

**Sarasota Performing Arts Center
Foundation, Inc.**

Financial Statements and
Independent Auditor's Report
June 30, 2021 and 2020

Contents

	Page
Independent Auditor's Report	I
Financial Statements	
Statements of Financial Position	2
Statement of Activities - 2021	3
Statement of Activities - 2020.....	4
Statement of Functional Expenses - 2021	5
Statement of Functional Expenses - 2020	6
Statements of Cash Flows.....	7
Notes to Financial Statements	8

Independent Auditor's Report

The Board of Directors
Sarasota Performing Arts Center Foundation, Inc.
Sarasota, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Sarasota Performing Arts Center Foundation, Inc. (a not-for-profit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 Sarasota Performing Arts Center Foundation, Inc. as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of Sarasota Performing Arts Center Foundation, Inc., as of and for the year ended June 30, 2020, were audited by other auditors whose report, dated March 22, 2021, expressed an unmodified opinion on those statements.

Kukuing Barbario & Co.

Sarasota, Florida
January 17, 2022

Sarasota Performing Arts Center Foundation, Inc.

Statements of Financial Position June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Cash and cash equivalents	\$ 1,870,109	\$ 563,281
Investments	15,749,247	15,676,275
Contributions receivable	60,833	61,917
Prepaid expenses	51,484	16,669
Property and equipment, net	43,620	18,096
Total Assets	<u>\$ 17,775,293</u>	<u>\$ 16,336,238</u>
Liabilities and Net Assets		
Accounts payable	\$ 207,466	\$ 117,487
Accrued expenses	132,345	50,766
Deferred revenue	19,400	39,000
Total liabilities	<u>359,211</u>	<u>207,253</u>
Net Assets:		
Without donor restrictions	15,086,987	14,220,512
With donor restrictions	2,329,095	1,908,473
Total Net Assets	<u>17,416,082</u>	<u>16,128,985</u>
Total Liabilities and Net Assets	<u>\$ 17,775,293</u>	<u>\$ 16,336,238</u>

See accompanying notes to financial statements.

Sarasota Performing Arts Center Foundation, Inc.

Statement of Activities
Year Ended June 30, 2021
(With Summarized Totals for 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
Revenues, Gains and Other Support:				
Operating contributions	\$ 1,520,608	\$ 61,000	\$ 1,581,608	\$ 1,163,280
Capital campaign contributions	-	125,000	125,000	125,000
In-kind contributions	148,876	-	148,876	41,930
Grants	545,406	-	545,406	133,770
Interest and investment income	300,993	46,726	347,719	309,723
Realized and unrealized gain (loss), net of investment fees	652,978	419,677	1,072,655	(126,554)
Special events, net of special event expenses of \$0	-	-	-	551,660
Loss on disposal of fixed assets	-	-	-	(1,887)
PPP loan forgiveness income	153,870	-	153,870	105,700
Other income	1,086	-	1,086	-
Net assets released from restrictions	231,781	(231,781)	-	-
Total revenues, gains and other support	3,555,598	420,622	3,976,220	2,302,622
Expenses:				
Program services	937,473	-	937,473	1,073,118
General and administrative	703,641	-	703,641	318,689
Fund-raising	554,640	-	554,640	553,395
Capital campaign	493,369	-	493,369	506,854
Total expenses	2,689,123	-	2,689,123	2,452,056
Change in net assets	866,475	420,622	1,287,097	(149,434)
Net assets, beginning of year	14,220,512	1,908,473	16,128,985	16,278,419
Net assets, end of year	\$ 15,086,987	\$ 2,329,095	\$ 17,416,082	\$ 16,128,985

See accompanying notes to financial statements.

Sarasota Performing Arts Center Foundation, Inc.

