments based on the investee's net asset value (NAV) or its equivalent. As a result of applying the practical expedient, the fair value of hedge, high yield bond, and private equity funds was determined as of August 31, 2023 and 2022, based on NAV.

# ArtsWave

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2023 and 2022

The following table summarizes the valuation of financial instruments measured at fair value on a recurring basis in the statement of financial position on August 31, 2023:

	Total	(Level 1)	(Level 2)	(Level 3)	Investments measured at NAV
Cash and cash equivalents	\$ 9,203,903	9,203,903	-	-	-
Equities	2,483,505	2,483,505	-	-	-
Mutual funds	45,371,600	45,371,600	-	-	-
Fixed income	20,671,001	-	20,671,001	-	-
Hedge and other limited partnership funds	23,362,949	-	-	-	23,362,949
Private equity funds	10,471,901	-	-	-	10,471,901
Total investments	\$ 111,564,859	57,059,008	20,671,001	-	33,834,850
Beneficial interest in trust:	\$ 3,137,364	-	-	3,137,364	-

# ArtsWave

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2023 and 2022

The following table summarizes the valuation of financial instruments measured at fair value on a recurring basis in the statement of financial position on August 31, 2022:

	Total	(Level 1)	(Level 2)	(Level 3)	Investments measured at NAV
Cash and cash equivalents	\$ 5,976,615	5,976,615	-	-	-
Equities	3,527,124	3,527,124	-	-	-
Mutual funds	44,492,929	44,492,929	-	-	-
Fixed income	20,943,890	-	20,943,447	-	443
Hedge and other limited partnership funds	21,926,049	-	-	-	21,926,049
Private equity funds	10,959,786	-	-	-	10,959,786
Total investments	\$ <u>107,826,393</u>	<u>53,996,668</u>	<u>20,943,447</u>	<u>-</u>	<u>32,886,278</u>
Beneficial interest in trust:	\$ <u>3,119,090</u>	<u>-</u>	<u>-</u>	<u>3,119,090</u>	<u>-</u>

# ArtsWave

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2023 and 2022

Investments accounted for under the practical expedient at August 31, 2023 and 2022, are as follows:

	2023	2022	2023 Unfunded Commitments	Redemption Frequency	Notice Period
Hedge and other limited partnership funds:					
Absolute	\$ 14,998,917	14,179,074	-	Monthly	91 days
Long-biased	8,364,032	7,746,975	-	Quarterly	45 days
High yield bond funds	-	443	-	Quarterly	45 days
Private equity funds	10,471,901	10,959,786	5,631,291	N/A	N/A
	<u>\$ 33,834,850</u>	<u>32,886,278</u>	<u>5,631,291</u>		

Investments in the absolute hedge fund do not have a holding period. This fund of funds seeks consistent stable returns by allocation of assets to a wide range of alternative investment strategies across the global financial markets.

The long-biased hedge funds invest in funds focused on taking long positions in equity securities. Subsequent to satisfying a 12-month lock-up period, redemptions up to 25% of estimated NAV may occur on March 31<sup>st</sup>, June 30<sup>th</sup>, and September 30<sup>th</sup>, and up to 100% of estimated NAV may occur on December 31<sup>st</sup>.

Investments in high yield bond funds do not have a holding period. These funds seek investments in bonds with lower credit ratings and therefore higher yields than investment grade corporate bonds, treasury bonds, and municipal bonds.

Private equity funds invest in growth equities, venture capital, leveraged buyouts and private placements. These funds are structured as limited partnerships where ArtsWave is a limited partner of the fund. The funds have a ten-year term and generally cannot be redeemed until the fund is terminated. It is estimated that the underlying assets will be liquidated over the next ten years. However, the individual investments that will be sold have not yet been determined. Because it is not probable that any individual investment will be sold, the fair value of each individual investment has been estimated using the NAV of ArtsWave's ownership interest in partners' capital.

The carrying amounts of cash, receivables, grants payable, and accounts payable and accrued expenses approximate fair value because of the short maturity of these instruments.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

August 31, 2023 and 2022

**NOTE E – ENDOWMENT FUNDS**

ArtsWave's endowment funds include donor restricted endowment funds, funds designated by the Board for reinvestment in the endowment funds, and investment income on the endowment funds that can be appropriated for expenditure. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the absence or existence of donor-imposed restrictions.

