

**THE FOUNDATION FOR ART & MUSIC
IN ELEMENTARY EDUCATION, INC.**

FORT WAYNE, INDIANA

Financial Statements

as of June 30, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Foundation for Art & Music
in Elementary Education, Inc.
Fort Wayne, Indiana

Opinion

We have audited the accompanying statements of The Foundation for Art & Music in Elementary Education, Inc. (a nonprofit organization) which comprise the statement of financial position as of June 30, 2022 and 2021 and the related statements of activities and net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Foundation for Art & Music in Elementary Education, Inc. as of June 30, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Foundation for Art & Music in Elementary Education, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 The Foundation for Art & Music in Elementary Education, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Foundation for Art & Music in Elementary Education, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Foundation for Art & Music in Elementary Education, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Leonard J. Andorfer & Co., LLP

LEONARD J. ANDORFER & CO., LLP
Certified Public Accountants
Fort Wayne, Indiana

September 21, 2022

THE FOUNDATION FOR ART AND MUSIC IN ELEMENTARY EDUCATION, INC.

Statements of Financial Position

	June 30 2022	June 30 2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 161,874	\$ 129,618
Accounts and grants receivable	36,973	35,935
Prepaid expenses	<u>6,967</u>	<u>6,731</u>
Total Current Assets	205,814	172,284
PROPERTY AND EQUIPMENT		
Equipment	106,438	104,903
Leasehold improvements	800	800
Less: accumulated depreciation	(<u>47,246</u>)	(<u>41,003</u>)
Total Property and Equipment (Net)	<u>59,992</u>	<u>64,700</u>
TOTAL ASSETS	<u>\$ 265,806</u>	<u>\$ 236,984</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 1,839	\$ 4,512
Deferred income	<u>-</u>	<u>1,235</u>
Total Current Liabilities	1,839	5,747
NET ASSETS		
Net assets without donor restrictions	176,655	167,926
Net assets with donor restrictions	<u>87,312</u>	<u>63,311</u>
Total Net Assets	<u>263,967</u>	<u>231,237</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 265,806</u>	<u>\$ 236,984</u>

The Notes to Financial Statements
are an integral part of the statements.

THE FOUNDATION FOR ART & MUSIC IN ELEMENTARY EDUCATION, INC.

**Statement of Activities and Net Assets
For the Year Ended June 30, 2022
(With Comparative Totals for the Year Ended June 30, 2021)**

	Without Donor Restrictions	With Donor Restrictions	June 30 2022 Total	June 30 2021 Total
SUPPORT, REVENUE AND OTHER INCOME				
Contributions	\$ 17,700	\$ 5,000	\$ 22,700	\$ 23,492
Grants	39,845	73,391	113,236	124,751
Admission and fees	26,514		26,514	-
Registration fees	4,117		4,117	-
Memberships	2,620		2,620	700
Loss on disposition of assets	(232)	(232)	-
Fundraising event			-	745
Sales - net of cost of goods sold of \$978	527		527	-
In-kind contributions	7,795		7,795	-
Investment income	19		19	20
Net assets released from restrictions	54,390	(54,390)	-	-
Restrictions satisfied by payments				
Total Support, Revenue and Other Income	153,295	24,001	177,296	149,708
and Net Assets Released from Restrictions				
EXPENSES				
Program services	75,473		75,473	45,269
Management and general	60,578		60,578	60,392
Fundraising	8,515		8,515	6,982
Total Expenses	144,566	-	144,566	112,643
CHANGE IN NET ASSETS	8,729	24,001	32,730	37,065
NET ASSETS - BEGINNING OF YEAR	167,926	63,311	231,237	194,172
NET ASSETS - END OF YEAR	\$ 176,655	\$ 87,312	\$ 263,967	\$ 231,237

The Notes to Financial Statements
are an integral part of the Statements.

THE FOUNDATION FOR ART & MUSIC IN ELEMENTARY EDUCATION, INC.