Statement of Activities
Year Ended June 30, 2020
(With Summarized Totals for 2021)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2020 Total</u>	<u>2021 Total</u>
Revenues, Gains and Other Support:				
Operating contributions	\$ 1,081,780	\$ 81,500	\$ 1,163,280	\$ 1,581,608
Capital campaign contributions	-	125,000	125,000	125,000
In-kind contributions	41,930	-	41,930	148,876
Grants	133,770	-	133,770	545,406
Interest and investment income	263,570	46,153	309,723	347,719
Realized and unrealized gain (loss), net of investment fees	(114,407)	(12,147)	(126,554)	1,072,655
Special events, net of special event expenses of \$416,667	551,660	-	551,660	-
Loss on disposal of fixed assets	(1,887)	-	(1,887)	-
PPP loan forgiveness income	105,700	-	105,700	153,870
Other income	-	-	-	1,086
Net assets released from restrictions	189,796	(189,796)	-	-
Total revenues, gains and other support	<u>2,251,912</u>	<u>50,710</u>	<u>2,302,622</u>	<u>3,976,220</u>
Expenses:				
Program services	1,073,118	-	1,073,118	937,473
General and administrative	318,689	-	318,689	703,641
Fund-raising	553,395	-	553,395	554,640
Capital campaign	506,854	-	506,854	493,369
Total expenses	<u>2,452,056</u>	<u>-</u>	<u>2,452,056</u>	<u>2,689,123</u>
Change in net assets	(200,144)	50,710	(149,434)	1,287,097
Net assets, beginning of year	14,420,656	1,857,763	16,278,419	16,128,985
Net assets, end of year	<u>\$ 14,220,512</u>	<u>\$ 1,908,473</u>	<u>\$ 16,128,985</u>	<u>\$ 17,416,082</u>

See accompanying notes to financial statements.

Sarasota Performing Arts Center Foundation, Inc.

Statement of Functional Expenses

Year Ended June 30, 2021

(With Summarized Totals for 2020)

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fund Raising</u>	<u>Capital Campaign</u>	<u>2021 Total</u>	<u>2020 Total</u>
Grants to Van Wezel						
Performing Arts Hall	\$ 558,707	\$ -	\$ -	\$ -	\$ 558,707	\$ 688,181
Programs	-	-	-	-	-	8,891
Salaries and payroll taxes	260,858	143,051	437,568	-	841,477	833,797
Staff benefits	23,554	12,916	39,509	-	75,979	77,523
In-kind services	-	144,551	4,325	-	148,876	-
General fundraising	-	-	60,653	-	60,653	68,743
Marketing	85,508	-	-	32,928	118,436	105,468
Insurance expense	-	9,729	-	-	9,729	2,570
Postage	-	1,823	376	8,430	10,629	8,352
Printing	-	4,055	4,597	7,618	16,270	7,400
Professional services	-	136,336	-	443,494	579,830	506,873
Staff travel, meetings & professional development	-	111,281	-	471	111,752	59,180
Systems / computer maintenance	8,398	37,812	-	-	46,210	30,874
Telephone	-	7,642	-	-	7,642	2,603
General administrative overhead	-	93,549	-	428	93,977	44,386
Depreciation	448	896	7,612	-	8,956	7,215
Total Expenses	<u>\$ 937,473</u>	<u>\$ 703,641</u>	<u>\$ 554,640</u>	<u>\$ 493,369</u>	<u>\$ 2,689,123</u>	<u>\$ 2,452,056</u>

See accompanying notes to financial statements.

Sarasota Performing Arts Center Foundation, Inc.

Statement of Functional Expenses

Year Ended June 30, 2020

(With Summarized Totals for 2021)