Management of ArtsWave has interpreted the Ohio-enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the endowment funds held in perpetuity absent explicit donor stipulations to the contrary. As a result of this interpretation, ArtsWave will classify as net assets with donor restrictions in perpetuity: (a) the original value of gifts donated to funds held in perpetuity, (b) the original value of subsequent gifts to funds held in perpetuity, and (c) accumulations to funds held in perpetuity 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 ArtsWave's interpretation of UPMIFA, investment income and appreciation/depreciation earned on the endowment funds held in perpetuity are credited to net assets with donor restrictions until the later of satisfaction of donor restrictions or appropriation for expenditure by the governing board. ArtsWave's policy for other endowment gifts is to include 100% of the unrealized and realized appreciation as net assets with donor restrictions and subsequently release funds needed to satisfy investment management fees and spending rate allocation, as applicable, based upon the original donor's specifications. These transactions are presented on the statements of activities within the spending rate allocation.

**Investment return objectives, risk parameters and strategies**

ArtsWave has adopted investment and spending policies for endowment investments that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment investments. To satisfy these long-term objectives, ArtsWave relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). ArtsWave targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

**Spending policy**

ArtsWave has a policy of appropriating for distribution each year a certain percentage of its endowment fund's average fair value over the prior 20 quarters through March 31<sup>st</sup> preceding the fiscal year in which the distribution is planned. The spending distribution rate was 4.0% in 2023 and 2022.

There are 18 endowment funds held in perpetuity. The original gift amounts were \$9,541,643 as of August 31, 2023 and August 31, 2022. An additional \$21,244,181 and \$20,003,146 in fair value as of August 31, 2023 and 2022, respectively, relates to board designated gifts also held in the endowment pool.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

August 31, 2023 and 2022

The endowment investment asset composition by type of fund consists of the following as of August 31:

2023			
	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds	\$ -	45,090,581	45,090,581
Board designated endowment funds	21,244,181	-	21,244,181
<b>Total</b>	<b>\$ 21,244,181</b>	<b>45,090,581</b>	<b>66,334,762</b>

  

2022			
	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds	\$ -	43,740,378	43,740,378
Board designated endowment funds	20,003,146	-	20,003,146
<b>Total</b>	<b>\$ 20,003,146</b>	<b>43,740,378</b>	<b>63,743,524</b>

The change in endowment fund investments, not including investments held for the benefit of or in trust for others, for the year ended August 31, 2023, is as follows:

2023			
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment investments, beginning of year	\$ 20,003,146	43,740,378	63,743,524
Net investment return	1,527,605	3,273,974	4,801,579
Transfers in	628,659	-	628,659
Appropriation of endowment assets for expenditure	(909,800)	(1,923,771)	(2,833,571)
Other changes:			
Transfers from board designated funds to operations	(5,429)	-	(5,429)
<b>Endowment investments, end of year</b>	<b>\$ 21,244,181</b>	<b>45,090,581</b>	<b>66,334,762</b>

# ArtsWave

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2023 and 2022

The change in endowment fund investments, not including investments held for the benefit of or in trust for others, for the year ended August 31, 2022, is as follows:

		2022		
		Without Donor Restrictions	With Donor Restrictions	Total
Endowment investments, beginning of year	\$	22,249,816	51,088,322	73,338,138
Net investment return		(2,791,932)	(5,482,545)	(8,274,477)
Transfers in		3,172,426	-	3,172,426
Appropriation of endowment assets for expenditure		(865,520)	(1,865,399)	(2,730,919)
Other changes:				
Transfers from board designated funds to operations		(1,761,644)	-	(1,761,644)
Endowment investments, end of year	\$	20,003,146	43,740,378	63,743,524

### Transfers from board designated endowment

In accordance with its policy, ArtsWave transferred all unanticipated gifts and bequests greater than \$5,000 to the board designated endowment fund. ArtsWave transfers to the board designated endowment fund excess campaign reserves, operating surpluses generated in the prior year, or excess operating cash. Additionally, upon Board approval ArtsWave will transfer funds from the board designated endowment fund to operations to fund specific projects, grants, or planned transitional growth. Differences from transfers in above are attributed to timing of cash deposits into the board designated endowment investment account.

