

AVENUE OF THE ARTS, INC.

FINANCIAL STATEMENTS

For the Years Ended December 31, 2023 and 2022

AVENUE OF THE ARTS, INC.
FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Avenue of the Arts, Inc.
Philadelphia, Pennsylvania

Opinion

We have audited the accompanying financial statements of Avenue of the Arts, Inc. (a nonprofit organization) which comprise the statements of financial position as of December 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 Avenue of the Arts, Inc. as of December 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Avenue of the Arts, Inc. 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 opinion.

Responsibilities of Management 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, 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 Avenue of the Arts, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.



Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements 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 Avenue of the Arts, Inc.'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 Avenue of the Arts, Inc.'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.

DePietto & DePietto, LLC

Holland, Pennsylvania
May 28, 2024

AVENUE OF THE ARTS, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,202,016	\$ 680,919
Cash and cash equivalents restricted for DCED grant obligations	348,201	288,227
Total cash, cash equivalents and restricted cash	<u>1,550,217</u>	<u>969,146</u>
Contributions and grants receivable	12,500	33,500
Unbilled revenue	0	3,928
Prepaid expenses	1,801	6,080
Security deposit receivable	<u>10,070</u>	<u>0</u>
 TOTAL CURRENT ASSETS	 1,574,588	 1,012,654
 LONG-TERM ASSETS		
Property and Equipment		
Office equipment	31,791	31,791
Less accumulated depreciation	<u>(31,791)</u>	<u>(31,791)</u>
 Total Property and Equipment	 <u>0</u>	 <u>0</u>
 Operating lease - right of use asset	 <u>140,758</u>	 <u>0</u>
 TOTAL LONG-TERM ASSETS	 <u>140,758</u>	 <u>0</u>
 TOTAL ASSETS	 <u><u>\$ 1,715,346</u></u>	 <u><u>\$ 1,012,654</u></u>

AVENUE OF THE ARTS, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 145,161	\$ 57,916
Accrued expenses	11,765	13,100
Deferred revenue	741,086	399,490
Refundable advances	348,201	288,227
Operating lease liability - short-term	30,649	0
	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES	1,276,862	758,733
LONG TERM LIABILITIES		
Operating lease liability - long-term	110,935	0
	<hr/>	<hr/>
TOTAL LONG TERM LIABILITIES	110,935	0
	<hr/>	<hr/>
TOTAL LIABILITES	1,387,797	758,733
NET ASSETS		
Without donor restrictions	307,062	243,921
With donor restrictions	20,487	10,000
	<hr/>	<hr/>
TOTAL NET ASSETS	327,549	253,921
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,715,346</u>	<u>\$ 1,012,654</u>

AVENUE OF THE ARTS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Contributions	\$ 43,686	\$ 90,000	\$ 133,686
Contributions - In-kind	10,000	0	10,000
Event Tickets	6,535	0	6,535
Fundraising Event Revenue	203,375	0	203,375
Government Grants	644,503	0	644,503
Membership Dues	5,414	0	5,414
Miscellaneous Income	43	0	43
	<hr/>	<hr/>	<hr/>
TOTAL REVENUE AND SUPPORT	913,556	90,000	1,003,556
	<hr/>	<hr/>	<hr/>
NET ASSETS RELEASED FROM RESTRICTIONS	79,513	(79,513)	0
	<hr/>	<hr/>	<hr/>
TOTAL REVENUE AND SUPPORT, AND NET ASSETS RELEASED FROM RESTRICTIONS	993,069	10,487	1,003,556
EXPENSES			
Program services			
Marketing	71,167	0	71,167
Planning and Advocacy	239,227	0	239,227
Public Art, Streetscape and Maintenance	327,297	0	327,297
Friends of the Avenue and Other Events	14,843	0	14,843
	<hr/>	<hr/>	<hr/>
Total program services	652,534	0	652,534
Supporting services			
Management and general	128,976	0	128,976
Development	154,753	0	154,753
	<hr/>	<hr/>	<hr/>
Total supporting services	283,729	0	283,729
	<hr/>	<hr/>	<hr/>
TOTAL EXPENSES	936,263	0	936,263
	<hr/>	<hr/>	<hr/>
CHANGE IN NET ASSETS FROM OPERATIONS	56,806	10,487	67,293
NONOPERATING ACTIVITIES:			
Interest Income	6,335	0	6,335
	<hr/>	<hr/>	<hr/>
Total nonoperating activities	6,335	0	6,335
	<hr/>	<hr/>	<hr/>
CHANGE IN NET ASSETS	63,141	10,487	73,628
	<hr/>	<hr/>	<hr/>
NET ASSETS AT BEGINNING OF YEAR	243,921	10,000	253,921
	<hr/>	<hr/>	<hr/>
NET ASSETS AT END OF YEAR	\$ 307,062	\$ 20,487	\$ 327,549
	<hr/>	<hr/>	<hr/>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

