INTERSECTION FOR THE ARTS

Financial Statements

For the Year Ended
June 30, 2022
With Independent Auditors' Report Thereon

(A California Not-for-Profit Corporation)

About Intersection for the Arts:

Founded in the early 1960's and incorporated in 1965, Intersection for the Arts provides artists with resources in order to grow. Intersection's programs emphasize relationships, collaboration, and process. Intersection works with hundreds of artists and arts organizations throughout the Bay Area, providing resources, cultural space, and community to develop sustainable practices.

Board of Directors 2021-2022

Name	Position
Pavan Singh	Chair
Sheri Lucas	Vice-Chair
Tim Green	Secretary
Scott Flicker	Treasurer
Marla Betsch	Director
Reese Williams	Director
Yushi Cheung	Director
Maddy Clifford	Director
April McGill	Director

Allison Snopek	Executive Co-Director
Scott Nielsen	Executive Co-Director

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Contents

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Intersection for the Arts

Opinion

We have audited the accompanying financial statements of Intersection for the Arts (a California nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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 Intersection for the Arts as of June 30, 2022, and the changes in net assets and its cash flows for the year 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Intersection for the Arts 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Intersection for the Arts' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, 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 Intersection for the Arts' 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 Intersection for the Arts' 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.

Report on Summarized Comparative Information

We have previously audited Intersection for the Arts' June 30, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 9, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Regalia & Associates

July 28, 2023
Danville, California

Statement of Financial Position
June 30, 2022
(with Summarized Financial Information for the Year Ended June 30, 2021)

ASSETS

	Core Operations	Fiscally Sponsored Projects	Total 2022	Total 2021
Current assets:				
Cash and cash equivalents	$ 541,722	$ 5,643,593	**$ 6,185,315**	$ 5,016,805
Grants and contributions receivable	58,848	676,510	**735,358**	263,129
Accounts and other receivables	3,695	61,065	**64,760**	112,416
Prepaid expenses and other assets	73,358	4,170	**77,528**	202,902
Total current assets	677,623	6,385,338	**7,062,961**	5,595,252
Noncurrent assets:				
Deposits	3,549	-	**3,549**	3,549
Right of use asset - premises	283,356	-	**283,356**	613,336
Property and equipment, net	3,030	-	**3,030**	6,059
	$ 967,558	$ 6,385,338	**$ 7,352,896**	$ 6,218,196

LIABILITIES AND NET ASSETS

	Core Operations	Fiscally Sponsored Projects	Total 2022	Total 2021
Current liabilities:				
Accounts payable and accrued liabilities	$ 118,276	$ 409,391	**$ 527,667**	$ 489,344
Lease payable - current portion	84,141	-	**84,141**	104,000
Refundable advances	26,625	694,180	**720,805**	857,978
Deferred revenue	-	1,167	**1,167**	-
Total current liabilities	229,042	1,104,738	**1,333,780**	1,451,322
Lease payable - noncurrent portion	153,917	-	**153,917**	508,556
Total liabilities	382,959	1,104,738	**1,487,697**	1,959,878
Net assets:				
Without donor restrictions	574,599	3,928,188	**4,502,787**	3,205,914
With donor restrictions	10,000	1,352,412	**1,362,412**	1,052,404
Total net assets	584,599	5,280,600	**5,865,199**	4,258,318
	$ 967,558	$ 6,385,338	**$ 7,352,896**	$ 6,218,196

Statement of Activities and Changes in Net Assets
Year Ended June 30, 2022
(with Summarized Financial Information for the Year Ended June 30, 2021)