### NOTE F – PROPERTY AND EQUIPMENT

Property and equipment at August 31, 2023 and 2022 are summarized as follows:

	2023	2022
Equipment and furniture	\$ 447,188	65,750
Leasehold improvements	1,441,647	531,117
Construction in progress	-	1,263,952
	1,888,835	1,860,819
Less accumulated depreciation	(206,434)	(595,455)
Property and equipment, net	\$ 1,682,401	1,265,364

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

August 31, 2023 and 2022

**NOTE G – LEASES**

ArtsWave leases both its office space as well as certain equipment. ArtsWave has three long-term leases extending beyond 12 months. ArtsWave has a 30-year operating lease that commenced in December 2009 for the rental of office space on the second floor and a portion of the first floor of the Hale Justis Building in Cincinnati, Ohio. The initial term of the lease was for ten years from December 14, 2009 through January 31, 2020. The lease agreement contains four options to extend the term beyond the initial term for periods of five years each. In 2020, ArtsWave exercised its first option to extend the term beyond the initial term. Because it is reasonably certain that ArtsWave will exercise its three remaining options to extend the lease, these extension terms were recognized as part of the office space lease liability and right-of-use asset. In addition, in December 2022 ArtsWave entered into a long-term finance lease of a color copier. The initial term of the lease is for 4 years. The lease agreement contains an option to extend the term for an additional year at the end of the initial term, and it is reasonably certain that ArtsWave will exercise this option to extend the lease. This extension term was recognized as part of the copier lease liability and right-of-use asset. ArtsWave also has a five-year finance lease that commenced in April 2023 for the rental of a digital mail machine. The lease agreement for the mail machine does not contain an option to extend the term of the lease.

ArtsWave has made several significant assumptions and judgments in applying the requirements of FASB Accounting Standards Update (ASU) No. 2016-02 to its leases. The office space lease agreement contains both lease components as well as non-lease components obligating the lessor to maintain common areas of the building, including the elevators and stairways, elevator lobby areas, the parking lot, sidewalks, landscaped areas, and utility lines of the property. Similarly, the mail machine lease contract consists of both lease components as well as non-lease components, including an option to pay an additional fee for the repair or replacement of stolen, damaged, or destroyed equipment, a program in which ArtsWave has opted to participate. Rather than allocating the consideration in its office space and mail machine lease contracts between their separate lease components and non-lease components, ArtsWave has elected the practical expedient available under ASU 2016-02 not to separate the lease and non-lease components and instead to combine them into single lease components. ArtsWave has also made the accounting policy election under ASU 2016-02 not to capitalize short-term leases with terms of 12 months or less, and instead to recognize the lease payments in the statement of functional expenses as equipment rental and maintenance expenses.

The office space lease agreement specifies fixed payments for the initial term of the lease from December 2009 through January 2020. Regarding the extension terms, however, the contract states that the lease payments shall be 95% of the current fair market price for comparable spaces as of the commencement of the applicable extension term, provided that the rent shall not be less than the rent for the last year of the immediately preceding term, nor more than 115% of the rent for the last year of the preceding term. Thus, although the lease payments of the extension terms contain variability in that they can fluctuate to a certain extent with market values, the payments are ultimately in-substance fixed payments, being bound by lower and upper limits. ASU 2016-02 requires lessees with in-substance fixed payments to use the lower of the payment options when calculating the present value of future lease payments in order to measure the lease liability. Accordingly, ArtsWave used its current lease payment amount in making this calculation, because this amount represents the lowest possible payment option for subsequent extension terms. Changes to future lease payments will be accounted for in the year of change.

In measuring its lease liabilities, ArtsWave elected the practical expedient available to nonpublic entities to use a risk-free rate of return, such as the U.S. Treasury rate, for a period comparable



# ArtsWave

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2023 and 2022

with that of the lease term, to determine the present value of future lease payments. Because the remaining lease term of the office space was 18 years and five months as of the date of ASU 2016-02 implementation on September 1, 2021, ArtsWave used the 20 year U.S. Treasury Bond rate as of that date, which was 1.84%. Likewise, because the lease term for the copier is for 5 years, ArtsWave used the 5 year U.S. Treasury Note rate as of the date of lease commencement, which was 3.64%. ArtsWave also used the 5 year U.S. Treasury rate to calculate its mail machine lease liability. The rate was 3.60% as of the date of lease commencement.

