



FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

ARTS COUNCIL OF THE VALLEY

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Arts Council of the Valley
Harrisonburg, Virginia

Opinion

We have audited the accompanying financial statements of Arts Council of the Valley (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets arising from cash transactions as of June 30, 2023 and 2022, and the related statements of revenue collected and expenses paid, 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 assets, liabilities and net assets recognized arising from cash transactions of the Arts Council of the Valley as of June 30, 2023 and 2022, and its revenue collected and expenses paid, functional expenses, and cash flows during the years then ended in accordance with the cash basis of accounting described in Note A to the financial statements.

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 Arts Council of the Valley and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis of Accounting

We draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the cash basis of accounting described in Note A; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

Auditor's Responsibility 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 Arts Council of the Valley'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 Arts Council of the Valley'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.

A handwritten signature in black ink that reads "Beachy Archant PLLC". The signature is written in a cursive, flowing style.

Harrisonburg, Virginia
January 19, 2024

ARTS COUNCIL OF THE VALLEY
STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS
RECOGNIZED ARISING FROM CASH TRANSACTIONS
June 30, 2023 and 2022

	2023	2022
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 275,672	\$ 276,376
Other	3,099	37,752
TOTAL CURRENT ASSETS RECOGNIZED	278,771	314,128
PROPERTY AND EQUIPMENT		
At cost, less accumulated depreciation	50,474	54,792
TOTAL ASSETS RECOGNIZED	\$ 329,245	\$ 368,920
<u>LIABILITIES</u>		
CURRENT LIABILITIES		
Current portion of long-term debt	\$ -	\$ 9,760
Payroll tax withholdings	4,028	17,441
TOTAL CURRENT LIABILITIES RECOGNIZED	4,028	27,201
LONG-TERM DEBT, net of current portion	-	9,404
TOTAL LIABILITIES RECOGNIZED	4,028	36,605
<u>NET ASSETS</u>		
Without donor restrictions	309,445	322,315
With donor restrictions	15,772	10,000
TOTAL NET ASSETS RECOGNIZED	325,217	332,315
TOTAL LIABILITIES AND NET ASSETS RECOGNIZED	\$ 329,245	\$ 368,920

See accompanying notes to financial statements.

ARTS COUNCIL OF THE VALLEY
STATEMENT OF REVENUE COLLECTED AND EXPENSES PAID
For the Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE COLLECTED			
Art sales revenue	\$ 23,731	\$ -	\$ 23,731
Cost of art sold and other direct expenses	(16,467)	-	(16,467)
Total art sales net of expenses	7,264	-	7,264
Theater sales revenue	309,085	-	309,085
Theater concessions revenue	61,019	-	61,019
Cost of films and other direct expenses	(227,262)	-	(227,262)
Total theater sales net of expenses	142,842	-	142,842
Grants:			
City	48,000	-	48,000
County	9,500	-	9,500
State	12,325	-	12,325
Other	257	-	257
Contributions and sponsorships	196,658	5,772	202,430
Rental	14,500	-	14,500
Other	4,082	-	4,082
TOTAL SUPPORT AND REVENUE COLLECTED	435,428	5,772	441,200
EXPENSES PAID			
Program services	298,113	-	298,113
Supporting services			
Management and general	100,390	-	100,390
Fundraising	49,795	-	49,795
TOTAL EXPENSES PAID	448,298	-	448,298
REVENUE AND SUPPORT COLLECTED OVER EXPENSES PAID	(12,870)	5,772	(7,098)
NET ASSETS RECOGNIZED, BEGINNING	322,315	10,000	332,315
NET ASSETS RECOGNIZED, ENDING	\$ 309,445	\$ 15,772	\$ 325,217

See accompanying notes to financial statements.