	Without Donor Restrictions		With Donor Restrictions			
	Core Operations	Fiscally Sponsored Projects	Core Operations	Fiscally Sponsored Projects	Total 2022	Total 2021
Changes in net assets:						
Support:						
Government	$ -	$ 475,680	$ 904,931	$ 1,786,631	**$ 3,167,242**	$1,530,250
Foundation and corporate	1,600	440,539	30,000	1,767,698	**2,239,837**	1,404,814
Individual	20,936	1,788,891	-	-	**1,809,827**	1,197,533
Other contributed revenue	-	-	-	-	**-**	30,733
Contributed nonfinancial assets	-	-	-	-	**-**	1,000
Transferred in from new fiscally sponsored projects	-	24,401	-	-	**24,401**	123,538
Net assets released from restrictions	939,931	3,239,321	(939,931)	(3,239,321)	**-**	-
Total support	962,467	5,968,832	(5,000)	315,008	**7,241,307**	4,287,868
Revenue:						
Fees	688,787	461,156	-	-	**1,149,943**	1,006,310
Fiscal sponsorship fees remitted	-	(680,002)	-	-	**(680,002)**	(467,313)
Admissions, sales, and concessions	50,189	296,212	-	-	**346,401**	231,428
Facility charges	60,435	25,667	-	-	**86,102**	96,908
Advertising	-	101,311	-	-	**101,311**	44,983
Tuition	14,030	8,495	-	-	**22,525**	20,294
Investment income	2,447	293	-	-	**2,740**	291
Other	8,569	14,103	-	-	**22,672**	41,301
Total revenue	824,457	227,235	-	-	**1,051,692**	974,202
Total support and revenue	1,786,924	6,196,067	(5,000)	315,008	**8,292,999**	5,262,070
Expenses:						
Program	1,232,048	3,884,106	-	-	**5,116,154**	3,910,951
General and administrative	326,615	1,076,659	-	-	**1,403,274**	854,795
Fundraising	13,364	153,326	-	-	**166,690**	63,242
Total expenses	1,572,027	5,114,091	-	-	**6,686,118**	4,828,988
Increase (decrease) in net assets	214,897	1,081,976	(5,000)	315,008	**1,606,881**	433,082
Net assets at beginning of year	359,702	2,846,212	15,000	1,037,404	**4,258,318**	3,825,236
Net assets at end of year	$ 574,599	$ 3,928,188	$ 10,000	$ 1,352,412	**$ 5,865,199**	$4,258,318

Statements of Cash Flows
For the Years Ended June 30, 2022 and 2021

	2022	2021
Operating activities:		
Increase in net assets	**$ 1,606,881**	$ 433,082
Adjustments to reconcile to cash provided by operating activities:		
Depreciation expense	**3,029**	3,029
Changes in:		
Grants and contributions receivable	**(472,229)**	122,870
Accounts and other receivables	**47,656**	10,527
Prepaid expenses and other assets	**125,374**	(166,981)
Deposits	**-**	27,625
Right of use asset - premises	**329,980**	406,415
Accounts payable and accrued liabilities	**38,323**	270,588
Refundable advances	**(137,173)**	690,678
Deferred revenue	**1,167**	(1,500)
Cash provided by operating activities	**1,543,008**	1,796,333
Financing activities:		
Principal payments applied to lease payable	**(374,498)**	(391,707)
Cash used for financing activities	**(374,498)**	(391,707)
Net increase in cash and cash equivalents	**1,168,510**	1,404,626
Cash and cash equivalents at beginning of year	**5,016,805**	3,612,179
Cash and cash equivalents at end of year	**$ 6,185,315**	$ 5,016,805
Additional cash flow information:		
State registration taxes paid	**$ 400**	$ 150
Interest paid	**$ -**	$ -

Statement of Functional Expenses
Year Ended June 30, 2022
(with Summarized Financial Information for the Year Ended June 30, 2021)

