



COMMUNICATIONS WITH THOSE
CHARGED WITH GOVERNANCE

REGIONAL ARTS & CULTURE COUNCIL

June 30, 2022

Communications with Those Charged with Governance

To the Board of Directors
Regional Arts & Culture Council

We have audited the financial statements of Regional Arts & Culture Council (RACC or the Organization) as of and for the year ended June 30, 2022 and have issued our report thereon dated November 2, 2022. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America

As stated in our engagement letter dated May 18, 2022, we are responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management, with your oversight, are prepared, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS). As part of an audit conducted in accordance with U.S. GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit.

An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of RACC's internal control over financial reporting. Accordingly, we considered RACC's internal control solely for the purposes of determining our audit procedures and not to provide assurance concerning such internal control.

We are also responsible for communicating significant matters related to the financial statement audit that, in our professional judgment, are relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you during our meeting with the Executive Committee on September 7, 2022 as well as our engagement letter dated May 18, 2022.

Significant Audit Findings and Issues

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by RACC are described in Note 2 to the financial statements. No new accounting policies were adopted and there were no changes in the application of existing policies during 2022. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the allowance for doubtful accounts, which is based on management's estimates of collectability. We evaluated the key factors and assumptions used to develop the allowance for doubtful accounts in determining that it is reasonable in relation to the financial statements as a whole.
- Management's allocation of expenses into functional expense categories. The methodology was deemed consistent with prior years and the allocation was reasonable in relation to the financial statements taken as a whole.
- Management's estimate of fair value, which is based on management's estimates of the market values of investments. We evaluated the key factors and assumptions used to develop the fair values of investments in determining that they are reasonable in relation to the financial statements as a whole.
- Management's estimate of the discount on the annuity receivable, which is based on management's estimate of RACC's internal borrowing rate considering the prime rate. We evaluated the key factors and assumptions used to calculate the discount on the annuity receivable in determining that it is reasonable in relation to the financial statements as a whole.
- Management's estimate of depreciable lives on property and equipment, which are based on management's estimate of the useful lives of the assets. We evaluated the key factors and assumptions used to develop the depreciable lives in determining that they are reasonable in relation to the financial statements as a whole.

Financial Statement Disclosures

The disclosures in the financial statements are consistent, clear, and understandable. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- Note 2 – Summary of Significant Accounting Policies
- Note 3 – Liquidity and Availability
- Note 7 – Deferred Revenue
- Note 8 – Agency Transactions

Significant Unusual Transactions

We encountered no significant unusual transactions during our audit of the Organization's financial statements.

Significant Difficulties Encountered in Performing the Audit

Professional standards require us to inform you of any significant difficulties encountered in performing the audit. No significant difficulties were encountered during our audit of the Organization's financial statements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. No such disagreements arose during the course of our audit.

Circumstances that Affect the Form and Content of the Auditor's Report

There may be circumstances in which we would consider it necessary to include additional information in the auditor's report in accordance with GAAP. There were no circumstances that affected the form and content of the auditor's report.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all factual and judgmental misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

Corrected Misstatements: During our audit, we identified one corrected audit adjustment to reduce accounts receivable and revenue in the amount of \$267,219.

Uncorrected Misstatements: There were no uncorrected misstatements identified as a result of our audit procedures.

Management Representation

We have requested certain representations from management that are included in the management representation letter dated November 2, 2022.

Management Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Organization’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Significant Audit Findings or Issues

We are required to communicate to you other findings or issues arising from the audit that are, in our professional judgment, significant and relevant to your oversight of the financial reporting process. There were no such items identified.

Other Matters

During the course of our audit, we identified the following matter where there is an opportunity for strengthening internal controls and operating efficiency. This item is summarized below:

Revenue Recognition for Federal Awards

Finding – During the course of our audit procedures over accounts receivable, we identified an adjustment related to a federal grant that was awarded during the year for which a portion should not have been recorded as revenue as expenditures had not been incurred.

Recommendation – While we understand the receipt of a multi-year grant is rare, we recommend management implement a procedure to review multi-year grants to ensure the appropriate accounting treatment in accordance with accounting principles generally accepted in the United States of America.

This information is intended solely for the use of the Board of Directors and management of RACC and is not intended to be and should not be used by anyone other than these specified parties.

Moss Adams LLP

Portland, Oregon
November 2, 2022



REPORT OF INDEPENDENT AUDITORS
AND FINANCIAL STATEMENTS

REGIONAL ARTS & CULTURE COUNCIL

June 30, 2022 and 2021



MOSSADAMS

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Report of Independent Auditors

The Board of Directors
Regional Arts & Culture Council

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Regional Arts & Culture Council (RACC), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows, for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Regional Arts & Culture Council as of June 30, 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 (GAAS). 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 RACC 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 RACC's ability to continue as a going concern within one year after the date that the financial statements are 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 GAAS 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 GAAS, 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 RACC'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 RACC'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.

Moss Adams LLP

Portland, Oregon
November 2, 2022

Regional Arts & Culture Council
Statements of Financial Position

ASSETS

	June 30,	
	2022	2021
ASSETS		
Cash and cash equivalents	\$ 13,253,421	\$ 11,110,668
Contributions and contracts receivable, net	930,908	520,000
Prepaid expenses and other assets	79,503	57,881
Annuity receivable, net	287,489	298,085
Investments	4,496,484	4,826,206
Property and equipment, net	15,408	28,353
	<u> </u>	<u> </u>
Total assets	\$ 19,063,213	<u><u>\$ 16,841,193</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable and accrued expenses	\$ 1,046,797	\$ 1,531,376
Grants payable	1,783,763	2,150,212
Deferred revenue	14,109,695	10,099,406
Deferred rent	72,743	72,481
	<u> </u>	<u> </u>
Total liabilities	17,012,998	<u>13,853,475</u>
 NET ASSETS		
Without donor restrictions		
Undesignated	668,429	1,134,810
Designated	891,746	1,272,645
	<u> </u>	<u> </u>
Total net assets without donor restrictions	1,560,175	<u>2,407,455</u>
With donor restrictions	<u>490,040</u>	<u>580,263</u>
Total net assets	<u>2,050,215</u>	<u>2,987,718</u>
Total liabilities and net assets	<u>\$ 19,063,213</u>	<u><u>\$ 16,841,193</u></u>

Regional Arts & Culture Council

Statement of Activities and Changes in Net Assets

	Year Ended June 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contract services	\$ 7,287,757	\$ 7,550	\$ 7,295,307
Contributions and grants	97,541	7,000	104,541
Investment loss, net	(406,502)	-	(406,502)
Other revenue	46,086	30,298	76,384
Net assets released from restrictions – satisfaction of program restrictions	135,071	(135,071)	-
Total support and revenue	<u>7,159,953</u>	<u>(90,223)</u>	<u>7,069,730</u>
EXPENSES			
Program services			
Grants	4,614,064	-	4,614,064
Public art	1,246,036	-	1,246,036
Communications	214,824	-	214,824
Advocacy and engagement	180,207	-	180,207
Federal programs	165,385	-	165,385
Arts education	<u>136,311</u>	<u>-</u>	<u>136,311</u>
Total program services	<u>6,556,827</u>	<u>-</u>	<u>6,556,827</u>
Supporting services			
Management and general	1,198,419	-	1,198,419
Fundraising	<u>251,987</u>	<u>-</u>	<u>251,987</u>
Total supporting services	<u>1,450,406</u>	<u>-</u>	<u>1,450,406</u>
Total expenses	<u>8,007,233</u>	<u>-</u>	<u>8,007,233</u>
CHANGE IN NET ASSETS	(847,280)	(90,223)	(937,503)
NET ASSETS, beginning of year	<u>2,407,455</u>	<u>580,263</u>	<u>2,987,718</u>
NET ASSETS, ending of year	<u>\$ 1,560,175</u>	<u>\$ 490,040</u>	<u>\$ 2,050,215</u>

Regional Arts & Culture Council

Statement of Activities and Changes in Net Assets

	Year Ended June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Contract services	\$ 10,558,487	\$ -	\$ 10,558,487
Contributions and grants	42,326	26,803	69,129
Special events, net of expenses of \$58,604	-	-	-
Investment return, net	517,103	-	517,103
Other revenue	19,103	-	19,103
Net assets released from restrictions – satisfaction of program restrictions	<u>160,466</u>	<u>(160,466)</u>	<u>-</u>
Total support and revenue	<u>11,297,485</u>	<u>(133,663)</u>	<u>11,163,822</u>
Expenses:			
Program services:			
Grants	4,681,474	-	4,681,474
Public art	1,529,982	-	1,529,982
Arts education	121,053	-	121,053
Advocacy and engagement	121,359	-	121,359
Communications	251,857	-	251,857
Federal programs	<u>2,756,060</u>	<u>-</u>	<u>2,756,060</u>
Total program services	<u>9,461,785</u>	<u>-</u>	<u>9,461,785</u>
Supporting services:			
Management and general	1,008,812	-	1,008,812
Fundraising	<u>240,869</u>	<u>-</u>	<u>240,869</u>
Total supporting services	<u>1,249,681</u>	<u>-</u>	<u>1,249,681</u>
Total expenses	<u>10,711,466</u>	<u>-</u>	<u>10,711,466</u>
CHANGE IN NET ASSETS	586,019	(133,663)	452,356
NET ASSETS, beginning of year	<u>1,821,436</u>	<u>713,926</u>	<u>2,535,362</u>
NET ASSETS, ending of year	<u>\$ 2,407,455</u>	<u>\$ 580,263</u>	<u>\$ 2,987,718</u>

Regional Arts & Culture Council
Statement of Functional Expenses
Year Ended June 30, 2022