ArtsWave also incurred variable lease costs, which are not included in the measurement of the lease liabilities. These costs, which are expensed as incurred, consist of reimbursements and payments of the office space lessor's utilities expenses and payments of service fees (per print/copy) for the copier.

A summary of total lease cost and other lease information for years ended August 31, 2023 and 2022 follows:

	<u>2023</u>	<u>2022</u>
Operating lease costs	\$ 99,675	\$ 100,771
Finance lease costs:		
Amortization of right-of-use assets	3,147	-
Interest on lease obligations	544	-
Variable lease costs	18,169	12,758
Short-term lease costs	<u>942</u>	<u>3,768</u>
	<u>\$ 122,477</u>	<u>\$ 117,297</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flow from operating leases	\$ 99,497	\$ 100,859
Operating cash flow from finance leases	443	-
Financing cash flow from finance leases	3,128	-
Weighted-average remaining lease term:		
Operating leases	16.4 years	17.4 years
Finance leases	4.6 years	-
Weighted-average discount rate:		
Operating leases	1.8%	1.8%
Finance leases	3.6%	3.6%

The following table shows ArtsWave's operating lease liability as of August 31, 2023, the lease payments due (undiscounted cash flows) on an annual basis for the next five fiscal years and a total of the amounts for the remaining years, and the present value of those lease payments using annual discount rate of 1.84% for the office space lease.

	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029-2040</u>	<u>Less interest</u>	<u>Operating lease liability</u>
<b>Office Space</b>	\$98,135	\$98,135	\$98,135	\$98,135	\$98,135	\$1,120,375	\$221,478	\$1,389,572

# ArtsWave

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2023 and 2022

The following table shows ArtsWave's finance lease liabilities as of August 31, 2023, the lease payments due (undiscounted cash flows) on an annual basis for the duration of the lease terms, and the present value of those lease payments using annual discount rates of 3.64% for the copier lease and 3.60% for the mail machine lease.

	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>Less interest</u>	<u>Finance lease liability</u>
<b>Total</b>	\$6,146	\$6,146	\$6,146	\$6,146	\$3,364	\$2,219	\$25,729

### NOTE H – GRANTS PAYABLE

Grants payable consists of the following at August 31:

	<u>2023</u>	<u>2022</u>
Allocated grants	\$ 10,552,869	10,254,937
Unallocated grants	(955,759)	(970,219)
	<u>\$ 9,597,110</u>	<u>9,284,718</u>

Unallocated grants represent board approved grants from net assets with donor restrictions for which a recipient has not yet been identified. These allocations are recognized as contra liabilities upon board approval for tracking purposes. Once a recipient has been identified, the contra-liability is reversed, and the appropriate donor restricted net assets are released from restrictions.

### NOTE I – FUNDS HELD FOR THE BENEFIT OF OTHERS

Funds held for the benefit of others are recognized in the accompanying statements of financial position and represent endowment assets held by ArtsWave within the investment pool (Note D) on behalf of local area not-for-profit organizations. The related investment purchases and sales and corresponding changes in fund liabilities are included within investing activity on the statements of cash flows. Total funds held for the benefit of others were \$43,720,802 and \$42,621,169 at August 31, 2023 and 2022, respectively.

### NOTE J – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available primarily for the use of ArtsWave and its beneficiary organizations and consist of the following as of August 31:

	<u>2023</u>	<u>2022</u>
Endowment funds	\$ 45,090,581	43,740,378
Beneficial interest in trust	3,137,364	3,119,090
Time restrictions	765,345	622,104
Other program restrictions	<u>2,821,851</u>	<u>2,105,292</u>
	<u>\$ 51,815,141</u>	<u>49,586,864</u>

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

August 31, 2023 and 2022

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. Net assets released from restrictions were \$5,441,940 and \$14,904,260 in 2023 and 2022, respectively, primarily due to the fulfillment of the purpose for which the resource was restricted or due to time restrictions expiring on net assets available for future operations and programs.

**NOTE K – RISKS AND UNCERTAINTIES**

Cash balances in certain accounts at banks exceed the Federal Deposit Insurance Corporation (FDIC) limits by \$4,470,727 and \$4,058,044 at August 31, 2023 and 2022, respectively.