	Core Operations				Fiscally Sponsored Projects					
	Program	General and admin-istrative	Fund-raising	Total Core Operations	Program	General and admin-istrative	Fund-raising	Total Fiscally Sponsored Projects	Total 2022	Total 2021
Salaries and wages	$ 266,754	$ 196,606	$ 6,914	$ 470,274	$ 1,086,764	$ 203,768	$ 67,923	$ 1,358,455	**$ 1,828,729**	$ 1,461,700
Employee benefits/professional development	108,533	15,929	480	124,942	48,808	9,989	2,214	61,011	**185,953**	96,861
Payroll taxes and other staffing costs	30,759	22,671	797	54,227	87,298	16,368	5,456	109,122	**163,349**	154,251
	406,046	235,206	8,191	649,443	1,222,870	230,125	75,593	1,528,588	**2,178,031**	1,712,812
Contract services	723,610	31,978	-	755,588	1,799,782	578,844	62,258	2,440,884	**3,196,472**	2,005,853
Depreciation	-	3,029	-	3,029	-	-	-	-	**3,029**	3,029
Equipment rental/maintenance	1	7,830	-	7,831	3,231	47,721	-	50,952	**58,783**	39,951
Fees, dues, and subscriptions	2,477	5,228	-	7,705	13,853	21,992	-	35,845	**43,550**	33,183
Information technology	5,873	5,084	44	11,001	20,621	2,221	-	22,842	**33,843**	62,643
Insurance	13,865	10,219	359	24,443	-	25,244	-	25,244	**49,687**	29,410
Miscellaneous	-	-	-	-	-	14,251	-	14,251	**14,251**	35,313
Occupancy	69,332	23,962	4,681	97,975	247,962	38,150	8,478	294,590	**392,565**	428,454
Postage and delivery	2,486	621	-	3,107	1,664	1,267	180	3,111	**6,218**	5,394
Printing and publications	579	145	-	724	58,061	5,583	-	63,644	**64,368**	99,057
Production expense	465	-	-	465	212,100	-	-	212,100	**212,565**	103,773
Promotion and development	1,079	-	-	1,079	87,372	-	205	87,577	**88,656**	59,927
Return of fiscally sponsored funds	-	-	-	-	60,856	-	-	60,856	**60,856**	108,103
Supplies	3,578	2,589	89	6,256	6,141	86,311	2,896	95,348	**101,604**	44,877
Telephone	1,552	665	-	2,217	-	2,321	-	2,321	**4,538**	4,895
Travel and hospitality	1,105	59	-	1,164	149,593	22,629	3,716	175,938	**177,102**	52,314
Total expenses	$ 1,232,048	$ 326,615	$ 13,364	$ 1,572,027	$ 3,884,106	$ 1,076,659	$ 153,326	$ 5,114,091	**$ 6,686,118**	$ 4,828,988

Notes to Financial Statements
June 30, 2022

1. Organization

Intersection for the Arts (IFTA) was incorporated in 1965 in California and is a tax-exempt, non-profit corporation which directly supports the creative work of artists through the INTERSECT SF Program, and engages community through artist residencies. IFTA also fiscally sponsors art and cultural projects in the Bay Area across many disciplines – from visual art to performance to arts education and advocacy. Fiscal sponsorship encourages funding agencies and contributors to take risks in financially supporting new projects and emerging artists, ensuring that money is well-managed and spent according to guidelines. IFTA provides assistance in funding, developing and promoting artistic work, as well as providing low-cost office space in San Francisco.

IFTA's staff reviews each potential fiscally sponsored program's (FSP's) application for sponsorship before accepting them as an FSP, verifying that their charitable purpose is consistent with IFTA's nonprofit purpose, that they have viable plans for raising funds, and have a committed project director. At any given time, IFTA sponsors roughly 175 projects, which include projects of limited duration, start-up nonprofit organizations, and others.

All of the financial activity of IFTA's FSPs is combined for financial statement purposes. However, each FSP's funds are accounted for separately in IFTA's books and records. Because of the nature of the business of fiscal sponsorship, IFTA's portfolio of FSPs is volatile, with time-limited projects completing, with maturing projects receiving their own 501(c)(3) status, and with new projects coming on board throughout the year. As such, individual line items may vary considerably from year to year, and typical financial analyses are not always meaningful.

2. Summary of Significant Accounting Policies

Basis of Presentation – The financial statements of IFTA have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles ("US GAAP").

Measure of Operations – The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to IFTA's ongoing operations which include a variety of programmatic activities. Nonoperating activities are limited to resources that generate return from interest-bearing deposits and other activities considered to be of a more unusual or nonrecurring nature.

Comparative Financial Information - The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class or functional category. Such information does not include sufficient detail to constitute a presentation in conformity with US GAAP. Accordingly, such information should be read in conjunction with our audited financial statements for the year ended June 30, 2021, from which the summarized information was derived.