	Grants	Public Art	Communications	Advocacy and Engagement	Federal Programs	Arts Education	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Program services:											
Grants	\$ 4,183,691	\$ -	\$ -	\$ -	\$ 63,000	\$ -	\$ 4,246,691	\$ -	\$ -	\$ -	\$ 4,246,691
Artist fees and services	-	358,427	-	625	-	-	359,052	125	-	125	359,177
Professional services	76,362	259,922	12,602	32,513	76,503	31,500	489,402	219,222	17,198	236,420	725,822
Total program services	4,260,053	618,349	12,602	33,138	139,503	31,500	5,095,145	219,347	17,198	236,545	5,331,690
Supporting services:											
Salaries and benefits	269,514	459,205	152,396	107,556	23,335	81,955	1,093,961	907,792	180,440	1,088,232	2,182,193
Other professional services	-	65	-	-	-	-	65	50,652	-	50,652	50,717
Supplies	2,700	8,249	-	-	-	-	10,949	2,856	-	2,856	13,805
Telephone	79	5,943	4,306	900	-	900	12,128	23,616	1,940	25,556	37,684
Postage and shipping	-	357	-	-	-	204	561	1,140	428	1,568	2,129
Office rent	-	5,486	-	-	-	-	5,486	231,594	-	231,594	237,080
Insurance	-	63	-	-	-	-	63	17,251	-	17,251	17,314
Equipment maintenance	7,000	14,595	-	-	-	-	21,595	15,398	3,620	19,018	40,613
Equipment	-	225	-	-	-	-	225	13,808	-	13,808	14,033
Printing and advertising	-	26	780	266	-	469	1,541	4,582	179	4,761	6,302
Transportation	1,358	5,099	70	2,298	-	23	8,848	5,927	23	5,950	14,798
Conferences and meetings	312	3,199	500	1,213	-	(277)	4,947	11,243	518	11,761	16,708
Dues and subscriptions	131	1,281	2,318	6,260	-	3	9,993	14,721	925	15,646	25,639
Depreciation	-	-	-	-	-	-	-	16,528	-	16,528	16,528
Management and general allocation	72,917	123,894	41,852	28,576	2,547	21,534	291,320	(338,036)	46,716	(291,320)	-
Total supporting services	354,011	627,687	202,222	147,069	25,882	104,811	1,461,682	979,072	234,789	1,213,861	2,675,543
Total expenses	\$ 4,614,064	\$ 1,246,036	\$ 214,824	\$ 180,207	\$ 165,385	\$ 136,311	\$ 6,556,827	\$ 1,198,419	\$ 251,987	\$ 1,450,406	\$ 8,007,233

Regional Arts & Culture Council
Statement of Functional Expenses
Year Ended June 30, 2021

	Grants	Public Art	Communication	Advocacy and Engagement	Federal Programs	Arts Education	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Program services:											
Grants	\$ 4,314,895	\$ 39,202	\$ -	\$ -	\$ 2,523,403	\$ -	\$ 6,877,500	\$ -	\$ -	\$ -	\$ 6,877,500
Artist fees and services	500	578,135	-	-	5,470	-	584,105	-	-	-	584,105
Professional services	93,340	386,323	6,105	18,818	44,080	30,750	579,416	303,102	23,073	326,175	905,591
Total program services	4,408,735	1,003,660	6,105	18,818	2,572,953	30,750	8,041,021	303,102	23,073	326,175	8,367,196
Supporting services:											
Salaries and benefits	219,778	399,612	193,902	80,987	168,973	73,130	1,136,382	563,498	168,082	731,580	1,867,962
Other professional services	-	-	-	-	-	-	-	50,438	-	50,438	50,438
Supplies	13	5,362	-	3,282	-	-	8,657	6,699	8	6,707	15,364
Telephone	2,215	5,588	5,083	450	-	750	14,086	24,637	1,444	26,081	40,167
Postage and shipping	-	124	-	7	-	84	215	855	512	1,367	1,582
Office rent	-	8,132	-	-	-	-	8,132	219,180	-	219,180	227,312
Insurance	-	217	-	-	-	-	217	16,780	-	16,780	16,997
Equipment maintenance	-	13,793	-	-	-	-	13,793	14,211	9,384	23,595	37,388
Printing and advertising	-	727	594	34	-	34	1,389	3,610	229	3,839	5,228
Transportation	-	1,473	-	-	88	-	1,561	6,147	-	6,147	7,708
Conferences and meetings	203	759	436	-	-	621	2,019	2,800	500	3,300	5,319
Dues and subscriptions	2,958	1,877	3,700	2,500	-	4	11,039	22,895	1,572	24,467	35,506
Depreciation	-	-	-	-	-	-	-	33,299	-	33,299	33,299
Management and general allocation	47,572	88,658	42,037	15,281	14,046	15,680	223,274	(259,339)	36,065	(223,274)	-
Total supporting services	272,739	526,322	245,752	102,541	183,107	90,303	1,420,764	705,710	217,796	923,506	2,344,270
Total expenses	\$ 4,681,474	\$ 1,529,982	\$ 251,857	\$ 121,359	\$ 2,756,060	\$ 121,053	\$ 9,461,785	\$ 1,008,812	\$ 240,869	\$ 1,249,681	\$ 10,711,466

Regional Arts & Culture Council

Statements of Cash Flows

	Years Ended June 30,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (937,503)	\$ 452,356
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	16,528	33,299
Realized and unrealized losses (gains) on investments	490,916	(433,317)
Change in allowance for doubtful accounts	3,124	4,038
Change in discount on annuity receivable	(14,904)	(15,409)
Changes in operating assets and liabilities		
Contributions and contracts receivable	(414,032)	66,873
Annuity receivable	25,500	25,500
Prepaid expenses and other assets	(21,622)	25,920
Accounts payable and accrued expenses	(484,579)	(79,202)
Grants payable	(366,449)	1,089,122
Refundable advance	-	(94,267)
Deferred revenue	4,010,289	374,918
Deferred rent	<u>262</u>	<u>6,678</u>
Net cash from operating activities	<u>2,307,530</u>	<u>1,456,509</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(3,583)	(25,620)
Purchases of investments	(869,064)	(1,958,635)
Proceeds from sales and maturities of investments	<u>707,870</u>	<u>2,711,953</u>
Net cash from investing activities	<u>(164,777)</u>	<u>727,698</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,142,753	2,184,207
CASH AND CASH EQUIVALENTS, beginning of year	<u>11,110,668</u>	<u>8,926,461</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 13,253,421</u>	<u>\$ 11,110,668</u>

Regional Arts & Culture Council

Notes to Financial Statements

Note 1 – Organization

The Regional Arts & Culture Council (RACC) is an independent, Oregon not-for-profit 501(c)(3) organization that provides services in Clackamas, Multnomah, and Washington Counties. RACC's mission is to enrich our communities through arts and culture.

A majority of RACC's funding is provided by a contract with the City of Portland, which provided 90% and 56% of total support and revenues in 2022 and 2021, respectively. Other local public funders include Multnomah, Clackamas, and Washington Counties, and Metro, which provided a combined 10% and 11% in 2022 and 2021, respectively, including agency transactions.

RACC's service area includes more than 1.6 million residents, 250 not-for-profit arts and culture organizations, and countless artists of every discipline. Programs include:

Grants – RACC distributed approximately \$4,300,000 and \$6,900,000 in grant funds in 2022 and 2021, respectively, and currently serves 286 individual artists and 178 arts organizations, other non-profit organizations, and schools in the Portland tri-county area. The amount distributed includes amounts received in grants as well as those considered agency transactions. Approximately 24 local artists and community representatives serve on panels each year to help assess the artistic merit, community service, and fiscal responsibility of the applicants. During 2022, RACC received funds from National Endowment for the Arts and the City of Portland to improve their ability to adequately deliver on a regional mandate in Washington and Clackamas Counties and bring parity to grantmaking throughout RACC's service area. A portion of these grants were considered agency transactions. See Note 8.

Public Art – RACC's nationally acclaimed Public Art program includes the innovative development and management of the 2% Percent for Art ordinances for the City of Portland and Multnomah County and the public art that results from those funds. These include long-term artworks, temporary and performance-based public art, and a series of artist residencies in community settings and/or public agencies. A community participatory selection process founded in RACC's Core Values is seminal to this work. The commissioning of artworks for Multnomah County Libraries, Portland Parks & Recreation, Portland Bureau of Transportation, and the Port of Portland are currently very prominent in this work. RACC also manages a Murals Program, which includes an artist training and development component. The Collections Management includes the maintenance and conservation of artworks as well as the acquisition and placement of portable scale artworks, including the Visual Chronicle of Portland, for public spaces. Additionally, RACC provides review and oversight of code driven projects with private developers as well as public art management contracting services for a variety of local and national agencies, both public and private.

Regional Arts & Culture Council

Notes to Financial Statements

Note 1 – Organization (continued)

Arts Education – Leading with equity, access, and inclusion, the arts education program at RACC is centered on providing advocacy tools, collaboration, and support to arts educators in the City of Portland who receive funding from the Arts Education and Access Income Tax Fund. While the measure only addresses arts education in k-5, RACC provides services to k-12. This includes informational meetings and outreach, creating an arts education resource guide, updating RACC's website, sharing community opportunities, providing free Trauma Informed Care professional development workshops (CEU credit) in FY22, and creating other engagements for arts organizations and arts educators to work together. RACC hosts the artlook@oregon platform which connects arts organizations and schools to enable them to form partnerships, collect valuable data for the participating school districts, and highlight inequity in the community to bring a well-rounded arts education to schools. The arts education program is part of the Kennedy Center's Any Given Child through artlook@oregon. The arts education program continues to elevate the importance of arts education through the endorsement and support of the Arts Education for All Act, through engagement with Congresswoman Bonamici and the Academy of Arts and Sciences. A quarterly arts education newsletter reaches nearly 1,000 individuals in the community. The arts education program continues to evolve to better address the needs of the community.