	Program Services	General and Administrative	Fund Raising	Capital Campaign	2020 Total	2021 Total
Grants to Van Wezel						
Performing Arts Hall	\$ 688,181	\$ -	\$ -	\$ -	\$ 688,181	\$ 558,707
Programs	8,891	-	-	-	8,891	-
Salaries and payroll taxes	258,477	141,745	433,575	-	833,797	841,477
Staff benefits	24,032	13,179	40,312	-	77,523	75,979
In-kind services	-	-	-	-	-	148,876
General fundraising	1,710	938	65,632	463	68,743	60,653
Marketing	88,783	-	-	16,685	105,468	118,436
Insurance expense	-	2,570	-	-	2,570	9,729
Postage	-	2,281	6,071	-	8,352	10,629
Printing	807	1,431	4,053	1,109	7,400	16,270
Professional services	-	18,276	-	488,597	506,873	579,830
Staff travel, meetings & professional development	-	59,180	-	-	59,180	111,752
Systems / computer maintenance	-	30,874	-	-	30,874	46,210
Telephone	-	2,603	-	-	2,603	7,642
General administrative overhead	-	44,386	-	-	44,386	93,977
Depreciation	2,237	1,226	3,752	-	7,215	8,956
Total Expenses	\$ <u>1,073,118</u>	\$ <u>318,689</u>	\$ <u>553,395</u>	\$ <u>506,854</u>	\$ <u>2,452,056</u>	\$ <u>2,689,123</u>

See accompanying notes to financial statements.

Sarasota Performing Arts Center Foundation, Inc.

Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 1,287,097	\$ (149,434)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	8,956	7,215
Loss on disposal of assets	-	1,887
Realized and unrealized (gain) loss on investments, net	(1,072,655)	126,554
Income from investments	(347,719)	(308,813)
Change in operating assets:		
Contributions receivable	1,084	(16,704)
Prepaid expenses	(34,815)	(16,669)
Change in operating liabilities:		
Accounts payable	89,979	33,227
Accrued expenses	81,579	44,435
Deferred revenue	(19,600)	30,000
Total adjustments	<u>(1,293,191)</u>	<u>(98,868)</u>
Net cash used in operating activities	<u>(6,094)</u>	<u>(248,302)</u>
 Cash Flows from Investing Activities:		
Cash transferred from (to) investment fund	1,347,402	(100,303)
Purchase of equipment	<u>(34,480)</u>	<u>(15,908)</u>
Net cash provided by (used in) investing activities	<u>1,312,922</u>	<u>(116,211)</u>
 Net change in cash and cash equivalents	1,306,828	(364,513)
 Cash and cash equivalents, beginning of year	563,281	927,794
Cash and cash equivalents, end of year	<u>\$ 1,870,109</u>	<u>\$ 563,281</u>

See accompanying notes to financial statements.

Sarasota Performing Arts Center Foundation, Inc.

Notes to Financial Statements

June 30, 2021 and 2020

I. Organization

Sarasota Performing Arts Center Foundation, Inc. (the Foundation) is a not-for-profit organization formed under the laws of the State of Florida on May 5, 1987. On February 11, 2020, the Board of Directors approved an amendment to change the name of the organization from the Van Wezel Foundation to Sarasota Performing Arts Center Foundation, Inc. The Foundation's philanthropic purpose has deep roots in the rich cultural history of Sarasota. In 1987, the Foundation entered a cultural partnership with the Van Wezel Performing Arts Hall through its owner, the City of Sarasota. The Hall has served as a beloved performing arts center for over half a century, and has been a home to international creative experiences and a springboard for the Foundation's educational collaborations.

Now, the Foundation is leading the community into a new era, creating and developing the vision for a contemporary performing arts model of national significance for Sarasota. The venue will be a magnet destination for generations, with the potential to advance education and enrich communities across the state and country.

2. Summary of Significant Accounting Policies

Financial Statements

The financial statements and notes are representations of the Foundation's management who is responsible for their integrity and objectivity. The accounting policies conform to accounting principles generally accepted in the United States of America (U.S. GAAP) and have been consistently applied in the preparation of the financial statements.

Use of Estimates and Assumptions

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 at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates and assumptions.

Basis of Presentation

A not-for-profit organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Net assets without donor restrictions - Contributions and other inflows of assets that are not subject to donor-imposed stipulations but may be designated for specific purposes by action of the Board of Directors (the Board). Net assets without donor restrictions include expendable funds available to support operations as well as net assets invested in property and equipment.