ARTS COUNCIL OF THE VALLEY
STATEMENT OF REVENUE COLLECTED AND EXPENSES PAID
For the Year Ended June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE COLLECTED			
Art sales revenue	\$ 16,240	\$ -	\$ 16,240
Cost of art sold and other direct expenses	<u>(19,855)</u>	<u>-</u>	<u>(19,855)</u>
Total art sales net of expenses	(3,615)	-	(3,615)
Theater sales revenue	137,921	-	137,921
Theater concessions revenue	29,573	-	29,573
Cost of films and other direct expenses	<u>(87,270)</u>	<u>-</u>	<u>(87,270)</u>
Total theater sales net of expenses	80,224	-	80,224
Grants:			
City	62,500	-	62,500
County	9,500	-	9,500
State	15,607	-	15,607
Other	112,803	-	112,803
Contributions and sponsorships	129,900	10,000	139,900
Rental	15,600	-	15,600
Other	1,165	-	1,165
SBA Paycheck Protection Program loan forgiveness	<u>25,700</u>	<u>-</u>	<u>25,700</u>
TOTAL SUPPORT AND REVENUE COLLECTED	<u>449,384</u>	<u>10,000</u>	<u>459,384</u>
EXPENSES PAID			
Program services	230,279	-	230,279
Supporting services			
Management and general	79,497	-	79,497
Fundraising	<u>25,876</u>	<u>-</u>	<u>25,876</u>
TOTAL EXPENSES PAID	<u>335,652</u>	<u>-</u>	<u>335,652</u>
REVENUE AND SUPPORT COLLECTED OVER EXPENSES PAID	113,732	10,000	123,732
NET ASSETS RECOGNIZED, BEGINNING	<u>208,583</u>	<u>-</u>	<u>208,583</u>
NET ASSETS RECOGNIZED, ENDING	<u>\$ 322,315</u>	<u>\$ 10,000</u>	<u>\$ 332,315</u>

See accompanying notes to financial statements.

**ARTS COUNCIL OF THE VALLEY
STATEMENT OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2023 and 2022**

<u>Year Ended June 30, 2023</u>	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and benefits	\$ 196,509	\$ 24,564	\$ 24,564	\$ 245,637
Grants	32,764	-	-	32,764
Other	4,282	20,909	-	25,191
Professional fees	-	22,362	-	22,362
Utilities	3,728	18,201	-	21,929
Equipment and software	21,188	432	-	21,620
Payroll taxes	16,261	2,033	2,033	20,327
Fundraising	-	-	20,062	20,062
Memberships and professional development	12,382	3,302	826	16,510
Advertising	9,240	-	2,310	11,550
Depreciation	1,759	8,587	-	10,346
	<u>\$ 298,113</u>	<u>\$ 100,390</u>	<u>\$ 49,795</u>	<u>\$ 448,298</u>

<u>Year Ended June 30, 2022</u>	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and benefits	\$ 140,291	\$ 17,537	\$ 17,537	\$ 175,365
Grants	24,077	-	-	24,077
Other	3,120	15,234	-	18,354
Professional fees	-	17,998	-	17,998
Utilities	3,399	16,593	-	19,992
Equipment and software	30,302	618	-	30,920
Payroll taxes	11,539	1,443	1,443	14,425
Fundraising	-	-	4,225	4,225
Memberships and professional development	7,076	1,886	472	9,434
Advertising	8,798	-	2,199	10,997
Depreciation	1,677	8,188	-	9,865
	<u>\$ 230,279</u>	<u>\$ 79,497</u>	<u>\$ 25,876</u>	<u>\$ 335,652</u>

See accompanying notes to financial statements.

**ARTS COUNCIL OF THE VALLEY
STATEMENTS OF CASH FLOWS
June 30, 2023 and 2022**

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from grants	\$ 104,735	\$ 200,410
Cash received from events	370,104	167,494
Cash received from rents	14,500	15,600
Cash received from contributors	226,161	156,140
Cash received from other income (expense)	4,082	16,638
Cash paid to and on behalf of employees	(259,050)	(160,191)
Cash paid to suppliers	(436,044)	(291,984)
NET CASH PROVIDED BY OPERATING ACTIVITIES	24,488	104,107
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(6,028)	(32,815)
NET CASH USED BY INVESTING ACTIVITIES	(6,028)	(32,815)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term debt	(19,164)	(9,216)
NET CASH USED BY FINANCING ACTIVITIES	(19,164)	(9,216)
NET INCREASE (DECREASE) IN CASH	(704)	62,076
CASH AT BEGINNING OF YEAR	276,376	214,300
CASH AT END OF YEAR	\$ 275,672	\$ 276,376
SUPPLEMENTAL SCHEDULE OF NON-CASH OPERATING ACTIVITIES		
Forgiveness of SBA Paycheck Protection Program loan	\$ -	\$ 25,700

See accompanying notes to financial statements.