Advocacy – RACC works at the local, state, and national levels to build awareness, support and resources for arts and culture. RACC convenes forums to promote the importance of arts and culture and supports the sector through development and cultivation of regional partners, organizations, and individuals. They are able to inform research (e.g., through RACC's national partnership with Americans for the Arts and the Arts & Economic Prosperity 6 study (AEP6)) to illustrate the impact of arts and culture in the region. RACC continues to advocate to local and state governments for relief support for those still experiencing impact from COVID-19 to artists and art organizations in the tri-county region. RACC is the recipient of two National Endowment for the Arts (NEA) grants: the first specific to placemaking in Portland's Midway-Division corridor seeking to find points of connection, intersection, and pride between diverse residents; and the second, in the short-term to further invest in the arts and culture of neighboring Washington and Clackamas counties, encouraging and cultivating further localized development and support. Advocacy and Engagement plays a key role serving on the Planning Management Team in the upcoming regional cultural plan set forth by Portland City leadership providing a lens of equity and over 25 years' worth of arts and culture knowledge and expertise to the planning team. Each season, Advocacy seeks and liaise between city and all tri-county commissioner offices to provide information and seek endorsement on upcoming local and national legislature effecting the arts and culture in our community. RACC also conducts a workplace giving program that introduces thousands of employees to the local arts community and generates contributions for the region's arts and cultural organizations. Approximately \$73,193 and \$69,600 was pledged in the campaign ending June 30, 2022 and 2021, respectively.

Note 1 – Organization (continued)

Community Services – RACC conducts workshops for artists and provides organizational consulting services for emerging and mid-sized arts organizations. RACC provides a wide range of information services for local artists and arts administrators including free informative newsletters in electronic form serving more than 12,000 area residents per month. The RACC website (www.racc.org) contains opportunities for artists (grants, residencies, jobs, competitions, commissions, etc.), an online cultural calendar of RACC-funded events in the community, and other important information of interest to the local arts and culture community.

Note 2 – Summary of Significant Accounting Policies

Basis of accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, revenues are recognized when earned, and expenses are recognized when incurred.

Financial statement presentation

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

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor (or grantor) restrictions. The Board of Directors has designated, from net assets without donor restrictions, amounts for various programs. See Note 9. These designations can be released at any time with Board approval.

Net assets with donor restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor 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 are perpetual in nature, where the donor stipulates the resources must be maintained in perpetuity. At June 30, 2022 and 2021, RACC did not have any net assets held in perpetuity. 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.

Cash and cash equivalents

RACC considers all highly liquid investment securities purchased with a maturity of 3 months or less to be cash equivalents. RACC maintains its cash in bank deposits that, at times, may exceed federally insured limits. However, RACC has not incurred any credit related losses to date.

Contributions and contracts receivable

Contributions and contracts receivable are recorded net of the allowance for doubtful accounts of \$2,453 and \$3,124 at June 30, 2022 and 2021. The allowance for doubtful accounts is estimated by evaluating the credit worthiness of those from whom amounts are due as well as current economic trends.

Receivables are considered delinquent if not paid by the due date. Accounts are charged off when all collection efforts have been exhausted. As of June 30, 2022 and 2021, all contributions and contracts receivable are due to be collected in 12 months or less.

Regional Arts & Culture Council

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (continued)

Investments and investment return

Investments in securities with readily determinable fair values are measured at fair value in the statements of financial position. Investment return includes realized and unrealized gains and losses, interest, and dividends, net of investment expenses, and is reported as an increase or decrease to the appropriate net asset category.

Property and equipment

Property and equipment are carried at cost, or for donated items, at estimated fair value at the date of donation. Purchases of property and equipment exceeding \$3,500 with an expected useful life of more than one year are capitalized. Normal expenditures for repairs and maintenance are charged to expense as incurred. Upon retirement or sale of property and equipment, the cost of the asset and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is recorded. Depreciation of property and equipment is recorded over the estimated useful lives of the respective assets on the straight-line basis with such lives ranging from 3 to 5 years for office and computer equipment and the shorter of the lease term or estimated useful life of the leasehold improvements, which is 5 to 7 years.

Grants payable

Funds encumbered for grants to organizations or individuals are recognized as expenses when the Board of Directors approves the grants unless the grant is subject to conditions. Grants are generally paid within one year of Board approval.

Contract services

Contract service revenues are recognized at the time services are provided. Changes to estimated contract costs or losses, if any, are recognized in the period they are determined. Amounts received in excess of revenues recognized to date are classified as deferred revenue.

Through the City of Portland and Multnomah County, RACC receives a 2% “Percent for Art” assessment made against major construction projects undertaken by these governments. These assessments represent, and are recognized, in the following manner:

- 1.26% of the assessment is used to underwrite artistic fees and direct artistic costs and is recognized ratably in proportion to the payments made to artists, generally in increments of one-third.
- .54% of the assessment is used for administrative support costs and is generally recognized at the time the first contract payment is made to the project’s artist.
- .20% of the assessment is used for the general maintenance of all public art works, and is recognized at the time the first payment is made to the artist.

The City of Portland also makes special grant allocations to other arts organizations within the Portland area through RACC. The amount and recipients of these special allocations vary from year to year. RACC acts as an intermediary for the City of Portland and the designated entity in these situations, and as such, does not recognize revenue when the assets are received. RACC recognizes these amounts as “pass-through” or “agency” transactions in accordance with appropriate accounting standards. See Note 8.

Note 2 – Summary of Significant Accounting Policies (continued)

Contributions and grants

Contributions and grants 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 – that is, those with a measurement performance obligation or other barrier and a right of return – are not recognized until the conditions on which they depend have been substantially met.

A portion of RACC's revenue is derived from cost-reimbursable federal contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when RACC has incurred expenditures in compliance with the specific contract or grant provisions. RACC received cost-reimbursable grants of \$267,219 that have not been recognized at June 30, 2022 because qualifying expenditures had not yet been incurred. There were no amounts received that had not been recognized at June 30, 2021.

All contributions are considered to be available for RACC's general use unless specifically restricted by the donor. Contributions restricted by the donor are recorded as net assets with donor restrictions. Grants are restricted by the grantor for specific activities and are recorded as net assets with donor restrictions. When the restrictions are satisfied, the net assets with donor restrictions amounts are released to net assets without donor restrictions.

Contributed non-financial assets

Contributed non-financial assets are recorded as contributions at their fair value at the time of donation with a corresponding charge to expense or property and equipment, as appropriate. Contributed non-financial asset donations totaled \$29,161 and \$8,552 for the years ended June 30, 2022 and 2021, respectively.

Functional allocation of expenses

The costs of RACC's various programs and supporting services have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include rent and depreciation which are allocated based on full-time equivalents dedicated to each program or supporting service, as well as salaries and benefits and other professional services, which are allocated on the basis of time and effort.

Income taxes

RACC is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Unrelated business income tax, if any, is insignificant and no tax provision has been made in the accompanying financial statements.

RACC recognizes the tax benefit from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. RACC recognizes interest and penalties related to income tax matters, if any, in management and general expenses.

Regional Arts & Culture Council

Notes to Financial Statements

Note 2 – Summary of Significant Accounting Policies (continued)

RACC had no unrecognized tax benefits at June 30, 2022 or 2021. RACC files an exempt organization return in the U.S. federal, state, and local jurisdictions.

Use of estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, 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 support and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent events

Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are available to be issued. RACC recognizes in the financial statements, the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. RACC's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before financial statements were available to be issued.

RACC has evaluated subsequent events through November 2, 2022, which is the date the financial statements were available to be issued. See Note 15.

Note 3 – Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at June 30:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 13,253,421	\$ 11,110,668
Contributions and contracts receivable, net	930,908	520,000
Investments	<u>4,496,484</u>	<u>4,826,206</u>
	<u>18,680,813</u>	<u>16,456,874</u>
Less: Amounts recorded in grants payable	(1,783,763)	(2,150,212)
Amounts recorded in deferred revenue	(14,109,695)	(10,099,406)
Amounts with donor restrictions	<u>(490,040)</u>	<u>(580,263)</u>
	<u>\$ 2,297,315</u>	<u>\$ 3,626,993</u>

As part of RACC's liquidity plan, RACC invests cash in excess of daily requirements in short-term investments, CDs, and money market funds.

Regional Arts & Culture Council

Notes to Financial Statements

Note 4 – Annuity Receivable

RACC received an annuity during 2015. The terms of the trust state that RACC will receive \$25,500 annually for a period of 25 years. The annuity has been recorded at its net present value, with the discount at 5% being amortized into revenue annually. Through January 28, 2020, the proceeds from this annuity are restricted for use by the Right Brain Initiative. During 2021, RACC worked with the donor and determined that these funds may now be used more broadly for arts education.

The balance of the annuity receivable is as follows at June 30:

	<u>2022</u>	<u>2021</u>
Annuity receivable	\$ 433,500	\$ 459,000
Discount	<u>(146,011)</u>	<u>(160,915)</u>
	<u>\$ 287,489</u>	<u>\$ 298,085</u>

Note 5 – Fair Value of Investments

RACC accounts for financial instruments in accordance with the standard for Fair Value Measurements. This standard defines fair value as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. RACC determines fair value based upon quoted prices when available or through the use of alternative approaches, such as matrix or model pricing, when market quotes are not readily accessible or available. The valuation techniques used are based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect RACC's market assumptions. These two types of inputs create the following fair value hierarchy:

Level 1 – Quoted prices in active markets for identical assets.

Level 2 – Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available. RACC's own data used to develop unobservable inputs is adjusted for market consideration when available.

RACC used the following methods and significant assumptions to estimate fair value for its assets measured and carried at fair value in the financial statements:

Investments – Investments are comprised of equities and fixed income funds for which fair values are based on quoted market prices in an active market. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities.