Pledges receivable are from various employers, employees of such employers, trusts and foundations, and the general public in the Greater Cincinnati region.

ArtsWave holds a variety of investments, the underlying securities of which are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the value of investment securities would occur in the near term and such changes could materially affect the amounts reported in the financial statements.

**NOTE L – RETIREMENT PLAN**

ArtsWave maintains a safe harbor retirement savings plan which allows participants to make contributions by salary deduction pursuant to Section 401(k) of the Internal Revenue Code. ArtsWave makes safe harbor matching contributions equal to 116.66% of the employee's elective deferrals that do not exceed 6% of the employee's compensation. Employees vest immediately in their own and ArtsWave's contributions. ArtsWave's contributions to the plan in 2023 and 2022 were \$128,369 and \$110,808, respectively.

**NOTE M – RELATED PARTY TRANSACTIONS**

Members of ArtsWave's Board of Trustees and senior management may, from time to time, be associated, either directly or through interlocking board memberships, with entities doing business with ArtsWave. ArtsWave employs a conflict-of-interest policy that requires any such associations to be disclosed in writing. When such associations exist, measures are taken to mitigate any actual or perceived conflict, including recusal of the board member from any decisions involving the entity doing business with ArtsWave. The transactions with entities associated with trustees or senior management are not considered to be significant.

# ArtsWave

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2023 and 2022

### NOTE N – LIQUIDITY DISCLOSURES

ArtsWave is substantially supported by investment income and contributions from donors. Because a donor's restriction requires resources to be used in a particular manner or in a future period, ArtsWave must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of ArtsWave's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Funds held within the board designated endowment would be used to help satisfy liquidity needs if necessary.

The following table presents the financial assets available to meet cash needs for general expenditure within one year at August 31:

	2023	2022
Financial Assets:		
Cash, cash equivalents, and restricted cash	\$ 4,965,024	4,541,564
Pledges receivable	3,975,456	4,143,359
Accrued interest receivable	223,897	165,727
Investments at fair value	111,564,859	107,826,393
Financial assets available at year end	<u>120,729,236</u>	<u>116,677,043</u>
Less those unavailable for general expenditures within one year due to:		
Investments held in donor restricted endowment	45,090,581	43,740,378
Funds held for the benefit of others	43,720,802	42,621,169
Restricted by donor for purpose and time	3,587,196	2,727,396
Private equity fund lockups – without donor restriction	1,994,829	2,032,320
Total limitations on available resources	<u>94,393,408</u>	<u>91,121,263</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 26,335,828</u>	<u>25,555,780</u>

# ArtsWave

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

August 31, 2023 and 2022

### NOTE O – CONTRIBUTED NONFINANCIAL ASSETS

For the years ended August 31, contributed nonfinancial assets recognized within the statements of activities included:

	<u>2023</u>	<u>2022</u>
Media advertising space	\$ 251,967	282,383
Other	<u>4,667</u>	<u>5,008</u>
	<u>\$ 256,644</u>	<u>287,391</u>

ArtsWave recognized contributed nonfinancial assets within revenue, including contributed media advertising space, use of fixed assets, legal services, web hosting services, staff coaching, email marketing and analytics, and various other services. Contributed nonfinancial assets did not have donor-imposed restrictions.

Contributed media advertising space was used for marketing purposes. Media space was valued according to the actual discount amounts specified in advertising agreements between ArtsWave and media companies.

### NOTE P – NOTE PAYABLE

In April 2022, ArtsWave entered into a convertible loan for \$2,500,000, including interest at the Term SOFR + 1.75% (7.125% at August 31, 2023) which converted to a term note on April 1, 2023 (the conversion date). The note, including principal and interest, will be payable over 108 months until February 2032. ArtsWave used these funds for capital upgrades to its office space. The outstanding balance at August 31, 2023 and 2022 was \$1,714,318 and \$579,493, respectively.

The note is secured by an investment account held at the bank and subject to certain covenants. ArtsWave was in compliance with all debt covenants at August 31, 2023.

