

AVENUE OF THE ARTS, INC.

FINANCIAL STATEMENTS

For the Years Ended December 31, 2022 and 2021

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, 2022 and 2021, 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, 2022 and 2021, 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 audit 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
April 25, 2023

AVENUE OF THE ARTS, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 680,919	\$ 251,900
Cash and cash equivalents restricted for DCED grant obligations	288,227	706,944
Total cash, cash equivalents and restricted cash	<u>969,146</u>	<u>958,844</u>
Contributions and grants receivable	33,500	1,500
Unbilled revenue	3,928	0
Prepaid expenses	<u>6,080</u>	<u>3,226</u>
TOTAL CURRENT ASSETS	1,012,654	963,570
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>
TOTAL ASSETS	<u><u>\$ 1,012,654</u></u>	<u><u>\$ 963,570</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 57,916	\$ 44,097
Accrued expenses	13,100	17,650
Deferred revenue	399,490	0
Refundable advances	<u>288,227</u>	<u>706,944</u>
TOTAL CURRENT LIABILITIES	758,733	768,691
NET ASSETS		
Without donor restrictions	243,921	194,879
With donor restrictions	<u>10,000</u>	<u>0</u>
TOTAL NET ASSETS	<u>253,921</u>	<u>194,879</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,012,654</u></u>	<u><u>\$ 963,570</u></u>

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 Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Contributions	\$ 73,100	\$ 10,000	\$ 83,100
Contributions - in-kind	30,000	0	30,000
Fundraising income	154,893	0	154,893
Government grants	523,154	0	523,154
Interest income	9	0	9
Miscellaneous income	9,848	0	9,848
	<hr/>	<hr/>	<hr/>
TOTAL REVENUE AND SUPPORT	791,004	10,000	801,004
NET ASSETS RELEASED FROM RESTRICTIONS			
	<hr/>	<hr/>	<hr/>
	0	0	0
TOTAL REVENUE AND SUPPORT, AND NET ASSETS RELEASED FROM RESTRICTIONS			
	<hr/>	<hr/>	<hr/>
	791,004	10,000	801,004
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
CHANGES 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/> <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.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Contributions	\$ 43,868	\$ 0	\$ 43,868
Contributions - in-kind	10,000	0	10,000
Fundraising income	13,624	0	13,624
Government grants	393,056	0	393,056
COVID-19 PPP loan forgiveness	17,887	0	17,887
Miscellaneous income	221	0	221
	<hr/>	<hr/>	<hr/>
TOTAL REVENUE AND SUPPORT	478,656	0	478,656
NET ASSETS RELEASED FROM RESTRICTIONS			
	<hr/>	<hr/>	<hr/>
	0	0	0
TOTAL REVENUE AND SUPPORT, AND NET ASSETS RELEASED FROM RESTRICTIONS			
	<hr/>	<hr/>	<hr/>
	478,656	0	478,656
EXPENSES			
Program services			
Marketing	70,587	0	70,587
Planning and Advocacy	40,562	0	40,562
Public Art, Streetscape and Maintenance	126,308	0	126,308
Total program services	<hr/>	<hr/>	<hr/>
	237,457	0	237,457
Supporting services			
Management and general	51,585	0	51,585
Development	135,444	0	135,444
Total supporting services	<hr/>	<hr/>	<hr/>
	187,029	0	187,029
TOTAL EXPENSES	<hr/>	<hr/>	<hr/>
	424,486	0	424,486
CHANGES IN NET ASSETS	54,170	0	54,170
NET ASSETS AT BEGINNING OF YEAR	<hr/>	<hr/>	<hr/>
	140,709	0	140,709
NET ASSETS AT END OF YEAR	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	\$ 194,879	\$ 0	\$ 194,879