Regional Arts & Culture Council

Notes to Financial Statements

Note 5 – Fair Value of Investments (continued)

Investments consisted of the following at June 30:

	<u>2022</u>	<u>2021</u>
Equities	\$ 1,300,320	\$ 1,477,953
Fixed income		
U.S. treasuries	1,039,488	967,302
Agency securities	1,168,806	1,229,780
Corporate bonds	729,793	816,045
Municipal bonds	207,809	278,803
Certificates of deposit	<u>50,268</u>	<u>56,323</u>
	<u>\$ 4,496,484</u>	<u>\$ 4,826,206</u>

All of these investments, except for certificates of deposit and bonds, are considered to be Level 1 at June 30, 2022 and 2021. RACC considers certificates of deposit and bonds to be Level 2 investments at June 30, 2022 and 2021. RACC does not have any investments that are considered Level 3. RACC has no liabilities that are required to be measured at fair value at June 30, 2022 or 2021. There were no changes in valuation methodologies or assumptions during the years ended June 30, 2022 or 2021.

Note 6 – Property and Equipment

Property and equipment consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Office and computer equipment	\$ 441,789	\$ 438,206
Leasehold improvements	165,532	165,532
Less accumulated depreciation	<u>(591,913)</u>	<u>(575,385)</u>
	<u>\$ 15,408</u>	<u>\$ 28,353</u>

Note 7 – Deferred Revenue

Deferred revenue represents funds received in advance for services to be provided under contracts with local governments and other organizations. Generally, those funds relate to projects that will be funded in the following fiscal year. See Notes 1 and 15 for additional information.

Regional Arts & Culture Council

Notes to Financial Statements

Note 7 – Deferred Revenue (continued)

The following provides a rollforward of activity within deferred revenue as of June 30:

	<u>2022</u>	<u>2021</u>
Deferred revenue, beginning of year	\$ 10,099,406	\$ 9,724,488
Cash receipts	11,305,596	10,694,991
Recognized as revenue	<u>(7,295,307)</u>	<u>(10,320,073)</u>
Deferred revenue, end of year	<u>\$ 14,109,695</u>	<u>\$ 10,099,406</u>

Note 8 – Agency Transactions

Agency transactions are transactions in which RACC is acting as an agent, trustee, or intermediary, helping donors make contributions to another designated entity or individual. When acting in this capacity, RACC does not recognize a contribution when it receives the asset per relevant accounting guidance. As such, RACC recognized these amounts as “pass-through” or “agency” transactions as follows for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Fiscal Sponsorship: Community Healing through Art	\$ 144,991	\$ 45,000
Multnomah County Cultural Coalition	101,783	77,246
Fiscal Sponsorship: Spreading the Black JOY VIRUS	37,500	12,500
Workplace Giving Designated Gifts Paid	30,186	95,118
Oregon Cultural Trust (OCT) CARES	-	13,092,146
Tualatin Valley Creates	-	97,000
Cultural Coalition of Washington County	<u>-</u>	<u>57,520</u>
	<u>\$ 314,460</u>	<u>\$ 13,476,530</u>

Regional Arts & Culture Council

Notes to Financial Statements

Note 9 – Designated Net Assets without Donor Restrictions

The following funds have been designated by the Board of Directors for programs within the departments listed below at June 30:

	<u>2022</u>	<u>2021</u>
Public art	\$ 517,358	\$ 943,469
Grants and community services	151,170	148,699
Work for Art and fundraising	134,181	42,951
Arts education	68,218	50,517
Federal programs	20,000	86,190
Management and general	819	819
	<u>\$ 891,746</u>	<u>\$ 1,272,645</u>

Note 10 – Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Arts education	\$ 299,084	\$ 298,084
Grants and community services	96,905	220,078
Work for Art and fundraising	51,719	20,873
Public art	25,843	28,728
Management and general	16,489	12,500
	<u>\$ 490,040</u>	<u>\$ 580,263</u>

Regional Arts & Culture Council

Notes to Financial Statements

Note 11 – Net Assets Released from Restrictions

Net assets relating to restricted contributions and grants are released from net assets with donor restrictions to net assets without donor restrictions when RACC incurs expenses satisfying the restricted purposes or when other events specified by donors occur. Such releases are summarized as follows for the year ended June 30:

	<u>2022</u>	<u>2021</u>
Fundraising	\$ 106,980	\$ -
Public art	15,591	34,755
Management and general	12,500	-
Other	-	37,434
Arts education	-	25,775
Grants and community services	<u>-</u>	<u>62,502</u>
	<u>\$ 135,071</u>	<u>\$ 160,466</u>

Note 12 – Retirement Plan

RACC provides a 401(k) retirement savings plan (the Plan) to all qualified employees. RACC's contribution to the Plan is based on a percentage of the employee's salary as established annually by the Board of Directors. All contributions are immediately vested. Participants direct the investments of the funds contributed on their behalf. The Plan also allows employees to defer a portion of their salary as additional funds for retirement. Employees may elect to contribute up to the maximum allowed by law. Total contributions by RACC to the Plan were \$99,909 and \$68,029 for the years ended June 30, 2022 and 2021, respectively.

Note 13 – Lease Commitments

RACC leases its offices under an operating lease which expires August 2026. Facility rent expense was \$228,447 and \$219,833 for the years ended June 30, 2022 and 2021, respectively. RACC also leases various office equipment under operating leases which expire June 2024. Total equipment rent expense was \$8,640 for each of the years ended June 30, 2022 and 2021. Total future lease commitments are as follows:

Years ending June 30, 2023	\$ 228,378
2024	235,185
2025	240,695
2026	247,916
2027	<u>42,453</u>
	<u>\$ 994,627</u>

Regional Arts & Culture Council

Notes to Financial Statements

Note 13 – Lease Commitments (continued)

RACC's lease commitment includes an escalating rent schedule. In accordance with accounting principles generally accepted in the United State of America, rent expense is required to be recognized on a straight line basis over the term of the lease. As of June 30, 2022 and 2021, deferred rent of \$72,743 and \$72,481, respectively, has been recognized as a liability in the statements of financial position.

Note 14 – Contingencies

Amounts received or receivable under RACC's governmental contracts are subject to audit and adjustments. Any expenditures or claims disallowed as a result of such audits would become a liability against RACC's net assets without donor restrictions. In the opinion of RACC's management, any adjustments that might result from such audits would not be material to RACC's overall financial statements.

Note 15 – Arts Education & Access Fund

In November 2012, 62% of Portland voters approved an Arts Education & Access Fund (AEAF), an income tax that generates revenues for arts education and access in the City of Portland. The tax is expected to raise approximately \$10 million a year. An estimated \$6.8 million funds certified arts specialists for all K-5 students at a rate of 1 teacher for every 500 students at each public school in Portland. The remaining proceeds flow to RACC to make additional investments in arts education, arts organization support, and access. RACC may use up to 3% of all net revenues for arts education coordination staff and services. The bulk of RACC's allocation is intended to fund "general operating support" organizations. The remainder is for grants to support arts education and arts access projects.

Regional Arts & Culture Council Notes to Financial Statements

Note 15 – Arts Education & Access Fund (continued)

There are no requirements in the City Code or in RACC's contract with the City of Portland specifying the timeframe for offering grants or meeting the spending requirements set forth above. Any unspent funds are reported as deferred revenue in the accompanying statements of financial position, and are restricted for use per the terms of the contract with the City of Portland. The allocation of funds and how they were spent is as follows for the years ended June 30:

2022						
	Funds Received	Funds Spent	Funds Carried over from 2021	Adjustments to Funds Carried over from 2021	(Returned) Funds Carried over from 2021	Remaining Funds
Arts education coordination	\$ 152,300	\$ -	\$ 278,953	\$ -	\$ 125,310	\$ 305,943
General operating support	2,764,154	-	3,430,703	-	1,786,740	4,408,117
Cultural access grants	<u>466,857</u>	-	297,395	-	191,475	572,777
	<u>\$ 3,383,311</u>	<u>\$ -</u>	<u>\$ 4,007,051</u>	<u>\$ -</u>	<u>\$ 2,103,525</u>	<u>\$ 5,286,837</u>
2021						
	Funds Received	Funds Spent	Funds Carried over from 2020	Adjustments to Funds Carried over from 2020	(Returned) Funds Carried over from 2020	Remaining Funds
Arts education coordination	\$ 168,800	\$ -	\$ 231,202	\$ -	\$ 121,049	\$ 278,953
General operating support	2,786,008	-	2,699,090	-	2,054,395	3,430,703
Cultural access grants	<u>260,193</u>	-	237,766	2,811	203,375	297,395
	<u>\$ 3,215,001</u>	<u>\$ -</u>	<u>\$ 3,168,058</u>	<u>\$ 2,811</u>	<u>\$ 2,378,819</u>	<u>\$ 4,007,051</u>

Arts Education & Access Fund remaining funds are included in deferred revenue for the years ended June 30, 2022 and 2021, respectively, on the statements of financial position.

In June 2018, the Board approved to modify RACC's current spending policy with regard to AEAFF funds. Going forward, RACC will base its annual allocations for the funds noted above on the amount of funding that is available in December of every year, and hold additional, unanticipated allocations after January 31 as mitigation for future anticipated revenue shortfalls and other uncertainties, not to exceed one year's disbursement obligations. RACC will disburse all excess AEAFF revenues received above the amount of the reserve by September 1 of each year, through a one-time special allocation if necessary, for purposes that are consistent with RACC's service agreement with the City of Portland and the goals of the Board.

Subsequent to year end, the City of Portland voted to remove the arts education coordination funds and activities from the contract with RACC effective November 18, 2022.