AVENUE OF THE ARTS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restirctions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Contributions	\$ 73,100	\$ 10,000	\$ 83,100
Contributions - In-kind	30,000	0	30,000
Fundraising Event Revenue	154,893	0	154,893
Government Grants	523,154	0	523,154
Membership Dues	9,286	0	9,286
Miscellaneous income	562	0	562
	<hr/>	<hr/>	<hr/>
TOTAL REVENUE AND SUPPORT	790,995	10,000	800,995
NET ASSETS RELEASED FROM RESTRICTIONS			
	<hr/>	<hr/>	<hr/>
	0	0	0
TOTAL REVENUE AND SUPPORT, AND NET ASSETS RELEASED FROM RESTRICTIONS	790,995	10,000	800,995
EXPENSES			
Program services			
Marketing	209,679	0	209,679
Planning and Advocacy	56,519	0	56,519
Public Art, Streetscape and Maintenance	226,425	0	226,425
Total program services	<hr/>	<hr/>	<hr/>
	492,623	0	492,623
Supporting services			
Management and general	45,138	0	45,138
Development	204,201	0	204,201
Total supporting services	<hr/>	<hr/>	<hr/>
	249,339	0	249,339
TOTAL EXPENSES	<hr/>	<hr/>	<hr/>
	741,962	0	741,962
CHANGE IN NET ASSETS FROM OPERATIONS	49,033	10,000	59,033
NONOPERATING ACTIVITIES:			
Interest Income	9	0	9
Total nonoperating activities	<hr/>	<hr/>	<hr/>
	9	0	9
CHANGE IN NET ASSETS	49,042	10,000	59,042
NET ASSETS AT BEGINNING OF YEAR	<hr/>	<hr/>	<hr/>
	194,879	0	194,879
NET ASSETS AT END OF YEAR	<hr/>	<hr/>	<hr/>
	\$ 243,921	\$ 10,000	\$ 253,921

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

AVENUE OF THE ARTS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 73,628	\$ 59,042
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Amortization of right of use asset	826	0
(Increase) decrease in operating assets		
Contributions and grants receivable	21,000	(32,000)
Unbilled revenue	3,928	(3,928)
Prepaid expenses	4,279	(2,854)
Security deposit receivable	(10,070)	0
Increase (decrease) in operating liabilities		
Accounts payable	87,245	13,819
Accrued expenses	(1,335)	(4,550)
Deferred revenue	341,596	399,490
Refundable advances	59,974	(418,717)
	<u>581,071</u>	<u>10,302</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
	<u>581,071</u>	<u>10,302</u>
NET INCREASE IN CASH	581,071	10,302
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>969,146</u>	<u>958,844</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF YEAR	<u>\$ 1,550,217</u>	<u>\$ 969,146</u>

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AVENUE OF THE ARTS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023