Net assets with donor restrictions - Contributions and other inflows of assets subject to donor-imposed stipulations that may or will be met by actions of the Foundation or the passage of time or are permanently maintained by the Foundation. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are released to net assets without donor restrictions and reported in the accompanying statement of activities and changes in net assets as net assets released from restriction.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents held as part of investments are excluded from this definition.

Sarasota Performing Arts Center Foundation, Inc.

Notes to Financial Statements (Continued)

June 30, 2021 and 2020

2. Summary of Significant Accounting Policies (Continued)

Investments

Investments are valued at their estimated fair values in the accompanying statement of financial position. Investment return is reported in the statement of activities and consists of interest and investment income, and realized and unrealized gains and losses, net of investment expenses.

Contributions Receivable

The Foundation records signed pledges as receivables based upon management evaluation of donors and pledge history. No allowance for uncollectible pledges has been established, as all receivables were determined to be collectible.

Property and Equipment

Property and equipment is carried at cost if purchased or at estimated fair market value at date of receipt if acquired by gift, less accumulated depreciation. Expenditures in excess of \$2,500 with estimated useful lives greater than one year are capitalized.

Depreciation on all property and equipment is calculated by the straight-line method over the estimated useful lives of the assets as follows:

	<u>Years</u>
Furniture and fixtures	7
Equipment	3-5

Expenditures for renewals and improvements that significantly add to the productive capacity or extend the useful life of the asset are capitalized. Expenditures for normal repairs and maintenance are expensed as incurred. Upon retirement, sale or other disposition of property and equipment, the costs and accumulated depreciation are eliminated from the accounts and any resulting gain or loss is included within the statement of activities.

Contributions and Revenue Recognition

The Foundation recognizes contributions received, including unconditional promises to give, as assets and revenue in the period received at their fair values. Contributions received with donor stipulations that limit the use of donated assets are treated as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When the purpose of the restriction is accomplished, net assets are reclassified and reported in the statement of activities as net assets released from restrictions.

Special events revenue is comprised of an exchange element based upon the direct benefits donors receive and a contribution element for the difference. The Foundation recognizes special events revenue equal to the fair value of direct benefits to donors when the special event takes place. The Organization recognizes the contribution element of special event revenue immediately, unless there is a right of return if the special event does not take place.

Sarasota Performing Arts Center Foundation, Inc.

Notes to Financial Statements (Continued)

June 30, 2021 and 2020

2. Summary of Significant Accounting Policies (Continued)

Donated Material and Services

Donations of materials are recorded as support at the estimated fair market value at the date of donation. Donations of services are recorded as support at their estimated fair value if the services received create or enhance nonfinancial assets or the services require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. A number of full and part-time volunteers have made contributions of their time to maintain the Center's programs. The estimated value of this contributed time is not reflected in these financial statements, since these services do not meet recognition requirements under U.S. GAAP.

During the year ended June 30, 2021, the Foundation recognized \$144,551 of donated rent, and \$4,325 of donated goods. During the year ended June 30, 2020, the Foundation recorded \$41,930 of in-kind contributions and special events expense.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and statement of functional expenses. The expense analysis in the statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program and supporting services benefited. Salaries and related expenses have been allocated based on employee time and effort. Other costs are classified in each functional category based on the underlying purpose of each transaction.

Income Tax

The Foundation is qualified under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes, except for net revenue from unrelated business activities. As such, no provision for income tax expense has been made in the accompanying financial statements.

The Foundation recognizes a tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination of the taxing authorities. Management evaluated the Foundation's tax positions and concluded that the Foundation had no material uncertainties in income taxes as of June 30, 2021 and 2020.

The Foundation files income tax returns in the U.S. federal jurisdiction. The tax periods open to examination by the major taxing jurisdictions to which the Foundation is subject to include fiscal years ended June 30, 2018 through June 30, 2021.