Regional Arts & Culture Council

November 3, 2022

TO: Board of Directors

FR: Executive Committee
Cindy Knapp, Chief Financial Officer

RE: September 30, 2022 Financial Statements

Action Requested

Motion to approve the September 2022 Financial Statements as presented.

Background

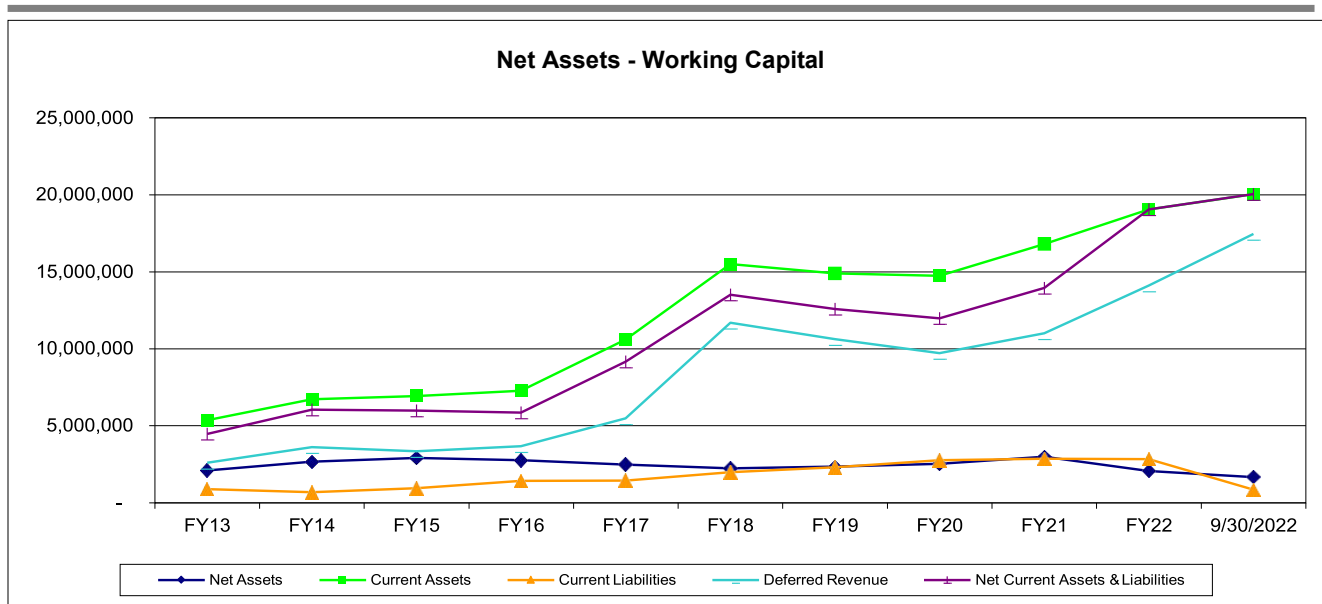
The September 30, 2022 Financial Statements represent actual activity for a 3-month period of July 1, 2022 through September 30, 2022.

Highlights

- **Balance Sheet (pg.1):** Assets continue to be strong; cash and investments are a little lower than the Draft year-end FY2022. Accounts Receivable are higher than normal because we have invoiced our governmental partners but have not received all of the payments as of the end of September. Liabilities are normal for this time of year except for deferred revenue. The government payments are recorded to Accounts Receivable and Deferred Revenue until received and earned.
- **Income Statement – Current Year Actual to Budget (pg.2):**
This statement shows current year actual revenue and expense compared to the annual budget.
Revenue:
 - **Contract Revenue** compared to the budget is at 11%. We have invoiced our governmental partners but have not received the payment from the City of Portland.
 - **Contributions** are at 1% of the budget.
 - **Arts Impact Fund** is at 0% of budget with workplace campaigns beginning.
 - **Investment Income** is at -86% of the budget. The losses in our investment are due to market fluctuations.Expenses:
 - **Grants** expenses are at 13%, we have awarded grants to individuals through ARPA Funding in partnership with the City of Portland, and capacity building grants to Organizations.
 - **Artist Fees and Expenses** are 6% of the budget. These payments fluctuate based on timing of scheduled payments for artists and projects.
 - **Other Program Expenses** are at 19%, with 25% of the year completed. This is typical for this quarter.
 - **Net Income is -24%**, this shows we are drawing upon our net assets during this quarter. This should begin to balance out once we receive the governmental funding.
- **The City Financial Report – Q1 (pg 3):** This is a required quarterly report to the City of Portland. This statement is by funding sources, and expense categories based on the contract. As you can see we did not receive our general fund allocation during the first quarter, however, it did come in mid-October. The All Other Funding includes the ARPA sub-granting, funds we received from the City, Multnomah County's allocation, and Washington County's annual allocation.

Regional Arts & Culture Council
Balance Sheet
As of 9/30/22
(In Whole Dollar)

				Draft Audited
Assets		9/30/22		FY21-22
1	Cash	\$ 11,058,481	\$	13,253,421
2	Contributions and Contracts receivable	4,182,192		930,908
3	Interest Receivable	297		496
4	Prepaid Expenses	27,714		79,503
6	Annuity Receivable, Net	287,489		287,489
7	Investments	4,479,492		4,495,988
8	Property and equipment, net	10,991		15,408
9	Due to/from	-		-
10	Total Assets	\$ 20,046,658	\$	19,063,213
Liabilities and Net Assets				
Liabilities:				
11	Accounts Payable and Accrued Expenses	\$ 101,593	\$	1,046,797
12	Grants Payable	755,735		1,783,763
13	Deferred Revenue	17,455,257		14,109,695
14	Deferred Rent	71,156		72,743
15	Total Liabilities	\$ 18,383,742	\$	17,012,998
Net Assets:				
<i>Without Donor Restrictions:</i>				
16	Undesignated	\$ 627,906	\$	668,429
17	Designated	553,952		891,746
18	Total Unrestricted	\$ 1,181,858	\$	1,560,175
19	<i>With Donor Restrictions</i>	\$ 481,058	\$	490,040
20	Total Net Assets	\$ 1,662,916	\$	2,050,215
21	Total Liabilities and Net Assets	\$ 20,046,658	\$	19,063,213



Regional Arts & Culture Council
Income Statement
July 1, 2022 - September 30, 2022

		A	B	C	D	E	F
		30-Sep-22				Approved Budget	Remaining to Meet Budget
		Current Year Actual					
Fund:		General	Public Art	Total	% of Budget	Total	Total
Revenue							
1	Contract	1,223,674	244,154	1,467,828	11%	12,880,808	11,412,980
2	Contribution	7,137	-	7,137	1%	541,603	534,466
3	Workplace Giving	8,461	-	8,461	0%	85,000	76,539
4	Investment Income	(78,234)	(72,414)	(150,648)	-86%	175,000	325,648
5	Other	-	-	-	0%	-	-
6	Total	1,161,038	171,740	1,332,778	10%	13,682,411	12,349,633
Expenses							
7	Grants	700,784	1,750	702,534	13%	5,327,800	4,625,266
8	Artist Fees & Expenses	-	155,961	155,961	6%	2,527,934	2,371,973
9	Other Program Expense	261,464	281,850	543,314	19%	2,834,595	2,291,281
10	Support Services	318,268	-	318,268	23%	1,372,584	1,054,316
11	Total	1,280,516	439,561	1,720,077	14%	12,062,913	10,342,833
Net Income		(119,477)	(267,822)	(387,299)	-24%	1,619,498	2,036,797
Beg. Net Assets		2,015,523	972,197	2,987,720	129%	2,317,435	(670,285)
Ending Assets		1,896,046	704,375	2,600,421	66%	3,941,433	1,366,511

**Regional Arts Culture Council
FY2022 - 2023
City of Portland Financial Report**

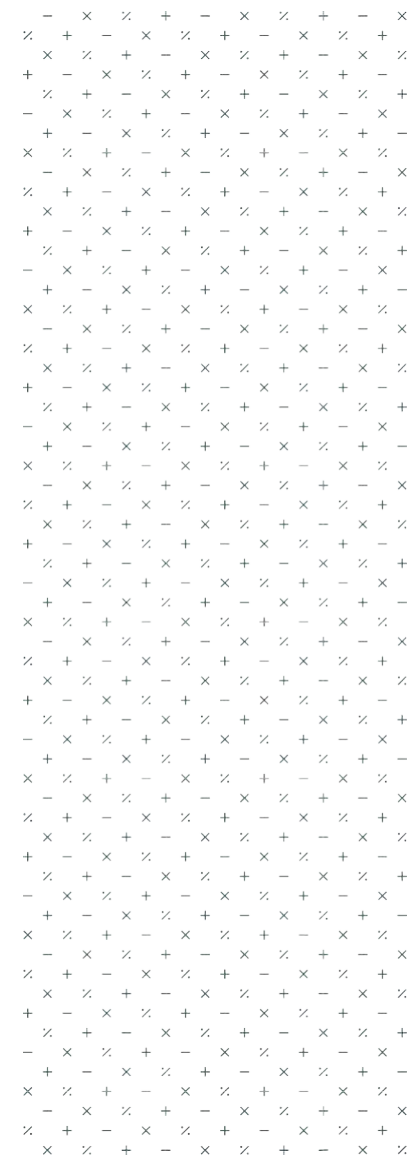
(In Whole Numbers)