**Statement of Activities and Net Assets
For the Year Ended June 30, 2021**

	Without Donor Restrictions	With Donor Restrictions	June 30 2021 Total
SUPPORT, REVENUE AND OTHER INCOME			
Contributions	\$ 17,992	\$ 5,500	\$ 23,492
Grants	72,830	51,921	124,751
Memberships	700		700
Fundraising event	745		745
Investment income	20		20
Net assets released from restrictions			
Restrictions satisfied by payments	35,100	(35,100)	-
Total Support, Revenue and Other Income and Net Assets Released from Restrictions	127,387	22,321	149,708
EXPENSES			
Program services	45,269		45,269
Management and general	60,392		60,392
Fundraising	6,982		6,982
Total Expenses	112,643	-	112,643
CHANGE IN NET ASSETS	14,744	22,321	37,065
NET ASSETS - BEGINNING OF YEAR	153,182	40,990	194,172
NET ASSETS - END OF YEAR	<u>\$ 167,926</u>	<u>\$ 63,311</u>	<u>\$ 231,237</u>

The Notes to Financial Statements
are an integral part of the Statements.

THE FOUNDATION FOR ART & MUSIC IN ELEMENTARY EDUCATION, INC.

Statement of Functional Expenses
For the Year Ended June 30, 2022
(With Comparative Totals for the Year Ended June 30, 2021)

	Program Services	Management and General	Fundraising	Total 2022 Expenses	Total 2021 Expenses
Employee Compensation					
Salaries, wages and payroll taxes	\$ 31,347	\$ 39,174	\$ 4,909	\$ 75,430	\$ 73,129
Benefits	1,675	961		2,636	2,737
Total Employee Compensation	<u>33,022</u>	<u>40,135</u>	<u>4,909</u>	<u>78,066</u>	<u>75,866</u>
Other Expenses					
Bank charges	6	230		236	315
Insurance		2,542		2,542	2,349
Legal and professional		7,205		7,205	6,803
Miscellaneous		442		442	664
Postage	544	529		1,073	895
Printing	4,972		2,726	7,698	2,696
Promotions	3,299	325	880	4,504	2,451
Rent	26,062	4,437		30,499	9,099
Supplies	2,654	2,085		4,739	4,602
Web maintenance		1,117		1,117	434
Total Expenses Before Depreciation	<u>70,559</u>	<u>59,047</u>	<u>8,515</u>	<u>138,121</u>	<u>106,174</u>
Depreciation	4,914	1,531		6,445	6,469
Total Expenses	<u>\$ 75,473</u>	<u>\$ 60,578</u>	<u>\$ 8,515</u>	<u>\$ 144,566</u>	<u>\$ 112,643</u>

The Notes to Financial Statements
are an integral part of the statements.

THE FOUNDATION FOR ART & MUSIC IN ELEMENTARY EDUCATION, INC.

**Statement of Functional Expenses
For the Year Ended June 30, 2021**

	Program Services	Management and General	Fundraising	Total 2021 Expenses
Employee Compensation				
Salaries, wages and payroll taxes	\$ 28,709	\$ 39,923	\$ 4,497	\$ 73,129
Benefits	1,202	1,472	63	2,737
Total Employee Compensation	<u>29,911</u>	<u>41,395</u>	<u>4,560</u>	<u>75,866</u>
Other Expenses				
Bank charges		315		315
Insurance		2,349		2,349
Legal and professional		6,803		6,803
Miscellaneous		664		664
Postage	117	778		895
Printing	274		2,422	2,696
Promotions	2,451			2,451
Rent	5,112	3,987		9,099
Supplies	2,490	2,112		4,602
Web maintenance		434		434
Total Expenses Before Depreciation	<u>40,355</u>	<u>58,837</u>	<u>6,982</u>	<u>106,174</u>
Depreciation	4,914	1,555		6,469
Total Expenses	<u>\$ 45,269</u>	<u>\$ 60,392</u>	<u>\$ 6,982</u>	<u>\$ 112,643</u>

The Notes to Financial Statements
are an integral part of the statements.

THE FOUNDATION FOR ART AND MUSIC IN ELEMENTARY EDUCATION, INC.