Financial Instruments Not Measured at Fair Value

Certain of the Foundation's financial instruments are not measured at fair value on a recurring basis, but nevertheless, certain financial instruments are recorded at amounts that approximate fair value due to their liquid or short-term nature. Such financial assets and financial liabilities include cash and cash equivalents, prepaid expenses, accounts payable, accrued expenses and deferred revenue.

Reclassification

To facilitate comparison of financial data, certain amounts in the 2020 financial statements have been reclassified to conform to the 2021 reporting presentation. Such reclassifications had no effect on the change in net assets previously reported.

Sarasota Performing Arts Center Foundation, Inc.

Notes to Financial Statements (Continued)

June 30, 2021 and 2020

3. Liquidity and Availability

Financial assets available for general expenditure within one year are as follows as of June 30:

	2021	2020
Financial assets, at year end	\$ 17,680,189	\$ 16,301,473
Less those unavailable for general expenditures		
Within one year, due to:		
Contractual or donor imposed restrictions:		
Donor restricted endowments	(1,258,775)	(1,258,775)
Earnings on endowments subject to appropriation	(1,009,487)	(587,781)
Board designations		
Board designated endowment fund	(4,035,106)	(3,754,374)
Board designated endowment fund - capital	(9,445,878)	(10,075,344)
Board designated capital reserve	(22,276)	(22,274)
Financial assets available within one year	\$ 1,908,667	\$ 602,925

The Foundation manages its financial assets to be available as its operating expenditures, liabilities, and other obligations become due. In addition, the Foundation invests cash in excess of its current requirements in a portfolio of investments designed to maximize long-term investments. Additionally, the Foundation has board designated endowments of \$13,480,984 and cash balances of \$22,276 as of June 30, 2021, and board designated endowments of \$13,829,718 and cash balances of \$22,274 as of June 30, 2020. Although the Foundation does not intend to spend from its board designated endowment funds, other than amounts appropriated for general or capital expenditures, amounts from its board designated endowment and other funds could be made available, if necessary, with appropriate board approval.

4. Investments

Investments consisted of the following as of June 30:

	Market Value	
	2021	2020
Cash equivalents	\$ 163,924	\$ 1,537,042
Mutual funds and common stock	7,537,571	3,138,592
Corporate bonds	4,382,945	7,588,888
Other bonds	3,664,807	3,411,753
	\$ 15,749,247	\$ 15,676,275

Return from investments is summarized as follows for the years ended June 30:

	2021	2020
Interest and dividends	\$ 347,719	\$ 309,723
Realized and unrealized gain (loss)	1,131,496	(77,994)
Investment fees	(58,841)	(48,560)
Investment return, net	\$ 1,420,374	\$ 183,169

Sarasota Performing Arts Center Foundation, Inc.

Notes to Financial Statements (Continued)

June 30, 2021 and 2020

5. Contributions Receivable

Contributions receivable consist of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Contributions receivable	\$ 60,833	\$ 61,917
Less: discount to net present value	-	-
Less: allowance for uncollectible pledges	-	-
Contributions receivable, net	<u>60,833</u>	<u>61,917</u>
Less: current portion	<u>(60,833)</u>	<u>(61,917)</u>
Amount collectible in 1-5 years	<u>\$ -</u>	<u>\$ -</u>

6. Property and Equipment

Property and equipment are summarized as follows as of June 30:

	<u>2021</u>	<u>2020</u>
Furniture and fixtures	\$ 51,141	\$ 29,834
Equipment	<u>158,036</u>	<u>144,863</u>
	209,177	174,697
Less accumulated depreciation	<u>(165,557)</u>	<u>(156,601)</u>
Furniture, fixtures and equipment, net	<u>\$ 43,620</u>	<u>\$ 18,096</u>

Depreciation expense for the years ended June 30, 2021 and 2020 totaled \$8,956 and \$7,215, respectively.