	FY21-22 YE Forecast	FY22-23 Approved Budget	FY22-23 Budget Change	FY22-23 Received to Date	FY22-23 Spent to Date	FY22-23 Funds Remaining
City of Portland General Fund						
Grants to Orgs & Individuals	1,591,590	1,675,567	83,977	-	-	-
Other Direct Services	187,327	135,485	(51,842)	-	27,665	(27,665)
Public Art Acquisitions	65,714	78,444	12,730	-	13,875	(13,875)
Program Management	1,049,835	1,111,001	61,166	-	179,915	(179,915)
Administration	<u>876,897</u>	<u>921,721</u>	<u>44,824</u>	<u>-</u>	<u>309,127</u>	<u>(309,127)</u>
Total General Fund	3,771,363	3,922,218	150,855	-	530,582	(530,582)
City of Portland Percent for Art						
Art Acquisitions	377,957	561,661	183,704	248,114	42,211	205,903
PA Management, etc.	293,425	444,081	150,656	106,335	69,660	36,675
PA Maintenance fund	<u>56,437</u>	<u>162,603</u>	<u>106,166</u>	<u>-</u>	<u>26,881</u>	<u>(26,881)</u>
Total Percent for Art	727,819	1,168,345	440,526	354,449	138,752	215,697
City of Portland Arts Education & Access Fund						
Grants (Gen Ops)	1,720,594	2,122,976	402,382	-	220,000	(220,000)
Grants & Programs for Arts Access	409,866	376,607	(33,259)	-	-	-
Arts Education Coordination	<u>172,177</u>	<u>164,179</u>	<u>(7,998)</u>	<u>-</u>	<u>27,021</u>	<u>(27,021)</u>
Total Arts Education & Access Fund	2,302,637	2,663,762	361,125	-	247,021	(247,021)
All Other Funding	2,482,971	5,928,086	3,445,115	450,798	803,722	(352,924)
Grand Total	<u>9,284,790</u>	<u>13,682,411</u>	<u>4,397,621</u>	<u>805,247</u>	<u>1,720,077</u>	<u>(914,830)</u>



Audit Results

Better Together: Moss Adams & Regional Arts & Culture Council



Regional Arts & Culture Council

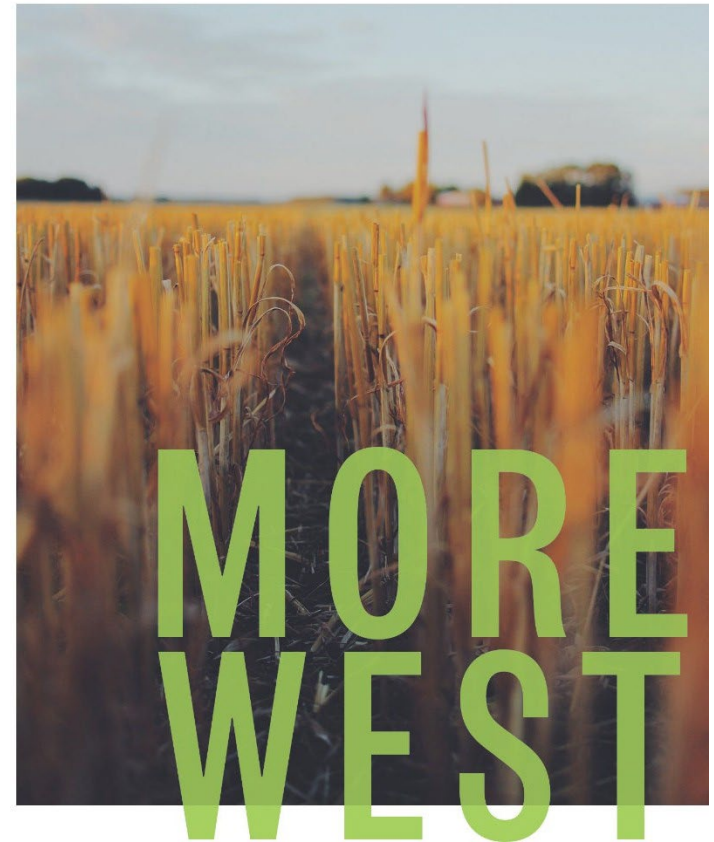
Dear Executive Committee Members:

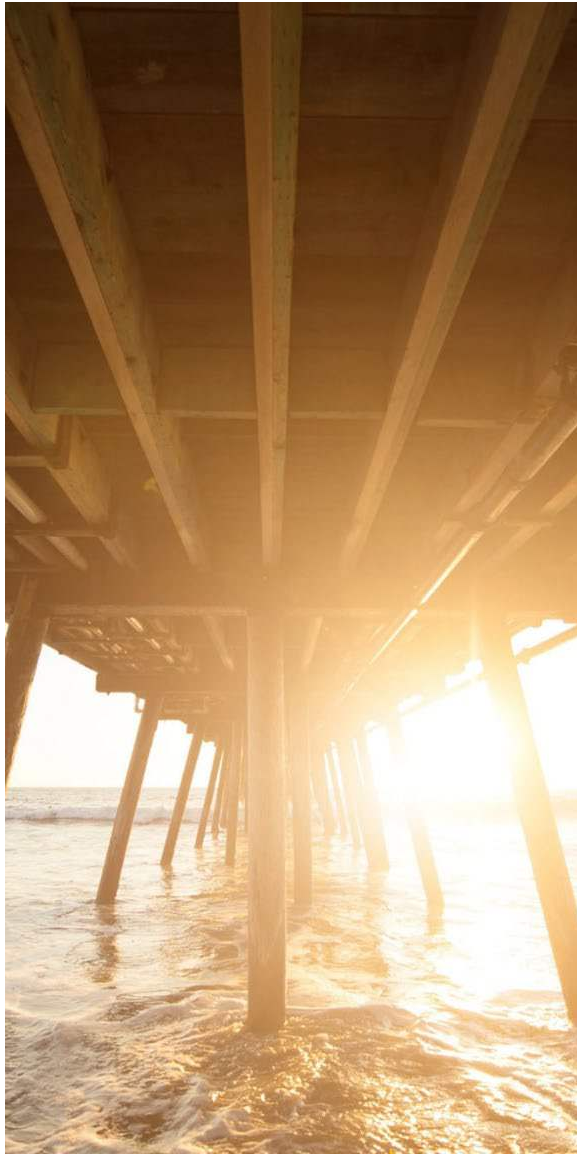
Thank you for your continued engagement of Moss Adams LLP. We are pleased to have the opportunity to meet with you to discuss the results of our audit of the financial statements of Regional Arts & Culture Council (the Organization or RACC) as of and for the year ended June 30, 2022.

The accompanying report, which is intended solely for the use of the Executive Committee and Management and not intended to be, and should not be, used by anyone other than these specified parties, presents important information regarding the Organization's financial statements and our audit that we believe will be of interest to you.

We conducted our audit with the objectivity and independence that you expect. We received the full support and assistance of RACC personnel. We are pleased to serve and be associated with the Organization as its independent public accountants and look forward to our continued relationship.

We look forward to discussing our report or any other matters of interest with you during this meeting.





Agenda

1. Auditor Opinion and Report
2. Highlights for 2022
3. Communications with Those Charged with Governance
4. Other Information



Scope of Services

Relationships between Moss Adams and Regional Arts & Culture Council:

Annual Audit



Annual financial statement audit as of and for the year ending June 30, 2022

Non-Attest Services



- Assist management with drafting the financial statements and footnotes as of and for the year ending June 30, 2022



Auditor Opinion & Report



Auditor Report on the Financial Statement

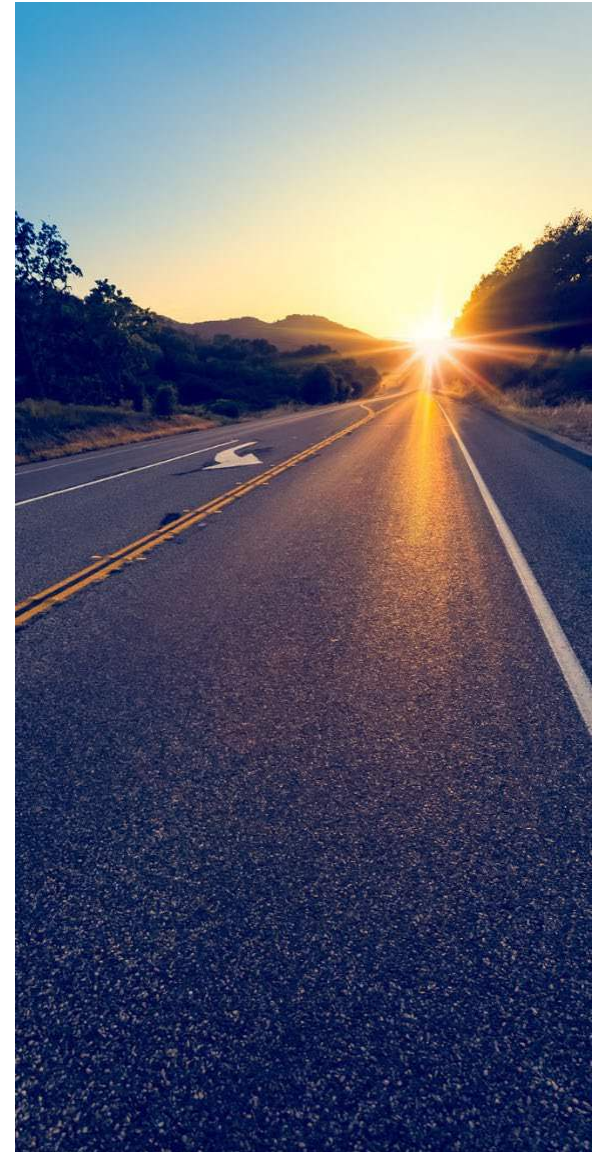
Unmodified Opinion

Financial statements are presented fairly and in accordance with U.S. Generally Accepted Accounting Principles (U.S. GAAP)





Highlights for 2022



Statement of Financial Position

(dollars in thousands)

Assets increased \$2,222 (13%)

- Cash and cash equivalents increased \$2,143 (19%)
- Contributions and contracts receivable, net increased \$411 (79%)
- Investments decreased \$330 (7%)

Liabilities increased \$3,160 (23%)

- Grants payable decreased \$366 (17%)
- Deferred revenue increased \$4,010 (40%)