ARTS COUNCIL OF THE VALLEY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Arts Council of the Valley (the Organization) was formed in December 2000 to provide cultural activities and theatrical performances in Harrisonburg, Virginia and surrounding areas. Its activities include awarding grants to various arts organizations and individuals within the service area, operating the Court Square Theater and providing a public art gallery. The Organization receives significant funding and other support from local government agencies. A change in the level of funding, if it were to occur, could have a significant impact on the activities of the Organization.

Basis of Accounting

The Organization prepares its financial statements using the cash basis of accounting.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

Recognition of Donor Restrictions

Contributions that are restricted by the donor are reported as increases 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 increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions. Contributions with restrictions that are received and expended in the same year are classified as contributions without donor restrictions. See Note H for additional information related to donor restrictions.

Cash and Cash Equivalents

The Organization considers all unrestricted short-term investments with an original maturity of three months or less to be cash equivalents. The Organization maintains its cash in retail bank and money market accounts.

Property and Equipment

The Organization capitalizes all property and equipment at cost if purchased. Depreciation is computed using the straight-line method based on estimated useful lives of property, building improvements (39 years), computer and technology equipment (5 years), and equipment/exhibits (7 years).

The costs of additions and betterments are capitalized, and expenditures for repairs and maintenance are expensed in the period paid. When items of property and equipment are sold or retired, the related costs and accumulated depreciation are removed from the accounts, and any gain or loss is included in income.

ARTS COUNCIL OF THE VALLEY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Donated Services

Donated services, which create or enhance non-financial assets or require specialized skills, are recognized as contributions in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and are recorded at their fair value. No donated services that met the criteria were recognized during the years June 30, 2023 and 2022, respectively.

The Organization received donated services from individual volunteers who participate in the Organization's program and supporting services. The value of these donated services is not reflected in these financial statements because they do not meet the recognition requirements of the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The Organization received 535.5 and 303 volunteer hours for the years ended June 30, 2023 and 2022, respectively.

Event Fees

The Organization holds certain events at Court Square Theater in collaboration with other organizations. In these instances, ticket revenue is split between the two organizations. Event related revenue on the statements of revenue collected and expenses paid includes approximately \$114,000 and \$9,000 for the years ended June 30, 2023 and 2022, respectively, as the Organization's share of proceeds from these collaborative events.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. In addition, the Organization qualifies for the charitable contribution deduction under Section 170 of the Internal Revenue Code and has been classified as an organization other than a private foundation under Section 509(a)(2).

Estimates and Assumptions

The preparation of financial statements in conformity with the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Advertising

The Organization follows a policy of charging the costs of advertising to expense as paid. Advertising expense was \$11,550 and \$5,043 for the years ended June 30, 2023 and 2022, respectively.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of revenue collected and expenses paid. Accordingly, certain costs have been allocated among the programs based upon employee time and the square footage of the facilities.

Date of Management's Review

Management has evaluated subsequent events through January 19, 2024, the date which the financial statements were available to be issued.

ARTS COUNCIL OF THE VALLEY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE B – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects the Organization’s financial assets as of June 30, 2023 and 2022, reduced for amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, assets held for others, or because the governing board has set aside the funds for a specific purpose. These board designations could be drawn upon if the board approves that action. The Organization considers general expenditures to be all expenditures related to its ongoing activities as well as the conduct of services undertaken to support those activities to be general expenditures.

The Organization’s financial assets available within one year of the statement of financial position date for general expenditure are as follows:

	2023	2022
Financial assets:		
Cash and cash equivalents	\$ 275,672	\$ 276,376
Other	3,099	37,752
Total financial assets	278,771	314,128
Less those unavailable for general expenditure within one year:		
Donor-restricted assets	15,772	10,000
Financial assets available to meet cash needs for general expenditures within one year	\$ 262,999	\$ 304,128

As part of the Organization’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization invests cash in excess of daily requirements in certificates of deposit.