7. Net Assets without Donor Restrictions

It is policy of the Board of Directors of Sarasota Performing Arts Center Foundation, Inc. to create a world-class performing arts center that enriches the community, supports arts education, and inspires young minds. For the furtherance of this purpose, the Foundation created a Board Designated Reserve in 1990 which is restricted from use unless approved by a vote of 75% of the members of the Board of Directors attending a duly authorized meeting. It is expected that this fund balance will grow over time from investment gains exceeding losses, and any annual surpluses from operations. Investment income from this fund will be reinvested in the fund. The funds are managed to achieve long term capital appreciation commensurate with security of principal. The investment mix includes equities (0%-75%), fixed income (25%-100%), cash and cash equivalents (0%-15%). During the year ended September 30, 2018, the Board of Directors designated \$10,000,000 to be used for the Sarasota Performing Arts Center initiative.

Net assets without donor restrictions are available for the following purposes as of June 30:

	<u>2021</u>	<u>2020</u>
Undesignated	\$ 1,583,727	\$ 368,520
Board designated - reserve	4,035,106	3,754,374
Board designated - capital	<u>9,468,154</u>	<u>10,097,618</u>
	<u>\$ 15,086,987</u>	<u>\$ 14,220,512</u>

Sarasota Performing Arts Center Foundation, Inc.

Notes to Financial Statements (Continued)

June 30, 2021 and 2020

8. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes or periods as of June 30:

	<u>2021</u>		<u>2020</u>
Time restricted contributions	\$ 60,833	\$	61,917
Earnings on endowments subject to appropriation	1,009,487		587,781
Endowments	1,258,775		1,258,775
	<u>\$ 2,329,095</u>	<u>\$</u>	<u>1,908,473</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows for the year ended June 30:

	<u>2021</u>		<u>2020</u>
Time restricted contributions	\$ 53,584	\$	64,796
Capital campaign expenditures	178,197		125,000
	<u>\$ 231,781</u>	<u>\$</u>	<u>189,796</u>

At the beginning of each fiscal year, based upon the market value of the fund on the last day of the immediately prior fiscal year, investment income earned from this fund may be transferred to Net Assets with Donor Restrictions to be utilized in advancing the mission of the Foundation. An amount equal to the lesser of: (i) 5% of such market value or (ii) the actual earnings of the fund for the year (which shall consist of interest, dividends, and realized and unrealized gains, net of fees) may be transferred. The funds should be managed to achieve long term capital appreciation and current income commensurate with security of principal. The investment mix should include equities (45%-75%), fixed income (25%-55%), and cash and equivalents (0%-15%).

9. Capital Campaign Activities

In October 2016, the Board of Directors established a capital campaign for the purpose of raising funds for the Sarasota Performing Arts Center initiative. The expenses for the capital campaign have been separately stated in the Statement of Activities and Statement of Functional Expenses to separate those activities from general operations of the Foundation. Expenses related to the capital campaign fund were \$493,369 and \$506,854 for the years ended June 30, 2021 and 2020. There were restricted donations totaling \$125,000 made to the capital campaign in the years ended June 30, 2021 and 2020. As of June 30, 2021 and 2020, the assets of the capital campaign totaled \$9,468,154 and \$10,097,618 and are invested in separate accounts designated for the capital campaign. Future donations for the capital campaign will be designated for this account.

10. Fair Value Measurements

The Foundation adopted the Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification. The Fair Value Measurements and Disclosures Topic provides enhanced guidance for using fair value to measure assets and liabilities and clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the assets or liabilities and establishes a hierarchy that prioritizes the information used to develop those assumptions.

Sarasota Performing Arts Center Foundation, Inc.

Notes to Financial Statements (Continued)

June 30, 2021 and 2020

10. Fair Value Measurements (Continued)

The following tables present information about the Foundation's assets that are measured at fair value on a recurring basis as of June 30, 2021 and 2020 and indicate that fair value hierarchy of the valuation techniques used to determine such fair value. The three levels for measuring fair value are based on the reliability of inputs and are as follows:

Level 1 - unadjusted quoted prices in active markets for identical assets, such as publicly traded equity securities.