Net assets decreased \$938 (31%)



Statement of Activities

(dollars in thousands)

Revenues decreased \$4,094 (37%)

- Contract services decreased \$3,263 (31%)
- Investment return decreased \$924 (179%)

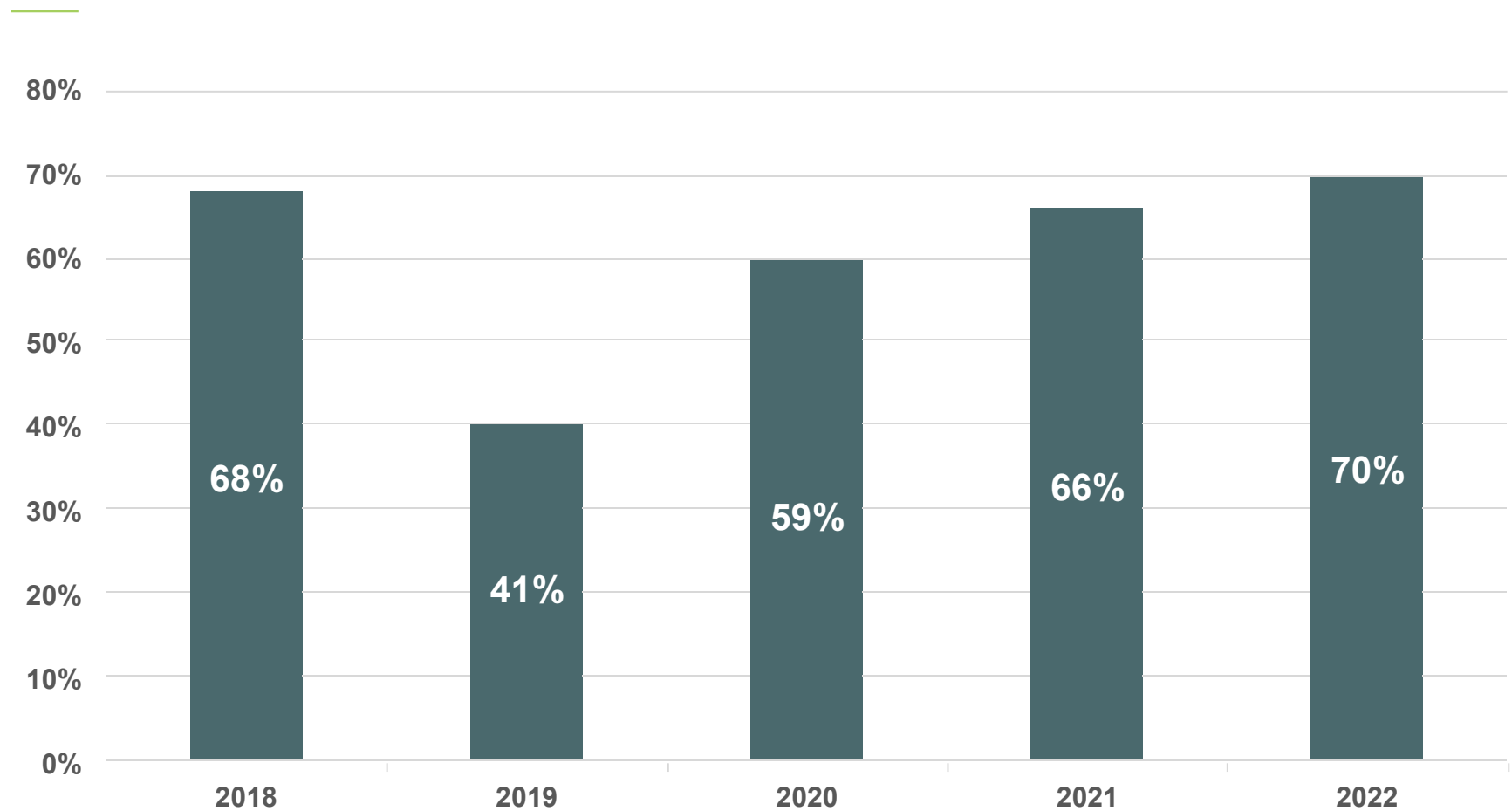
Expenses decreased \$2,704 (17%)

- Federal programs decreased \$2,591 (94%)
- Public art decreased \$284 (19%)

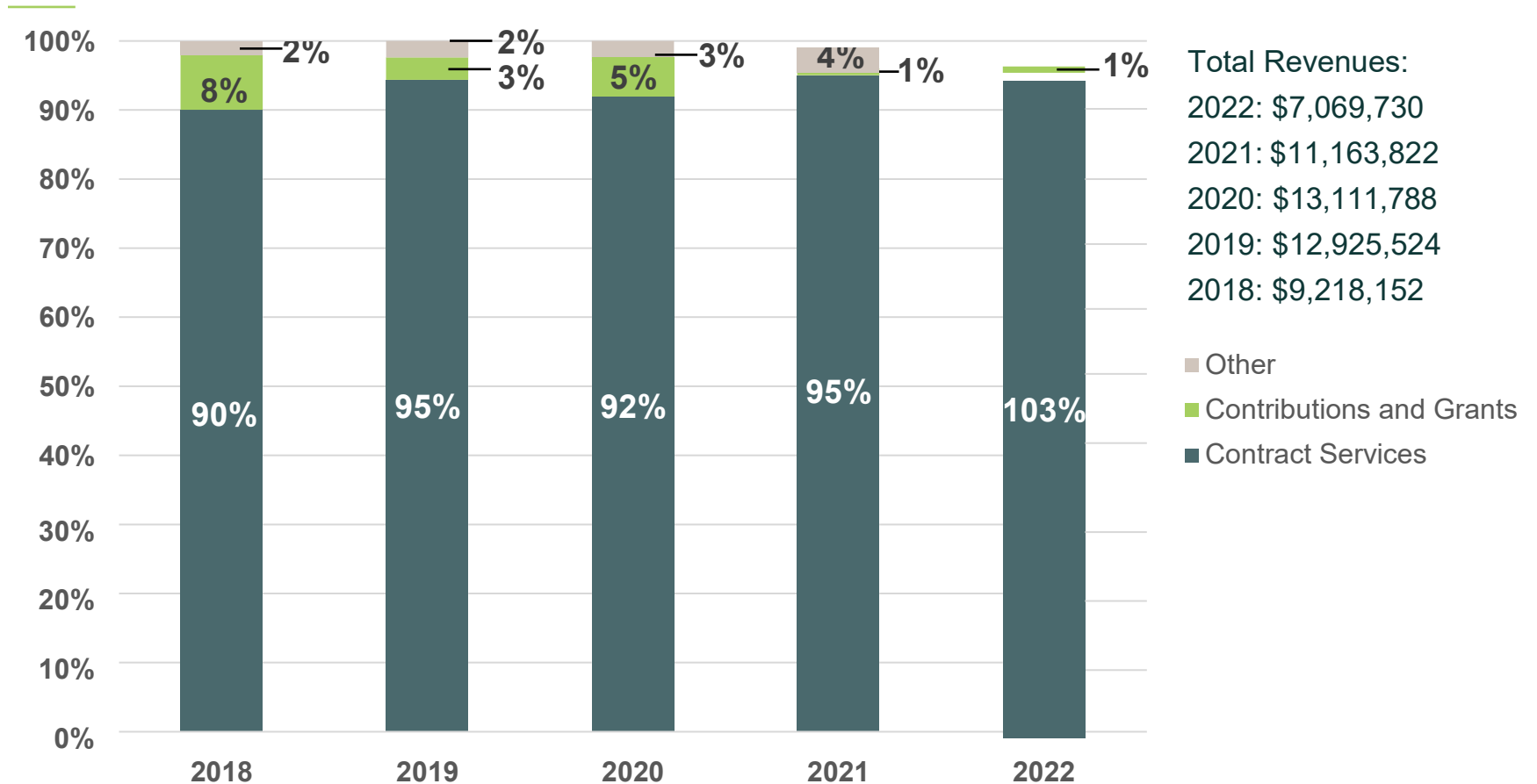
Net assets decreased \$938 in comparison to an increase of \$452 in the prior year.