Cash and Cash Equivalents – IFTA's cash consists of cash on deposit with banks. Cash equivalents represent money market funds or short-term investments with original maturities of three months or less from the date of purchase.

2. Summary of Significant Accounting Policies *(continued)*

Concentrations of Credit Risk – Financial instruments that potentially subject IFTA to concentrations of credit risk consist principally of cash and cash equivalents. IFTA maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. IFTA manages deposit concentration risk by placing cash and money market accounts with financial institutions believed to be creditworthy.

To date, IFTA has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and grants receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from reputable organizations and foundations supportive of IFTA's mission.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Accordingly, actual results could differ from those estimates.

Reclassifications – Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Accounts, Grants, and Contributions Receivable – Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization, if applicable, is included in contribution revenue. Conditional promises to give are not included as support until the conditions are met.

Property and Equipment – IFTA's policy is to record acquisitions of property and equipment at cost or, if donated, at fair market value on the date of donation. Depreciation expense is calculated using the straight-line method over the estimated useful lives of the assets.

Costs of maintenance and repairs are expensed currently. IFTA reviews the carrying values of all assets for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated economic utility and/or future cash flows expected to result from its use and eventual disposition.

Fair Value Measurements – Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions.

2. Summary of Significant Accounting Policies *(continued)*

Fair Value Measurements *(continued)* – The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). IFTA groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1: Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

Level 2: Other observable inputs, either directly or indirectly, including:
- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset/liability; and,
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3: Unobservable inputs that cannot be corroborated by observable market data.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing model of the asset and does not necessarily correspond to our assessment of the quality, risk or liquidity profile of the asset or liability.

Net Assets - Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Thus, net assets and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions
Net assets without donor restrictions represent funds available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has the ability to designate, from net assets without donor restrictions, net assets for an operating reserve or board-designated endowment, but it has not opted to do so as of June 30, 2022 and 2021.

Net Assets with Donor Restrictions
Net assets with donor restrictions represent funds subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions can be perpetual in nature, where the donor stipulates that such resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

2. Summary of Significant Accounting Policies *(continued)*

Contributed Nonfinancial Assets – Contributed services and costs are reflected at the fair value of the contribution received in accordance with *ASU No. 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The contributions of services and costs are recognized if they (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Functional Allocation of Expenses - The costs of providing program and other activities have been summarized on a functional basis in the statements of activities in accordance with the requirements of *ASU 2016-14 Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*, which requires IFTA to report expenses by their natural classification. Every natural expense must be broken out into individual functional categories on an analysis of expenses by their nature and function. Accordingly, certain costs have been allocated among services and supporting services benefited. Such allocations are determined by management on an equitable basis. A majority of expenses (such as salaries and wages, payroll taxes, employee benefits, insurance, occupancy, and other overhead) have been allocated based on time and effort using IFTA's payroll allocations. Other expenses (such as contract services and other direct costs) have been allocated in accordance with the specific services received.

Revenue and Revenue Recognition - Revenue is recognized in accordance with authoritative guidance, including *ASU 2018-08, Not-for-Profit Entities (Topic 958)* and *ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606)*. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. When applicable, revenue earned under a contractual arrangement (an "exchange transaction") is recognized when earned and therefore measured as services are provided. 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.

IFTA has adopted *Accounting Standards Update (ASU) No. 2014-09 – Revenue from Contracts with Customers (Topic 606)*, as amended, as management believes the standard improves the usefulness and understandability of its financial reporting. Analysis of various provisions of this standard resulted in no significant changes in the way IFTA recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

Income Taxes – IFTA is organized as a California nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as organizations described in IRC Section 501(c)(3), qualify for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii), and has been determined not to be private foundations under IRC Sections 509(a)(1) and (3), respectively. IFTA is required to annually file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entities are subject to income tax on net income that is derived from business activities that are unrelated to their exempt purpose. IFTA files an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS to report its unrelated business taxable income, if any.