Level 2 - inputs other than quoted prices included In Level 1 that are observable, either directly or indirectly. Such inputs may include quoted prices for similar assets, observable inputs other than quoted prices (interest rates, yield curves, etc.) or inputs derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - inputs are unobservable data points for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability (for example, hedge funds, private equity and other). The inputs reflect the Foundation's assumptions based on the best information available in the circumstance.

The following sets the fair value hierarchy by level for the Foundation's assets measured at fair value as of June 30, 2021 and 2020:

Description	Fair Value at June 30, 2021			
	Level 1	Level 2	Level 3	
Cash equivalents	\$ 163,924	\$ 163,924	\$ -	\$ -
Mutual funds and common stock	7,537,571	7,537,571	-	-
Corporate bonds	4,382,945	4,382,945	-	-
Other bonds	3,664,807	3,664,807	-	-
Total investments	\$ 15,749,247	\$ 15,749,247	\$ -	\$ -

Description	Fair Value at June 30, 2020			
	Level 1	Level 2	Level 3	
Cash equivalents	\$ 1,537,042	\$ 1,537,042	\$ -	\$ -
Mutual funds and common stock	3,138,592	3,138,592	-	-
Corporate bonds	7,588,888	7,588,888	-	-
Other bonds	3,411,753	3,411,753	-	-
Total investments	\$ 15,676,275	\$ 15,676,275	\$ -	\$ -

Sarasota Performing Arts Center Foundation, Inc.

Notes to Financial Statements (Continued)

June 30, 2021 and 2020

II. Endowments

The Foundation's endowments consist of funds established for a variety of purposes. Its endowments include donor-restricted endowments and board-designated endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation 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 date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions that are perpetual in nature (a) the original value of gifts donated to the perpetual endowment, and (b) the original value of subsequent gifts to the perpetual endowment. Any portion of an endowment fund that is not considered to be perpetual in nature will be classified as purpose restricted until appropriated for expenditure.

The Foundation has adopted investment policies for endowment assets that attempt to provide a predictable income stream to support their endowed purposes. The investment policy attempts to achieve long term capital appreciation through diversification of asset classes while maintaining security of principal. Return will be measured against the Consumer Price Index (CPI) and is expected to exceed the CPI by at least 4% over the long-term in the donor restricted endowment.

To satisfy its long-term return objectives, the Foundation 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). The Foundation targets a diversified asset allocation that includes a range of 45-75% portfolio mix in equity-based investments to achieve its long-term return objectives with prudent risk parameters.

Endowment net asset compositions as of June 30, 2021

	Without Donor Restrictions	With Donor Restrictions
Donor restricted	\$ -	\$ 1,258,775
Endowment earnings - time restricted	-	1,009,487
Board designated	13,503,260	-
Total Endowment Funds	<u>\$ 13,503,260</u>	<u>\$ 2,268,262</u>

Endowment net asset compositions as of June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions
Donor restricted	\$ -	\$ 1,258,775
Endowment earnings – time restricted	-	587,781
Board designated	13,829,718	-
Total Endowment Funds	<u>\$ 13,829,718</u>	<u>\$ 1,846,556</u>

Sarasota Performing Arts Center Foundation, Inc.

Notes to Financial Statements (Continued)

June 30, 2021 and 2020

11. Endowments (Continued)

Changes in endowment net assets were as follows for the year ended June 30, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>
Endowment net assets, beginning of year	\$ 13,829,718	\$ 1,846,556
Interest and investments income	300,993	46,726
Realized and unrealized gains and (losses)	652,978	419,677
Transfers	(1,280,429)	(44,697)
Endowment net assets, end of year	<u>\$ 13,503,260</u>	<u>\$ 2,268,262</u>

Changes in endowment net assets were as follows for the year ended June 30, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>
Endowment net assets, beginning of year	\$ 13,571,722	\$ 1,812,550
Interest and investments income	272,100	46,153
Realized and unrealized gains and (losses)	(114,407)	(12,147)
Transfers	100,303	-
Endowment net assets, end of year	<u>\$ 13,829,718</u>	<u>\$ 1,846,556</u>

12. Employee Retirement Plan

All employees may participate in a 401K plan offered through the Foundation's professional employer organization. The plan offers a safe harbor contribution for each employee up to 3% of their earnings regardless of participation. At the end of each calendar year, the Foundation may elect to make an additional 1% contribution of prior calendar year's earnings (for a total contribution of 4%). The Foundation contributed \$22,262 and \$19,463 in matching contributions for the years ended June 30, 2021 and 2020.