	PROGRAM SERVICES					SUPPORT SERVICES				
	MARKETING	PLANNING & ADVOCACY	PUBLIC ART, STREETScape & MAINTENANCE	FRIENDS OF THE AVENUE AND OTHER EVENTS	TOTAL PROGRAM SERVICES	MGMT AND GENERAL	DEVELOPMENT AND FUNDRAISING	TOTAL SUPPORT SERVICES	TOTAL EXPENSES 2023	
Payroll, payroll taxes and benefits	\$ 37,399	\$ 36,387	\$ 14,555	\$ 2,763	\$ 91,104	\$ 75,023	\$ 44,174	\$ 119,197	\$ 210,301	
Advertising	500	0	0	0	500	0	0	0	500	
Bad debt expense	0	0	0	0	0	0	4,000	4,000	4,000	
Bank and finance charges	0	0	0	1,054	1,054	623	5	628	1,682	
Insurance	578	577	231	39	1,425	972	694	1,666	3,091	
Memberships and subscriptions	605	0	0	0	605	1,732	0	1,732	2,337	
Office supplies and expenses	2,908	3,027	1,210	2,863	10,008	6,304	4,209	10,513	20,521	
Professional fees	0	60,300	0	0	60,300	30,738	0	30,738	91,038	
Program expenses	20,761	129,682	226,002	7,741	384,186	0	92,414	92,414	476,600	
Rent and utilities	3,654	3,480	1,392	291	8,817	6,555	4,351	10,906	19,723	
Rent - donated	1,908	2,038	815	92	4,853	2,832	2,315	5,147	10,000	
Special board project - repair lampposts	0	0	83,063	0	83,063	0	0	0	83,063	
Travel and training meetings	2,854	3,736	29	0	6,619	4,197	2,591	6,788	13,407	
TOTAL EXPENSES	\$ 71,167	\$ 239,227	\$ 327,297	\$ 14,843	\$ 652,534	\$ 128,976	\$ 154,753	\$ 283,729	\$ 936,263	
% to Total Expenses	8%	26%	35%	2%	70%	14%	17%	30%	100%	

AVENUE OF THE ARTS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	PROGRAM SERVICES				SUPPORT SERVICES				TOTAL EXPENSES 2022
	MARKETING	ADVOCACY & PLANNING	PUBLIC ART, STREETScape & MAINTENANCE	TOTAL PROGRAM SERVICES	MGMT AND GENERAL	DEVELOPMENT AND FUNDRAISING	TOTAL SUPPORT SERVICES		
Payroll, payroll taxes and benefits	\$ 46,324	\$ 46,252	\$ 37,066	\$ 129,642	\$ 37,754	\$ 45,428	\$ 83,182	\$ 212,824	
Advertising	(177)	(48)	(191)	(416)	(37)	(172)	(209)	(625)	
Bank and finance charges	1,068	244	979	2,291	194	881	1,075	3,366	
Donation expense	2,698	53	214	2,965	43	192	235	3,200	
Insurance	2,024	546	2,185	4,755	436	1,971	2,407	7,162	
Marketing and public relations	68,504	0	0	68,504	0	0	0	68,504	
Memberships and subscriptions	1,262	231	925	2,418	184	835	1,019	3,437	
Miscellaneous expenses	741	4	17	762	3	16	19	781	
Office supplies and expenses	3,081	454	1,941	5,476	362	1,641	2,003	7,479	
Professional fees	8,082	2,179	8,728	18,989	1,740	7,871	9,611	28,600	
Program costs	11,304	3,077	164,212	178,593	2,433	134,066	136,499	315,092	
Rent - donated	8,478	2,285	9,155	19,918	1,825	8,257	10,082	30,000	
Special events	49,381	0	0	49,381	0	0	0	49,381	
Travel and training meetings	6,909	1,242	1,194	9,345	201	3,215	3,416	12,761	
TOTAL EXPENSES	\$ 209,679	\$ 56,519	\$ 226,425	\$ 492,623	\$ 45,138	\$ 204,201	\$ 249,339	\$ 741,962	
% to Total Expenses	28%	8%	31%	66%	6%	28%	34%	100%	

AVENUE OF THE ARTS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ACTIVITIES

Avenue of the Arts, Inc. (the "Organization") is a nonprofit organization founded in 1993 to promote the development, beautification, and marketing of the Avenue of the Arts. AAI has played an important role in transforming South Broad Street from City Hall to Washington Avenue into a vibrant and growing destination where people go to live, work, shop, play, and learn. The Avenue of the Arts is an important entertainment center for Philadelphia and the region. It is truly one of the most successful cultural, residential, commercial, educational and tourist locales in the United States.