AVENUE OF THE ARTS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 59,042	\$ 54,170
(Increase) decrease in operating assets		
Contributions and grants receivable	(32,000)	9,500
Unbilled revenue	(3,928)	0
Prepaid expenses	(2,854)	575
Increase (decrease) in operating liabilities		
Accounts payable	13,819	11,246
Accrued expenses	(4,550)	11,330
Deferred revenue	399,490	0
Refundable advances	(418,717)	706,944
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>10,302</u>	<u>793,765</u>
NET INCREASE IN CASH	10,302	793,765
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>958,844</u>	<u>165,079</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF YEAR	<u>\$ 969,146</u>	<u>\$ 958,844</u>

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	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 payroll service charges	905	244	979	2,128	194	881	1,075	3,203	
Credit card processing fees	163	0	0	163	0	0	0	163	
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	1,928	216	987	3,131	172	779	951	4,082	
Postage	444	114	456	1,014	91	412	503	1,517	
Printing and copying	247	0	0	247	0	0	0	247	
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	
Seminars and educational conferences	5,039	846	603	6,488	95	2,037	2,132	8,620	
Special events	49,381	0	0	49,381	0	0	0	49,381	
Telephone	462	124	498	1,084	99	450	549	1,633	
Travel	1,870	396	591	2,857	106	1,178	1,284	4,141	
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.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	PROGRAM SERVICES				SUPPORT SERVICES			
	MARKETING	PLANNING & ADVOCACY	PUBLIC ART, STREETScape & MAINTENANCE	TOTAL PROGRAM SERVICES	MGMT AND GENERAL	DEVELOPMENT	TOTAL SUPPORT SERVICES	TOTAL EXPENSES 2021
Payroll, payroll taxes and benefits	\$ 23,298	\$ 29,059	\$ 30,127	\$ 82,484	\$ 37,616	\$ 38,768	\$ 76,384	\$ 158,868
Advertising	208	119	372	699	152	399	551	1,250
Bank and payroll service charges	524	301	936	1,761	382	1,003	1,385	3,146
Insurance	709	408	1,269	2,386	518	1,361	1,879	4,265
Marketing and public relations	26,935	1,702	5,299	33,936	1,664	5,682	7,346	41,282
Memberships and subscriptions	866	150	467	1,483	191	501	692	2,175
Office supplies and expenses	1,009	580	1,806	3,395	738	1,936	2,674	6,069
Postage	35	20	62	117	26	67	93	210
Printing and copying	749	2	7	758	3	8	11	769
Professional fees	9,973	5,731	17,846	33,550	7,288	19,137	26,425	59,975
Program costs	0	0	61,978	61,978	500	60,000	60,500	122,478
Rent and utilities	1,597	918	2,858	5,373	1,167	3,064	4,231	9,604
Rent - donated	1,663	956	2,976	5,595	1,215	3,190	4,405	10,000
Seminars and educational conferences	980	518	0	1,498	0	0	0	1,498
Special events	1,601	0	0	1,601		0	0	1,601
Telephone	170	98	305	573	125	328	453	1,026
Travel	270	0	0	270	0	0	0	270
TOTAL EXPENSES	\$ 70,587	\$ 40,562	\$ 126,308	\$ 237,457	\$ 51,585	\$ 135,444	\$ 187,029	\$ 424,486
% to Total Expenses	17%	10%	30%	56%	12%	32%	44%	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)**

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: The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Payroll, payroll taxes and employee benefits	Time and effort and % of total program costs
Advertising	% of total program costs
Bank and payroll service charges	% of total program costs
Donations expense	% of total program costs
Insurance	% of total program costs
Marketing and public relations	% of total program costs
Memberships and subscriptions	% of total program costs
Miscellaneous expenses	% of total program costs
Office supplies and expenses	% of total program costs
Postage	% of total program costs
Printing and copying	% of total program costs
Professional fees	% of total program costs
Rent and utilities	% of total program costs
Rent – donated	% of total program costs
Seminars and educational conferences	% of total program costs
Telephone	% of total program costs
Travel	% of total program costs

Reclassifications

Certain amounts in the December 31, 2021 financial statements have been reclassified to conform to the presentation in the December 31, 2022 financial statements.