13. Concentration of Credit and Economic Risk

Financial instruments, which potentially subject the Foundation to concentrations of credit risk, consist of cash, cash equivalents and investments. The Federal Deposit Insurance Corporation (FDIC) insures cash and other deposits up to \$250,000 at each financial institution. At any given time, the Foundation may have cash balances exceeding the insured amount at any one financial institution. The Foundation has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

Investment securities are exposed to interest rate, market, credit and other risks depending on the nature of the specific investment. Accordingly, it is reasonably possible that these factors will result in changes in the value of the Foundation's investments.

14. Payroll Protection Program

On April 13, 2020, the Foundation qualified for and received a loan pursuant to the Paycheck Protection Program, a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act for an aggregate principal amount of \$105,700.

Sarasota Performing Arts Center Foundation, Inc.

Notes to Financial Statements (Continued)

June 30, 2021 and 2020

14. Payroll Protection Program (Continued)

On February 11, 2021, the Foundation qualified for and received a loan pursuant to the Paycheck Protection Program 2nd Draw, a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act for an aggregate principal amount of \$153,870.

The PPP Loans bear interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, have a term of two years, and are unsecured and guaranteed by the U.S. Small Business Administration. The principal amount of the PPP Loans are subject to forgiveness under the Paycheck Protection Program upon the Foundation's request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the Foundation. To the extent that all or part of the PPP Loans are not forgiven, the Foundation will be required to pay interest on the PPP Loans at a rate of 1.0% per annum, and commencing in May 2022 principal and interest payments will be required.

The Foundation has recorded the PPP Loans under the government grant model in accordance with ASC 958-605, *Not-for-Profit Entities Revenue Recognition*. Under this model, the timing of recognition for a contribution received depends on whether the contribution is conditional or not. If conditional, the contribution is not recognized until the conditions are substantially met or explicitly waived. Specifically, a nongovernmental entity would initially record the cash inflow from the PPP loan as a refundable advance. The nongovernmental entity would then reduce the refundable advance and recognize the contribution once the conditions of release have been substantially met or explicitly waived. Recognition may be done in stages as conditions are met. Conditions of the PPP Loan include spending on qualified expenses, maintaining an employee headcount, and limitations on compensation reduction.

As of June 30, 2021, the Foundation has determined that conditions have been met for the 2nd Draw PPP Loan in its entirety. Accordingly, for the year ended June 30, 2021, the Foundation has recognized revenue of \$153,870 in the Statement of Activities. The Foundation applied for and received notice of formal forgiveness in December 2021 for this second PPP Loan.

As of June 30, 2020, the Foundation has determined that conditions have been met for the first PPP Loan in its entirety. Accordingly, for the year ended June 30, 2020, the Foundation has recognized revenue of \$105,700 in the Statement of Activities. The Foundation applied for and received notice of formal forgiveness in January 2021 for this first PPP Loan.

15. Related Party Transactions

The Foundation receives donations from its Board of Directors or engages in transactions with entities for which board members have a relationship. All board members sign conflict of interest forms, remove themselves from the room during discussion, and abstain from voting on issues where there could be a potential conflict of interest. During the year ended June 30, 2021, the Foundation recognized \$144,551 of donated rent which was contributed by a board member. There were no related party transactions during the year ended June 30, 2020.

16. Subsequent Events

The Foundation has evaluated all events subsequent to the statement of financial position date of June 30, 2021, through the date these financial statements were available for issuance, January 17, 2022 and has determined that, there were no subsequent events that require disclosure under the FASB Accounting Standard Codification.