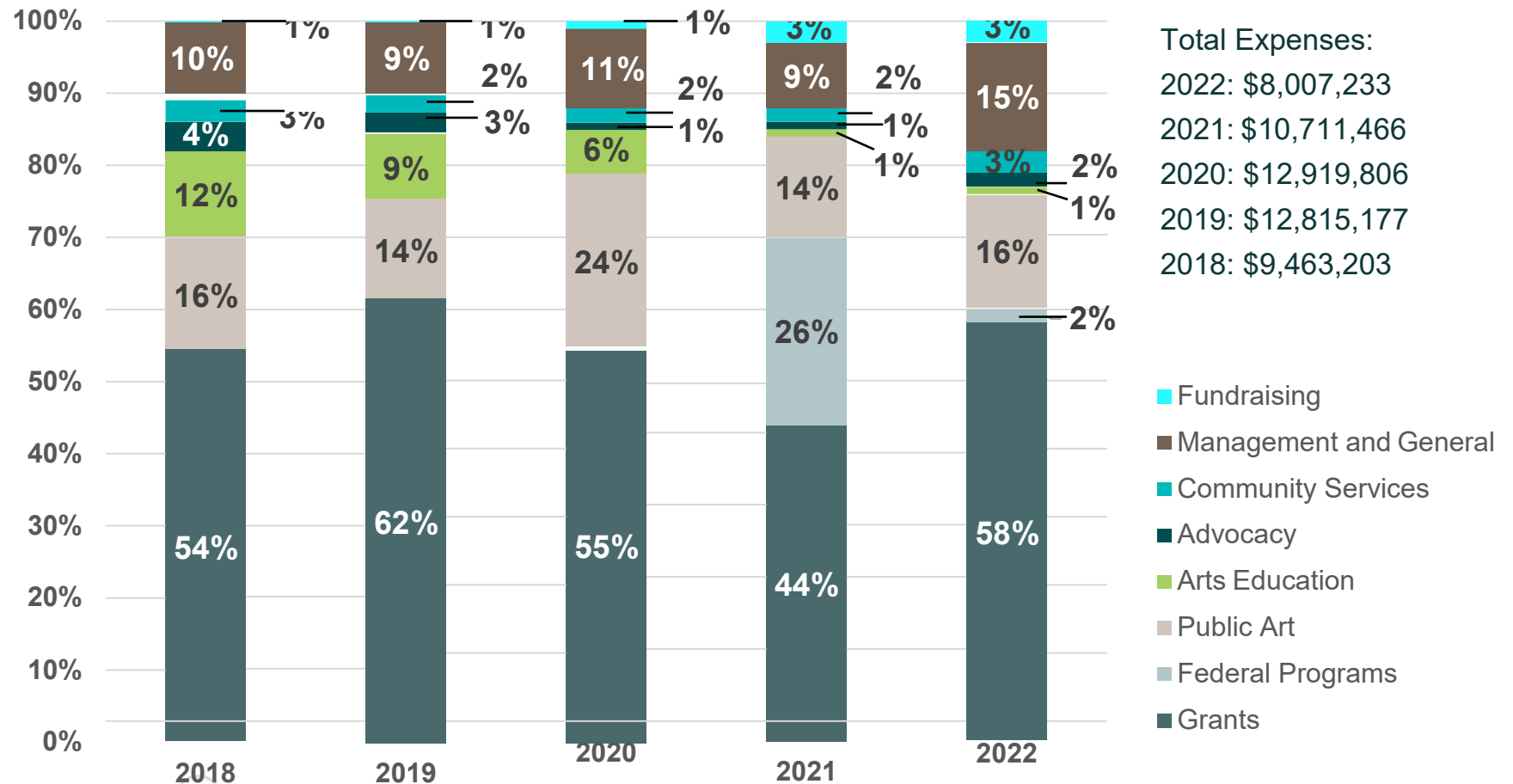
Cash and Cash Equivalents as a Percentage of Total Assets



Composition of Total Revenues



Composition of Total Expenses



Communication with Those Charged with Governance



Our Responsibility Under U.S. Generally Accepted Auditing Standards

1

To express our opinion on whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, and in accordance with U.S. GAAP. However, our audit does not relieve you or management of your responsibilities.

2

To perform an audit in accordance with generally accepted auditing standards issued by the AICPA, and design the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement.

3

To consider internal control over financial reporting as a basis for designing audit procedures but not for the purpose of expressing an opinion on its effectiveness or to provide assurance concerning such internal control.

4

To communicate findings that, in our judgment, are relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.



Planned Scope & Timing of the Audit

It is the auditor's responsibility to determine the overall audit strategy and the audit plan, including the nature, timing, and extent of procedures necessary to obtain sufficient appropriate audit evidence and to communicate with those charged with governance an overview of the planned scope and timing of the audit.

OUR COMMENTS

The planned scope and timing of the audit was communicated to the Organization's Executive Committee at the audit entrance meeting on September 7, 2022 and was included in the engagement letter for the year ended June 30, 2022.



Significant Accounting Policies & Unusual Transactions

The auditor should determine that the Executive Committee is informed about the initial selection of and changes in significant accounting policies or their application. The auditor should also determine that the Executive Committee is informed about the methods used to account for significant unusual transactions and the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

OUR COMMENTS

Management has the responsibility for selection and use of appropriate accounting policies. The significant accounting policies used by the Organization are described in the footnotes to the financial statements. Throughout the course of an audit, we review changes, if any, to significant accounting policies or their application, and the initial selection and implementation of new policies. There were no changes to significant accounting policies for the year ended June 30, 2022.

We believe management has selected and applied significant accounting policies appropriately and consistent with those of the prior year.



Management Judgments & Accounting Estimates

The Executive Committee should be informed about the process used by management in formulating particularly sensitive accounting estimates and about the basis for the auditor's conclusions regarding the reasonableness of those estimates.

OUR COMMENTS

Management's judgments and accounting estimates are based on knowledge and experience about past and current events and assumptions about future events. We apply audit procedures to management's estimates to ascertain whether the estimates are reasonable under the circumstances and do not materially misstate the financial statements.

Significant management estimates impacting the financial statements include the following: allowances for doubtful accounts, allocation of expenses into functional expense categories, fair value of investments, discount on the annuity receivable, and depreciable lives of property and equipment.

We deemed them to be reasonable.



Management Judgments & Accounting Estimates

Our views about qualitative aspects of the entity's significant accounting practices, including accounting policies, accounting estimates, and financial statement disclosures.

OUR COMMENTS

The disclosures in the financial statements are clear and consistent. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users; however, we call your attention to the following disclosures:

Note 2 – Summary of Significant Accounting Policies

Note 3 – Liquidity and Availability

Note 7 – Deferred Revenue

Note 8 – Agency Transactions



Significant Unusual Transactions

The Executive Committee should be informed of any significant unusual transactions, including our views on the policies and practices management used to account for significant unusual transactions; and our understanding of the business purpose for significant unusual transactions.

OUR COMMENTS

No significant unusual transactions were identified during our audit of the financial statements.



Difficulties Encountered in Performing the Audit

The Executive Committee should be informed of any significant difficulties encountered in dealing with management related to the performance of the audit.

OUR COMMENTS

No significant difficulties were encountered during our audit.



Circumstances Affecting the Form & Content of the Audit Report

We are required or may otherwise consider it necessary to include additional information in the auditor's report in accordance with the generally accepted auditing standards, and for which communication with those charged with governance is required.

OUR COMMENTS

There were no circumstances that affected the form and content of the auditor's report.



Significant Audit Adjustments & Unadjusted Differences Considered by Management to Be Immaterial

The Executive Committee should be informed of all significant audit adjustments arising from the audit. Consideration should be given to whether an adjustment is indicative of a significant deficiency or a material weakness in the Organization's internal control over financial reporting, or in its process for reporting interim financial information, that could cause future financial statements to be materially misstated.

The Executive Committee should also be informed of uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements as a whole.

OUR COMMENTS

There was one corrected audit adjustment to reduce revenue and accounts receivable in the amount of \$267,219.

There were no uncorrected audit adjustments.



Potential Effect on the Financial Statements of Significant Risks, Exposures, & Uncertainties

The Executive Committee should be adequately informed of the potential effect on the financial statements of significant risks, exposures, and uncertainties that are disclosed in the financial statements.

OUR COMMENTS

The Organization is subject to potential legal proceedings and claims that arise in the ordinary course of business; however, we did not identify any that would need to be disclosed in the notes to the financial statements.



Deficiencies in Internal Control

Any material weaknesses and significant deficiencies in the design or operation of internal control that came to the auditor's attention during the audit must be reported to the Executive Committee.

OUR COMMENTS

- Material weakness
 - None noted
- Significant deficiencies & non-compliance
 - Nothing to communicate
- Other matters
 - Revenue recognition for federal awards



Disagreements with Management

Disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to the Organization's financial statements or the auditor's report.

OUR COMMENTS

We are pleased to report that there were no disagreements with management.



Management's Consultation with Other Accountants

In some cases, management may decide to consult about auditing and accounting matters. If management has consulted with other accountants about an auditing and accounting matter that involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts.

OUR COMMENTS

We are not aware of any significant accounting or auditing matters for which management consulted with other accountants.



Other Material Written Communications

Report to the Executive Committee significant written communications between the auditor and client management.

OUR COMMENTS

Other than the engagement letter, management representation letter, and communications to those charged with governance, there have been no other significant communications.



Material Uncertainties Related to Events and Conditions

Any doubt regarding the entity's ability to continue, **as a going concern**, should be communicated to the Executive Committee.

OUR COMMENTS

No such matters came to our attention.



Fraud & Noncompliance with Laws & Regulations

Fraud involving senior management and fraud (whether caused by senior management or other employees) that causes a material misstatement of the financial statements should be communicated. We are also required to communicate any noncompliance with laws and regulations involving senior management that come to our attention, unless clearly inconsequential.

OUR COMMENTS

We have not become aware of any instances of fraud or noncompliance with laws and regulations.



Resources

For Not-for-Profit Boards



Association of Governing Boards
www.agb.org

AICPA
www.aicpa.org/interestareas/notforprofit

Boardsource
www.boardsource.org



INDUSTRY FOCUS

An Array of Resources

In today's fast-paced world, we know how precious your time is. We also know that knowledge is key. These resources offer what you need to know, when you need to know it, and in the format that fits your life.



Articles & Alerts

Industry-specific insight and important tax and assurance updates



Webcasts

On demand and live sessions with our professionals on technical and timely topics



Reports & Guides

A more in-depth look at significant changes and subjects across the accounting landscape



Survey

A visual look at not-for-profit trends to help your organization benchmark

Not-for-Profit Newsletter

Our Not-for-Profit Newsletter is your resource for updates and insights on accounting, tax, and other topics.

How Tax Reform Could Impact Not-for-Profits

Understand the provisions of tax reform that could impact your organization.

How Tax Reform Could Impact Tax-Exempt Organizations

Gain insight on key tax reform topics that are relevant to tax-exempt organizations, such as changes to fringe benefits and compensation, unrelated business income, and more.

Financial Reporting Standards Guide

This guide provides an overview of the new financial reporting standards as well as a reporting checklist that serves as a helpful reference.

Not-for-Profit Survey Series

Our Not-for-Profit Survey Series delivers accurate information about industry trends to help you evaluate your organization's operations.



Contact Us



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THANK
YOU