2. Summary of Significant Accounting Policies *(continued)*

Income Taxes *(continued)* – IFTA has received notification from the Internal Revenue Service and the State of California that it qualifies for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. The exemptions are subject to periodic review by the federal and state taxing authorities and management is confident that IFTA continues to satisfy all federal and state statutes in order to qualify for continued tax exemption status.

Recent and Relevant Accounting Pronouncements – The following pronouncements represent relevant current accounting guidance applicable to nonprofit organizations:

ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return.

ASU 2016-02, Leases (Topic 842) Accounting for Leases requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. This standard establishes a right-of-use model (ROU) that requires a lessee to recognize a ROU asset and lease liability on the statement of financial position for all leases with a term longer than 12 months. Leases are classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the statement of activities and changes in net assets.

ASU 2014-15, Presentation of Financial Statements—Going Concern (Subtopic 205-40) Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern, requires an organization's management to evaluate whether there are conditions and events, considered in the aggregate, that raise substantial doubt about an entity's ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued, when applicable). As of July 28, 2023 (the date of the Independent Auditors' Report), management has made this evaluation and has determined that IFTA has the ability to continue as a going concern.

ASU 2018-08, Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The amendments in this Update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. Accordingly, IFTA has incorporated these clarifying standards within the audited financial statements.

ASU No. 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets increases transparency around contributed nonfinancial assets (also known as "gifts-in-kind") received by not-for-profit organizations, including transparency on how those assets are used and how they are valued. The Update requires that an organization present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The Update also requires certain enhanced disclosures for contributed nonfinancial assets.

3. Cash and Cash Equivalents

Cash and cash equivalents include all funds in financial institutions (checking, savings and money market) and consist of the following at June 30:

		2022		2021
Checking and petty cash (noninterest-bearing)	$	**5,857,169**	$	4,688,692
Savings (bearing interest at 0.01% per annum at June 30, 2022)		**297,902**		297,872
Money market (bearing interest at 0.01% per annum at June 30, 2022)		**30,244**		30,241
Total cash and cash equivalents	$	**6,185,315**	$	5,016,805

At June 30, 2022, certain accounts exceeded the FDIC insured limit, resulting in $5,835,315 in funds that were not covered by insurance provided by the federal government. Such financial instruments potentially subject IFTA to concentrations of credit risk. It is the opinion of management that the solvencies of the referenced financial institutions are satisfactorily strong and that IFTA's financial position will not be compromised. IFTA attempts to limit its credit risk associated with cash and cash equivalents by placing all deposits with highly rated corporate and financial institutions.

4. Receivables

Receivables include grants, contributions, and contractually earned income related to operating activities and various grants made to both IFTA's and the FSPs and consist of the following at June 30:

		2022		2021
Grants and contributions receivable	$	**735,358**	$	263,129
Contract income receivable		**61,765**		111,043
Other receivables		**2,995**		1,373
Subtotal: accounts and other receivables		**64,760**		112,416
Total receivables	$	**800,118**	$	375,545

IFTA uses the direct write-off method with regard to receivables deemed uncollectible. There were no uncollectible grants recognized during the years ended June 30, 2022 or 2021. An allowance for estimated losses has not been established because management believes the grants, contributions, and other receivables are fully collectible based on the financial strength of the particular donors and payers.

5. Liquidity

IFTA regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the safeguarding of its available funds. IFTA has various sources of liquidity at its disposal, including cash and cash equivalents and the future collection of receivables. For purposes of analyzing resources available to meet general expenditures over a 12-month period, IFTA considers all expenditures related to its ongoing support of artists to be general expenditures.

5. Liquidity *(continued)*

In addition to the financial assets available to meet general expenditures over the next 12 months, IFTA operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of IFTA's cash and shows positive cash generated by operations for the years ended June 30, 2022 and 2021. The following table shows the total financial assets held by IFTA and the amounts of those financial assets readily available within one year of the balance sheet date to meet general expenditures:

	2022	2021
Cash and cash equivalents	$ 6,185,315	$ 5,016,805
Grants and contributions receivable	735,358	263,129
Accounts and other receivables	64,760	112,416
Less: amounts not available to be used within one year:		
Net assets with donor restrictions for programs and projects	(1,362,512)	(1,037,404)
Financial assets available to meet general expenditures over the next twelve months	$ 5,622,921	$ 4,354,946

Much of the support that IFTA receives is restricted by donors. Because donor restrictions require resources to be used in a particular manner or in a future period, IFTA must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of IFTA's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

6. Property and Equipment

Property and equipment consist of the following at June 30:

	2022	2021
Furniture and fixtures	$ 15,146	$ 15,146
Less: accumulated depreciation	(12,116)	(9,087)
Property and equipment, net	$ 3,030	$ 6,059

Depreciation expense amounted to $3,029 for each of the years ended June 30, 2022 and 2021.