Our primary mission is advocacy for the interests of the Avenue of the Arts stakeholders on issues ranging from strategic planning to marketing and place making in support of the economic and cultural vitality of this great street.

SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Measure of operations

The statements of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's ongoing program services and interest and dividends earned on money market and savings accounts. Non-operating activities, if any, are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

AVENUE OF THE ARTS, INC.
NOTES TO FINANCIAL STATEMENTS

**NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Basis of Accounting

The Organization's policy is to prepare its financial statements using the accrual basis of accounting which is in accordance with accounting principles generally accepted in the United States of America.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Property and Equipment and Depreciation

The Organization follows the practice of capitalizing all expenditures for capital assets in excess of \$1,000. These assets are recorded at cost on the date of acquisition. The assets are depreciated on a straight-line basis over their estimated useful lives. Routine repairs and maintenance are expensed as incurred.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Tax Status

The Organization is exempt from income tax under IRC section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Organization has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

AVENUE OF THE ARTS, INC.
NOTES TO FINANCIAL STATEMENTS

**NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Leases

The Organization determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term. The Organization does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less), if any. Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Payroll, payroll taxes and employee benefits	Hours worked
Bank and finance charges	Monthly Salary Allocation
Insurance	Monthly Salary Allocation
Memberships and subscriptions	Monthly Salary Allocation
Miscellaneous expenses	Monthly Salary Allocation
Office supplies and expenses	Monthly Salary Allocation
Rent and utilities	Monthly Salary Allocation
Rent – donated	Monthly Salary Allocation

Reclassifications

Certain amounts in the December 31, 2022 financial statements have been reclassified to conform to the presentation in the December 31, 2023 financial statements.

Recently Adopted Accounting Guidance

Leases

In February 2016, the Financial Accounting Standards Board (FASB) issued guidance (Accounting Standards Codification [ASC] 842, *Leases*) to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard,

AVENUE OF THE ARTS, INC.
NOTES TO FINANCIAL STATEMENTS

**NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Recently Adopted Accounting Guidance (continued)

Leases (continued)

disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The standard became effective for private entities with annual reporting periods beginning after December 15, 2021. Although the standard became effective January 1, 2022 for all private, calendar year entities, the Organization did not have any long-term operating leases to report on in 2022.

The Organization adopted the standard effective June 1, 2023, when the lease with the lessor commenced, and recognized and measured the lease existing on June 1, 2023 (the beginning period of adoption). Lease disclosures for the year ended December 31, 2022 were made under prior lease guidance in FASB ASC 840.

As a result of the adoption of the new lease accounting guidance, the Organization recognized a right-of-use asset of \$155,532 and a lease liability of \$155,532 in its statement of financial position as of June 1, 2023. The adoption did not result in a significant effect on amounts reported in the statement of activities.

NOTE 2 – CASH, CASH EQUIVALENTS AND RESTRICTED CASH

Cash and cash equivalents

For purposes of the statement of financial position and the statement of cash flows, cash and cash equivalents consist of cash and other highly liquid resources, such as investment in money market funds, with an original maturity of three months or less when purchased.

The following is the composition of the combined amounts appearing in the financial statements.

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	<u>\$1,202,016</u>	<u>\$680,919</u>

AVENUE OF THE ARTS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – CASH, CASH EQUIVALENTS AND RESTRICTED CASH (CONTINUED)

Restricted cash

The Organization received two \$500,000 Marketing to Attract Tourists Grant Contracts from the Commonwealth of Pennsylvania Department of Community and Economic Development (“DCED”). DCED Grant Number C000080403 has a term from July 1, 2021 to June 30, 2024 and DCED Grant Number C000084535 has a term from January 1, 2023 to December 31, 2024.

The following is the composition of the restricted cash amounts appearing in the financial statements.