Statements of Cash Flows

	For the Year Ended June 30, 2022	For the Year Ended June 30, 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 32,730	\$ 37,065
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	6,445	6,469
Loss on disposition of assets	232	-
Changes in operating assets and liabilities:		
Increase in accounts and grants receivable	(1,038)	(21,054)
Increase in prepaid expenses	(236)	(1,793)
Increase (decrease) in accounts payable	(2,673)	2,786
Decrease in deferred income	(1,235)	(1,175)
Net Cash Provided by Operating Activities	34,225	22,298
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(1,969)	(701)
CASH FLOWS FROM FINANCING ACTIVITIES		
None	-	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	32,256	21,597
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	129,618	108,021
CASH AND CASH EQUIVALENTS- END OF YEAR	<u>\$ 161,874</u>	<u>\$ 129,618</u>

The Notes to Financial Statements
are an integral part of the statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Organization

The Foundation for Art and Music in Elementary Education, Inc. (F.A.M.E.) is a non-profit organization located in Fort Wayne, Indiana. Annual programs exist to provide resources for elementary students to experience and participate in the creative arts. These programs include an annual festival, summer camp, teacher workshops and other activities that support their mission. The Organization's mission is to foster and perpetuate creativity through multicultural arts education in Fort Wayne, Wabash and the surrounding communities.

NOTE 2 - Summary of Significant Accounting Policies

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 the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Functional Expenses - The cost of providing the program and other activities has been summarized on a functional basis in the accompanying statements of activities and changes in net assets. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, benefits, certain professional services, supplies, information technology, insurance and other expenses, which are allocated on the basis of time and effort.

Cash and Cash Equivalents - For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Uncollectible Receivables - Management has elected to record bad debts using the direct write-off method. Generally accepted accounting principles require that the allowance method be used to reflect bad debts. However, the effect of the use of the direct write-off method is not materially different from the results that would have been obtained had the allowance method been followed.

Revenue Recognition

Contributions and Contributions Receivable - F.A.M.E. has adopted FASB ASC 958-605-05. Under FASB ASC 958-605-05 contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions. Contributions including gifts, grants, bequest, pledges, and other unconditional promises to give are recorded as revenue in the period received. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition – (Continued)

Donated Materials and Services - Donated services are recognized as contributions in accordance with FASB ASC 958-605-05, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. During the years ended June 30, 2022 and 2021 there were contributed materials meeting the requirements for recognition in the financial statements of \$7,795 and \$0, respectively.

Memberships – Memberships are recognized as income in the fiscal year during which they allow members to participate in the programs offered.

Admissions, Fees and Registrations – F.A.M.E. offers a festival, camp, and various workshops during the year. The admissions, fees and registrations are recognized as income in the fiscal year during which the programs are offered.

Property and Equipment - Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment is depreciated using the straight-line method over the following periods:

Leasehold improvements	20 years
Property and equipment	5 - 10 years

Depreciation expense amounted to \$6,445 and \$6,496 for the periods ending June 30, 2022 and 2021, respectively. Disposals are removed from the accounts at their original cost when identification is possible. Donated fixed assets are valued at estimated fair market value and recorded as contributed assets.

Expenditures for maintenance and repairs are charged to expense as incurred, while additions and betterments are capitalized. The cost and accumulated depreciation of property sold or otherwise disposed of are removed from the accounts, and any gain or loss is credited or charged to income.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 - Summary of Significant Accounting Policies (Continued)

Financial Statement Presentation - Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of F.A.M.E., Inc. and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of F.A.M.E., Inc. and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Support that is restricted by the donor is reported as an increase in net assets without restrictions if the restriction expires or is met in the reported period in which the support is recognized.

Recent Accounting Pronouncements - In February 2016, the FASB issued ASU 2016-2-Leases. The standard will increase the transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. The standard is effective for F.A.M.E., Inc. beginning July 1, 2022 and is currently being evaluated to determine the impact on the financial statements.

Advertising Costs - Advertising and promotional program costs are charged to expense during the period in which they are incurred. Promotional costs of \$4,504 and \$2,451 were incurred in the periods ending June 30, 2022 and 2021, respectively.

Income Taxes - The Foundation for Art and Music in Elementary Education, Inc. is a nonprofit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and qualifies for the 60% charitable contribution limitation. The CARES Act temporarily increased the deductibility of charitable contributions to 100% of adjusted gross income for charitable contributions made in 2020 and 2021.