7. Deferred Revenue

Deferred revenue of $1,167 at June 30, 2022 represents funds received under binding contracts in advance of future activities to be held during the following fiscal year. Such amounts have been reflected as current liabilities and will be classified as earned revenue on the statement of activities and changes in net assets in the subsequent fiscal period. There was no deferred revenue at June 30, 2021.

8. Lease Commitments and Right of Use Asset - Premises

IFTA leases its corporate office premises in San Francisco under an operating lease agreement which expires November 30, 2023. The lease requires a monthly rental payment of $30,187 as of June 30, 2022, with stipulated increases of 3% each December 1. IFTA is responsible for its share of operating expenses, including maintenance and utilities. During both the years ended June 30, 2022 and 2021, IFTA negotiated reduced rental payments ranging between zero and 50% of the full lease amount in response to the COVID-19 pandemic. These reduced rental payments were in effect from September 2020 to July 2023. The building was sold in April 2021, and the terms of the lease carried over to the new owner. The original owner retained the full security deposit of $27,625. This amount is included in rent expense for the year ended June 30, 2021.

IFTA also leases certain office equipment under a separate rental contract expiring July 2023. From time to time, IFTA and its fiscally sponsored projects rent performance halls, practice space, and office space under specific usage agreements and are obligated to pay rent based upon the contracts.

In accordance with *ASU 2016-02, Leases*, IFTA is required to reflect the present value of future operating lease payments (discounted at an appropriate borrowing rate) as a “Right of Use” asset and a corresponding lease liability. Accordingly, IFTA has recorded a total lease liability in the amount of $238,058 and $612,556 at June 30, 2022 and 2021, respectively, for its office space (split between the current amount of $84,141 and noncurrent amount of $153,917 at June 30, 2022) and a corresponding right of use asset for the premises in the amount of $283,356 and $613,336 at June 30, 2022 and 2021, respectively. The weighted average discount rate associated with the calculation of the present value of the future lease payments was 4.0%, which represents an estimate of IFTA’s incremental borrowing rate.

Future minimum rental payments under all operating leases extending beyond one year are as follows at June 30, 2022:

Year ending June 30, 2023	$ 92,145
Year ending June 30, 2024	132,141

Rent expense for the offices and performance spaces amounted to $375,046 and $409,669 for the years ended June 30, 2022 and 2021, respectively, and these amounts are included with occupancy expense on the statement of functional expenses.

9. Refundable Advances

During May 2020, IFTA received $140,216 in a forgivable loan under the Small Business Administration (SBA) Paycheck Protection Program (“PPP”). Congress established the PPP to provide relief to small businesses during the coronavirus pandemic as part of the $2 trillion Coronavirus Aid, Relief, and Economic Security (CARES) Act, P.L. 116-136. This legislation authorized the United States Treasury Department to use the SBA’s 7(a) small business lending program to fund loans of up to $10 million per borrower that qualifying entities can spend to cover payroll, interest, rent, and utilities.

9. Refundable Advances *(continued)*

Under the guidance in *FASB ASC 958-605*, management initially recorded this forgivable loan as a refundable advance – PPP loan. IFTA expended the funds for payroll, operating overhead, and other eligible costs in accordance with its agreement with the SBA. In April 2021, having fulfilled all of the required conditions, IFTA received full forgiveness of the PPP loan, recording the full $140,216 as government support in the statement of activities and changes in net assets.