NOTE C – CERTIFICATE OF DEPOSIT

The Organization held a \$15,000 certificate of deposit at Union Bank and Trust. The certificate matured on October 15, 2020, at which time it was renewed through October 15, 2021 and earns interest of 1.5%. The Organization did not renew the certificate of deposit with Union Bank and Trust when it expired. On August 2022, the Organization opened a new certificate of deposit with Raymond James in the amount of \$100,000. The certificate was renewed through July 28, 2023 and earns interest of 4.90%

NOTE D - LEASE ARRANGEMENTS

The Organization has a lease agreement with Harrisonburg Redevelopment and Housing Authority (HRHA) for the rent-free use of Court Square Theater, which expires on September 30, 2026. The Organization is required to pay all regular fees, repairs, maintenance, taxes, and insurance related to the property. The City of Harrisonburg (the City) awarded the Organization grant revenues totaling \$43,500 and \$58,000 during the years ended June 30, 2023 and 2022, respectively, of which \$25,000 and \$25,000, respectively, were in exchange for managing the Court Square Theater. The operation of the Court Square Theater is economically dependent on the support from the City. Without the support of the City, continued operations of the Court Square Theater could be significantly affected.

**ARTS COUNCIL OF THE VALLEY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022**

NOTE D - LEASE ARRANGEMENTS (continued)

The Organization has an agreement with the City, effective March 31, 2005, to lease the land on which the Organization's offices are located, 311 South Main Street, for \$1 per year for 49 years. The Organization owns the building, commonly known as the Smith House, which was donated by a local business. The building was valued at \$150,000 on the date of donation. Cumulative renovations, including the cost of relocation, totaled \$258,650.

The Organization has an agreement with a tenant to lease office space on the second floor of the Smith House. The lease commenced in May of 2018 and expires in April of 2024. Required minimum lease payments are \$15,600 per year over the life of the lease agreement.

NOTE E – RETIREMENT PLAN

The Organization sponsors a SIMPLE IRA Plan covering all full-time employees. Employees are eligible to participate on their first day of employment. The Organization matches contributions up to 3% of each employee's salary. Contributions made to the Plan by the Organization were \$673 and \$3,153 for the years ended June 30, 2023 and 2022, respectively.

NOTE F – LONG-TERM DEBT

The Organization's obligation under notes payable consists of the following amount due to Atlantic Union Bank, payable \$880 monthly including interest at 5.50% with the balance due no later than May 30, 2024. The loan is secured by a lien encumbering all inventory, chattel paper, accounts, equipment and general intangibles. The loan was paid off fully on June 30, 2023.

NOTE G – PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2023 and 2022 consisted of the following:

	2023	2022
Equipment	\$ 87,022	\$ 80,994
Less: accumulated depreciation	(36,548)	(26,202)
	50,474	54,792

NOTE H – NET ASSETS WITH DONOR RESTRICTIONS

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

	2023	2022
Art work maintenance	\$ 15,772	\$ 10,000

Net assets during the fiscal year ended June 30 were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	2023	2022
Purpose restrictions accomplished:		
Art work maintenance	\$ -	\$ -

ARTS COUNCIL OF THE VALLEY
NOTES TO FINANCIAL STATEMENTS
June 30, 2023 and 2022

NOTE I – PAYCHECK PROTECTION PROGRAM (“PPP”)

In April of 2020 and in response to the COVID-19 pandemic, the Organization received loan proceeds in the amount of \$25,700 under the Paycheck Protection Program (“PPP”). The PPP, established as a part of the Coronavirus Aid, Relief and Economic Security Act (“CARES ACT”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after an elected period of 8 or 24 weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of the loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the covered period, without meeting any of the known exceptions.

On July 30, 2021, the Organization was notified by Blue Ridge Bank that the U.S. Small Business Administration approved its loan forgiveness application of \$25,700. The Organization was legally released from the loan obligation. The loan forgiveness income has been recorded in the amount of \$25,700.