The Organization has adopted FASB ASC 740-10-25 and determined no material unrecognized tax benefits or liabilities exist as of June 30, 2022. The adoption of FASB ASC 740-10-25 did not impact the Organization's financial position or results of operations. If applicable, the Organization will recognize interest and penalties related to underpayment of income taxes as income tax expense. As of June 30, 2022, the Organization had no amounts related to unrecognized income tax benefits and no amounts related to accrued interest and penalties. The Organization does not anticipate any significant changes to unrecognized income tax benefits over the next year. The Organization is generally no longer subject to examination by Federal and State agencies for tax years before June 30, 2019.

Reclassifications - Certain amounts in 2021 have been reclassified to conform to the 2022 presentation. The reclassification has no effect on net income for the year ended June 30, 2021.

Compensated Absences - Compensated absences have not been accrued because the amount is not deemed material.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 3 - Concentration of Credit Risk

The Organization maintains cash balances at various financial institutions. Deposits at these institutions are insured by the Federal Deposit Insurance Corporation. No uninsured cash balances existed at June 30, 2022 and 2021.

NOTE 4 – Accounts and Grants Receivable

All receivables are due within one year. No discounts apply.

NOTE 5 – Deferred Income

Deferred income is prepaid membership fees of \$0 and \$1,235 at June 30, 2022 and 2021, respectively. As the major programming for 2020-2021 was cancelled due to the international pandemic of COVID-19, memberships were held and applied as programs were again offered in 2021-2022.

NOTE 6 – In-Kind Contributions

F.A.M.E. records the use of facilities, services, equipment and supplies as they are donated. A recap of all in-kind contributions follows:

	For the Year Ended	
	June 30, 2022	June 30, 2021
Program materials	\$ 260	\$ -
Program rent	7,535	-
	<u>\$ 7,795</u>	<u>\$ -</u>

NOTE 7 – Net Assets With Donor Restrictions

At June 30, 2022 net assets with donor restrictions are available for the following purposes:

	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022
Future Wabash Festival	\$ 5,890	\$	\$	\$ 5,890
2021-2022 operations	51,921		51,921	-
Future Fort Wayne Festival	500		500	-
Camp scholarships	5,000	5,000		10,000
2022-2023 operations	-	63,391		63,391
Communications	-	10,000	1,969	8,031
	<u>\$ 63,311</u>	<u>\$ 78,391</u>	<u>\$ 54,390</u>	<u>\$ 87,312</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 7 – Net Assets With Donor Restrictions (Continued)

At June 30, 2021 net assets with donor restrictions are available for the following purposes:

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021
2020-2021 operations	\$ 35,100	\$	\$ 35,100	\$ -
Future Wabash Festival	5,890			5,890
2021-2022 operations	-	51,921		51,921
Future Fort Wayne Festival	-	500		500
Camp Scholarships	-	5,000		5,000
	<u>\$ 40,990</u>	<u>\$ 57,421</u>	<u>\$ 35,100</u>	<u>\$ 63,311</u>

NOTE 8 – Operating Leases

F.A.M.E. leases office and storage space from unrelated entities. The office space lease was recently renewed for the period July 1, 2021 to June 30, 2024 with incremental annual increases. Storage space is rented on a month-to-month basis and event space is rented on a short-term basis each year. Total rent expense for the years ended June 30, 2022 and 2021 was \$30,499 and \$9,099, respectively.

Future minimum payments under the terms of the office lease are as follows:

Year Ended June 30	Amount
2023	\$ 4,524
2024	4,611

NOTE 9 – Availability and Liquidity

The following reflects F.A.M.E.'s financial assets as of June 30, 2022 and 2021, reduced by amounts not available for general use because of donor imposed restrictions within one year of the balance sheet date.

	June 30, 2022	June 30, 2021
Financial asset at year-end:		
Cash and cash equivalents	\$ 161,874	\$ 129,618
Receivables	36,973	35,935
Total Financial Assets	<u>198,847</u>	<u>165,553</u>
Less amounts not available for general expenditures within one year:		
Donor imposed restrictions	(87,312)	(63,311)
Add back: amounts available for general operations	63,391	51,921
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 174,926</u>	<u>\$ 154,163</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 10 - Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 21, 2022, the date the financial statements were available to be issued.