	<u>2023</u>	<u>2022</u>
Grant Number C000080403	\$ 40,890	\$288,227
Grant Number C000084535	<u>307,311</u>	<u>0</u>
	<u>\$348,201</u>	<u>\$288,227</u>

NOTE 3 – DATE OF MANAGEMENT’S REVIEW

Subsequent events have been evaluated through May 28, 2024, which is the date the financial statements were available to be issued.

NOTE 4 – CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash.

The Organization maintains its cash and money market funds in several financial institutions. Cash accounts and money market accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Organization had uninsured funds on December 31, 2023 and 2022 of \$1,299,458 and \$707,885, respectively. While the Organization’s accounts exceed the federally insured limits, the Organization believes it is not exposed to any significant credit risk on uninsured cash and money market funds at any time.

Bank deposits

All bank deposits are classified as to credit risk by the three categories. **Category 1** consists of bank deposits insured or collateralized with securities held by the Organization of in the Organization’s name by its agent. **Category 2** consists of bank deposits collateralized with securities held by pledging public depository’s trust department or agent in the Organization’s name. **Category 3** includes uncollateralized deposits including any deposits that are collateralized with securities held by the pledging public depository or by its trust department or agent but not in the Organization’s name. On December 31, 2023 and 2022, the Organization’s deposits Of \$1,550,217 and \$969,146, respectively, are classified as Category 1 deposits.

AVENUE OF THE ARTS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 5 – CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable on December 31, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Receivable in less than one year	\$ <u>12,500</u>	\$ <u>33,500</u>
Total contributions receivable	\$ <u>12,500</u>	\$ <u>33,500</u>

NOTE 6 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions were as follows for the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Undesignated	\$ <u>307,062</u>	\$ <u>243,921</u>

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were as follows for the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
30 th Anniversary Gala	\$ 0	\$5,000
Lamppost Repair Project	<u>20,487</u>	<u>5,000</u>
	<u>\$20,487</u>	<u>\$10,000</u>

NOTE 8 – CONTRIBUTIONS IN-KIND - DONATED RENT

Effective June 1, 2021, Dranoff Properties, Inc. (“DPI”) agreed to donate office space to the Organization for the fair market value of \$2,500 per month. In lieu of monthly rental payments, at the end of each calendar year, the Organization issued a letter to DPI detailing the value of the abated monthly rent as a charitable contribution of DPI. DPI provided electric, heat and water at no additional cost. The Organization was permitted to use DPI’s Guest WIFI. Telephone service was excluded. This agreement ceased as of April 30, 2023. At December 31, 2023 and 2022, the amount of donated rent was \$10,000 and \$30,000, respectively.

AVENUE OF THE ARTS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 9 – GOVERNMENT GRANTS

Commonwealth of Pennsylvania Department of Community and Economic Development (“DCED”):

DCED Grant Number C000080403

In 2021, the Organization received a \$500,000 Marketing to Attract Tourists Grant Contracts from the Commonwealth of Pennsylvania Department of Community and Economic Development (“DCED”). DCED Grant Number C000080403 has a term from July 1, 2021 to June 30, 2024. As of December 31, 2021, the Organization had received the entire \$500,000 for the grant as was recognized as a refundable advance on the balance sheet.

As of December 31, 2023 and 2022, \$247,338 and \$211,773 of Grant Number C000080403 had been recognized as revenue, respectively. The remainder of the grant at December 31, 2023 and 2022 of \$40,889 and \$288,227, respectively, was recognized as refundable advances on the balance sheet.

DCED Grant Number C000084138

On January 12, 2022, the Organization received a \$50,000 Marketing to Attract Tourists Grant Contracts from the Commonwealth of Pennsylvania Department of Community and Economic Development (“DCED”) Grant Number C000084138 with a term from July 1, 2022 to December 31, 2023. As of December 31, 2022, \$3,927 of this grant was recorded as unbilled revenue on the balance sheet and grant revenue on the statement of activities. As of December 31, 2023, the balance of the grant was expended in accordance with the contract.