AVENUE OF THE ARTS, INC.
NOTES TO FINANCIAL STATEMENTS

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>2022</u>	<u>2021</u>
Cash and cash equivalents	<u>\$680,919</u>	<u>\$251,900</u>

Restricted cash

In 2021, 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 C000075661 has a term from January 1, 2021 to December 31, 2022 and DCED Grant Number C000080403 has a term from July 1, 2021 to June 30, 2024.

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

	<u>2022</u>	<u>2021</u>
Grant Number C000075661	\$ 0	\$206,944
Grant Number C000080403	<u>288,227</u>	<u>500,000</u>
	<u>\$288,227</u>	<u>\$706,944</u>

NOTE 3 – DATE OF MANAGEMENT’S REVIEW

Subsequent events have been evaluated through April 25, 2023, 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, 2022 and 2021 of \$707,885 and \$700,742, 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.

AVENUE OF THE ARTS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 4 – CONCENTRATION OF CREDIT RISK (CONTINUED)

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, 2022 and 2021, the Organization’s deposits of \$969,146 and \$958,844, respectively, are classified as Category 1 deposits.

NOTE 5 – CONTRIBUTIONS AND GRANTS RECEIVABLE

Contributions and grants receivable on December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Receivable in less than one year	\$ <u>33,500</u>	\$ <u>1,500</u>
Total contributions receivable	\$ <u>33,500</u>	\$ <u>1,500</u>

NOTE 6 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions were as follows for the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Undesignated	\$ <u>243,921</u>	\$ <u>194,879</u>

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were as follows for the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
30 th Anniversary Gala	\$ 5,000	\$ 0
Lamppost Repair Project	<u>5,000</u>	<u>0</u>
	<u>\$10,000</u>	<u>\$ 0</u>

AVENUE OF THE ARTS, INC.
NOTES TO FINANCIAL STATEMENTS

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 will issue a letter to DPI detailing the value of the abated monthly rent as a charitable contribution of DPI. For 2021 the amount of donated rent was \$10,000. This was for the period of September through December 2021 even though the Organization’s occupancy began in June 2021. DPI will provide electric, heat and water and no additional cost. The Organization is permitted to use DPI’s Guest WIFI. Telephone service is excluded. For 2022 the amount of donated rent was \$30,000.

NOTE 9 – GOVERNMENT GRANTS

Commonwealth of Pennsylvania Department of Community and Economic Development (“DCED”)
In 2021, 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 C000075661 had a term from January 1, 2021 to December 31, 2022 and DCED Grant Number C000080403 has a term from July 1, 2021 to June 30, 2024. As of December 31, 2021, the Organization received \$1,000,000 for both grants.

On the Organization’s financial statements on December 31, 2021, \$293,056 of the funds received were spent according to the contract and was recognized as revenue. The balance of \$706,944 was recognized as refundable advances on the balance sheet. As of December 31, 2021, none of the \$500,000 of Grant Number C000080403 had been expended.

As of December 31, 2022, the \$500,000 DCED Grant Number C000075661 was received and expended in accordance with the contract. In 2022, \$206,944 of this grant was recognized as revenue in the financial statements. As of December 31, 2022, \$211,773 of Grant Number C000080403 had been recognized as revenue and also expended. The remainder of the grant of \$288,227 was recognized as refundable advances on the balance sheet as of December 31, 2022.

On January 12, 2023, 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.

Commerce Department Provider Agreement

On October 22, 2019, the Organization entered into a provider agreement with the City of Philadelphia (“City”), by and through the Commerce Department, to provide general consulting services to the City for \$120,000. The term of the contract was from July 1, 2019 to June 30, 2020. The contract was extended into 2021 for an additional \$100,000. Amounts included in the financial statements at December 31, 2022 and 2021 were \$0 and \$100,000, respectively.