Scheduled annual principal maturities of long-term debt for the years succeeding August 31, 2023 are summarized as follows:

2024	\$ 277,776
2025	277,776
2026	277,776
2027	277,776
2028	277,776
Thereafter	<u>325,438</u>
	<u>\$ 1,714,318</u>

**SCHEDULES OF ENDOWMENT AND BOARD  
DESIGNATED ENDOWMENT FAIR VALUES**

August 31, 2023 and 2022

	<b>August 31, 2023</b>	<b>August 31, 2022</b>
	<b>Fair Value</b>	<b>Fair Value</b>
<u>Endowment – income restricted</u>		
Taft Museum:		
Anna S. Taft	\$ 18,583,949	18,211,466
Louise Taft Semple Foundation (directorship)	1,673,948	1,640,394
Cincinnati Symphony Orchestra:		
Mr. & Mrs. Charles Phelps Taft	15,453,990	14,991,186
Thomas J. Emery Memorial	1,905,906	1,848,835
Mary Hanna and others	577,733	560,438
Mr. & Mrs. William Kite	66,647	64,651
Betscher and Outcalt Memorial	28,394	27,547
Anonymous	173,380	168,184
Weibel	87,249	84,636
Cincinnati Opera Association:		
Mr. & Mrs. Lawrence H. Kyte	111,644	108,303
Eleanor Feld	18,924	18,359
Maurice Oshry (Cincinnati Opera Association)	66,815	64,816
Anonymous	1,035,144	1,004,146
Children's Education Fund:		
Cincinnati Art Museum	940,095	911,945
Cincinnati Symphony Orchestra	805,265	781,154
Cincinnati Opera Association	403,244	391,169
Playhouse in the Park	269,212	261,148
Cincinnati Ballet	134,424	130,396
Contemporary Arts Center	134,424	130,396
Anonymous (Cincinnati Art Museum)	345,669	335,315
Dorothy Rawson (allocated to art museum and orchestra)	440,697	427,499
Blanche and Rebekah Alter (allocated to		
Taft art museum and orchestra)	1,608,104	1,559,951
Rosa F. and Samuel B. Sachs (Annual Sachs Award)	814,288	789,897
Richard P. Windisch and Martha		
W. Van Goeben (May Festival)	363,076	352,204
Mid-Sized Arts Endowment	1,760,292	1,707,578
Annual community campaign	531,942	516,016
Goldsmith endowed annual campaign gift	74,499	72,268
Susan & Burton Closson endowed annual campaign gift	187,797	182,168
	<b>\$ 48,596,751</b>	<b>47,342,065</b>

# ArtsWave

## SCHEDULES OF ENDOWMENT AND BOARD DESIGNATED ENDOWMENT FAIR VALUES (continued)

August 31, 2023 and 2022

	August 31, 2023 Fair Value	August 31, 2022 Fair Value
<u>Endowment – income without restriction</u>		
Taft – 1927 matching endowment	\$ 36,875,693	35,771,359
National Endowment for the Arts matching endowment –		
Thomas J. Emery Memorial	1,382,299	1,340,912
William P. Anderson Foundation	335,845	325,792
Alice F. Weston	173,111	168,041
Eleanor and Charlie Taft Fund	294,163	285,359
Anonymous	363,076	352,204
LKC Foundation	60,949	59,121
Mr. and Mrs. Louis John Johnen Memorial Fund	503,520	488,445
John Sherman	11,103	10,771
Ruth Wilkerson	70,378	68,275
Albert W. Vontz, Jr.	43,522	42,222
	<u>40,113,659</u>	<u>38,912,501</u>
<u>Board designated endowment</u>		
Bertrand B. Kahn (scholarships)	94,699	91,863
Arts Services Office endowments	1,472,408	1,428,309
Board Designated Operating Reserves	11,418,696	10,471,913
ArtsWave general	4,358,718	4,228,184
Annual community campaign	3,899,660	3,782,877
	<u>21,244,181</u>	<u>20,003,146</u>
Total ArtsWave endowment and Board designated endowment, at fair value	<u>109,954,591</u>	<u>106,257,712</u>
<b>CHARITABLE GIFT ANNUITIES*</b>	<u>100,980</u>	<u>106,982</u>
Total endowment and Board designated, at fair value	<u>\$ 110,055,571</u>	<u>106,364,694</u>

\*This schedule includes the funds owned by ArtsWave and the funds held for others.