DCED Grant Number C000084535

On May 19, 2023, the Organization received a \$500,000 Marketing to Attract Tourists Grant Contracts from the Commonwealth of Pennsylvania Department of Community and Economic Development (“DCED”) Grant Number C000084535 with a term from January 1, 2023 to December 31, 2024. As of December 31, 2023, \$192,688 of this grant was recognized as grant revenue on the statement of activities and the unexpended balance of \$307,312 was recognized as refundable advances on the balance sheet.

City of Philadelphia

In August 2022, the Organization received a \$500,000 unrestricted contribution from the City of Philadelphia. At December 31, 2023 and 2022, the Organization recognized \$158,404 and \$100,510 as revenue and deferred \$241,086 and \$399,490 of the contribution to offset future expenses, respectively.

In August 2023, the Organization received an additional \$500,000 unrestricted contribution from the City of Philadelphia. As of December 31, 2023, this amount was deferred to offset future expenses.

AVENUE OF THE ARTS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 9 – GOVERNMENT GRANTS (CONTINUED)

Commonwealth of Pennsylvania Department of Community and Economic Development (“DCED”)
(continued):

Included in government grants revenue on December 31, 2023 and 2022 are the following:

	<u>2023</u>	<u>2022</u>
DCED Grant Number C000075661	\$ 0	\$ 206,944
DCED Grant Number C000080403	247,338	211,773
DCED Grant Number C000084138	46,073	3,927
DCED Grant Number C000084535	192,688	0
City of Philadelphia	158,404	100,510
	<u>\$ 644,503</u>	<u>\$ 523,154</u>

NOTE 10 – LEASE OBLIGATION

The Organization evaluated current contracts to determine which met the criteria of a lease. The right-of-use (ROU) assets represent the Organization’s right to use underlying assets for the lease term, and the lease liabilities represent the Organization’s obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms. The Organization has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments. The weighted-average discount rate applied to calculate lease liabilities as of June 1, 2023, was 1.55%.

The Organization’s operating lease consists of a real estate lease for 1,060 square feet of office space on a portion of the twenty-third floor of the building located at 123 South Broad Street, Condominium Unit 2, in Philadelphia, Pennsylvania. One lease term of sixty-two (62) months, includes a three-year extension, available at the Organization’s option, which it is not reasonably certain to exercise. Therefore, the payments associated with the extension are not included in the ROU asset nor the lease liability recognized as of June 1, 2023.

For the year ended December 31, 2023, total operating lease cost was \$18,556. As of December 31, 2023, the weighted-average remaining lease term for the Organization’s operating lease was approximately 4 1/2 years.

Cash paid for operating leases for the year ended December 31, 2023 was \$16,486. There were no noncash investing and financing transactions related to leasing other than the transition entry described in note 1.

AVENUE OF THE ARTS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 10 – LEASE OBLIGATION (CONTINUED)

Future maturities of lease liabilities are presented in the following table, for the fiscal years ending December 31:

2024	\$ 30,649
2025	31,414
2026	32,200
2027	33,008
2028	19,592
Thereafter	<u>0</u>
Total lease payments	146,863
Less present value discount	<u>(5,279)</u>
Total lease obligations	<u>\$141,584</u>

NOTE 11 – AVAILABILITY AND LIQUIDITY

The following represents the Organization’s financial assets on December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Financial assets at year-end:		
Cash and cash equivalents	\$1,202,016	\$680,919
Contributions and grants receivable	<u>12,500</u>	<u>33,500</u>
Total financial assets	1,214,516	714,419
Less amounts not available to be used within one year:		
Net assets with donor restrictions	<u>20,487</u>	<u>10,000</u>
Financial assets available to meet cash needs for general expenditures over the next twelve months	<u>\$1,194,029</u>	<u>\$704,419</u>

The Organization maintains financial assets for operating expenses in checking accounts. As part of its liquidity plan, from time to time, excess cash is invested in money market accounts at various financial institutions.

AVENUE OF THE ARTS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 12 – RISK MANAGEMENT

The Organization is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters.

Property and Liability Insurance

The Organization maintains commercial insurance coverage for property, liability and surety bonds.

NOTE 13 – LITIGATION

As of the date of this report there is no litigation pending which, if decided adversely to the Organization would have a material impact on the Organization.