AVENUE OF THE ARTS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 9 – GOVERNMENT GRANTS (CONTINUED)

City of Philadelphia

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

Included in government grants revenue on December 31, 2022 and 2021 are the following:

	<u>2022</u>	<u>2021</u>
DCED Grant Number C000075661	\$ 206,944	\$ 293,056
DCED Grant Number C000080403	211,773	0
DCED Grant Number C000084138	3,927	0
City of Philadelphia	100,510	0
Commerce Department	0	100,000
	<u>\$ 523,154</u>	<u>\$ 393,056</u>

NOTE 10 – 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 11– LEASE OBLIGATION

Operating Lease – 777 South Broad Street

The Organization signed a lease for 1,451 square feet of office space at 777 South Broad Street with 777 South Broad Street Associates L.P., a Pennsylvania limited partnership, on November 25, 2014. The lease commenced on December 1, 2014 and expired on May 31, 2015. The lease was extended between the landlord and the Organization through February 28, 2017. The lease required a base rent of \$1,500 per month. On October 20, 2016, the lease was renewed for a twelve-month period from March 1, 2017 to February 28, 2018. The lease required a base rent of \$1,540 per month. On November 29, 2017, the lease was renewed for an additional twenty-four (24) month period from March 1, 2018 to February 29, 2020. The lease required a base rent of \$2,290 per month for the first twelve months and then a base rent of \$2,335 for the remaining twelve months. On March 1, 2020, a new lease was signed. The term of the new lease was from March 1, 2020 to October 25, 2021. The lease required a base rent of \$2,450 per month. The Organization was solely responsible for the use and consumption of all utility services for the premises.

AVENUE OF THE ARTS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 11– LEASE OBLIGATION (CONTINUED)

Effective January 1, 2021, the Organization terminated the lease and had to pay \$8,786 for early termination. Rent expense, including utilities, under this lease, for the year ended December 31, 2021 was \$9,604.

NOTE 12 – AVAILABILITY AND LIQUIDITY

The following represents the Organization’s financial assets on December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Financial assets at year-end:		
Cash and cash equivalents	\$680,919	\$251,900
Contributions and grants receivable	<u>33,500</u>	<u>1,500</u>
Total financial assets	714,419	253,400
Less amounts not available to be used within one year:		
Net assets with donor restrictions	<u>10,000</u>	<u>0</u>
Financial assets available to meet general expenditures over the next twelve months	<u><u>\$704,419</u></u>	<u><u>\$253,400</u></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.

NOTE 13 – COVID-19 PANDEMIC, PAYROLL PROTECTION PROGRAM AND ECONOMIC INJURY DISASTER LOANS

During 2020 and 2021, the Organization, like many businesses around the world, was significantly impacted by the COVID-19 pandemic.

On March 27, 2020, President Trump signed the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”). The CARES Act provided fast and direct economic assistance for American workers and families, small businesses, and preserved jobs for American industries. As part of the CARES Act, the Paycheck Protection Program (“PPP”) provided loan relief to small businesses with fewer than 500 employees and the Economic Injury Disaster Loan (“EIDL”) provided economic relief to businesses experiencing a temporary loss of revenue due to coronavirus (COVID-19). Both programs are administered through the Small Business Administration (“SBA”) via an SBA Participating Lender.

AVENUE OF THE ARTS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 13 – COVID-19 PANDEMIC, PAYROLL PROTECTION PROGRAM AND ECONOMIC INJURY DISASTER LOANS

On April 23, 2020, the Organization entered into a loan agreement with PNC Bank and the SBA through the PPP for \$22,500. On May 1, 2020, the Organization entered into a loan agreement with PNC Bank and the SBA through the EIDL for \$3,000.

In June 2021, in accordance with the provisions of the CARES Act, the Organization was notified that the loans had been entirely forgiven. Accordingly, the proceeds received are reflected in the December 31, 2020 financial statements as forgiveness of debt income.

On April 12, 2021, the Organization received a second draw of the Paycheck Protection Program (“PPP”) of \$17,887. This loan was forgiven on May 14, 2022.

NOTE 14 – 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.