A portion of IFTA's revenue is derived from cost-reimbursable state and local government grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when IFTA has incurred expenditures in compliance with specific grant provisions. Any amounts received prior to incurring qualifying expenditures are reported as other refundable advances in the statement of financial position. During the year ended June 30, 2022, IFTA entered into cost-reimbursable grants of $1,998,742 which have not been recognized as of June 30, 2022 because qualifying expenditures had not yet been incurred. During the year ended June 30, 2021, IFTA entered into cost-reimbursable grants of $2,676,179 which have not been recognized as of June 30, 2021 because qualifying expenditures had not yet been incurred. As of June 30, 2022 and 2021, IFTA has received $720,805 and $857,978, respectively, in refundable advances for which qualifying expenditures had not been incurred.

10. Net Assets with Donor Restrictions

IFTA recognizes support from net assets with donor restrictions when the restrictions imposed by the donors have been satisfied or expire. Net assets with donor restrictions consist of the following at June 30:

	2022	2021
Restricted for:		
Fiscally sponsored projects	**$ 1,352,412**	$ 1,037,404
Future periods	**10,000**	15,000
	$ 1,362,412	$ 1,052,404

During the years ended June 30, 2022 and 2021, additions to net assets with donor restrictions amounted to $4,489,260 and $2,198,073, respectively. During the years ended June 30, 2022 and 2021, IFTA released $4,179,252 and $2,416,155, respectively, from net assets with donor restrictions to net assets without donor restrictions.

11. Advertising and Promotion

Advertising and promotion costs are expensed as incurred. Advertising and promotion expense amounted to $13,098 and $10,229 for the years ended June 30, 2022 and 2021, respectively.

12. Compensated Absences (Accrued Payroll and Related Benefits)

Financial statement presentation follows the recommendations of *ASC 710.25, Compensated Absences*. Under ASC 710.25, IFTA is required to record a liability for the estimated amounts of compensation for future absences. Employees are permitted to accrue a specific number of hours of vacation which is payable upon termination of the employee. Sick leave is not paid upon termination. Annual leave accruals are recorded in the financial statements as an accrued liability on the statement of financial position based on hourly rates in effect at the end of the year. Accrued vacation amounted to $19,348 and $27,122 at June 30, 2022 and 2021, respectively, and is included with accounts payable and accrued liabilities on the statement of financial position.

13. Contributed Nonfinancial Assets

Contributed services are recognized as revenue at their estimated fair value if they create or enhance nonfinancial assets or require specialized skills that would need to be purchased if they were not donated. During the year ended June 30, 2021, IFTA received contributed legal services valued at $1,000. These contributed legal services are reported in the financial statements at the estimated fair value based on current rates for similar services and did not have donor-imposed restrictions. There were no contributed nonfinancial assets during the year ended June 30, 2022.

14. Commitments and Contingencies

In the normal course of business there are outstanding various commitments and contingent liabilities, such as commitments to enter into contracts and future performances, which are not reflected in the financial statements. Such commitments and contingencies also include risks associated with various economic and operating factors, which include (a) grant restrictions and donor conditions which obligate IFTA to fulfill certain requirements as set forth in grant instruments, (b) funding levels which vary based on factors beyond IFTA's control, such as generosity of donors and general economic conditions, (c) employment and service agreements with key management and operating personnel, and (d) financial risks associated with funds on deposit at bank and investment brokerage accounts. Management believes that such commitments, contingencies and risks will not have a material adverse effect on the financial statements. Certain of the grants and contracts (including current and prior costs) are subject to audit and final acceptance by the granting entities.

15. COVID-19

As a result of COVID-19 and its variants, the worldwide threat continues to (a) influence financial markets, (b) threaten revenue streams, and (c) impact private enterprises with which IFTA conducts operations. Business continuity, including supply chains and consumer demand across a broad range of industries and countries, continues to present challenges. Management continues to monitor and evaluate its options. These financial statements reflect certain economic ramifications which impacted the years ended June 30, 2022 and 2021.

16. Subsequent Events

In compliance with *ASC 855, Subsequent Events*, IFTA has evaluated subsequent events through July 28, 2023, the date the financial statements were available to be issued and, in the opinion of management, there are no subsequent events which necessitate disclosure.