

Fund for the Arts
Financial Statements
and
Supplemental Information
Years Ended June 30, 2009 and 2008

Fund for the Arts

Table of Contents

	<u>Page No.</u>
Independent Auditors' Report.....	1
Financial Statements	
Statements of Financial Position.....	2
Statements of Activities	3 - 4
Statements of Cash Flows.....	5
Notes to Financial Statements.....	6 - 16
Independent Auditors' Report on Supplemental Information	17
Supplemental Information	
Schedule of Allocations to Member and Nonmember Organizations.....	18
Schedule of Expenses -Year ended June 30, 2009	19
Schedule of Expenses -Year ended June 30, 2008	20
Schedule of Eligible Income for Kentucky Arts Council Grant.....	21

Independent Auditors' Report

To the Board of Directors
Fund for the Arts

We have audited the accompanying statements of financial position of Fund for the Arts ("the Fund") as of June 30, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



CHILTON & MEDLEY PLC
Louisville, Kentucky
September 25, 2009

Fund for the Arts
Statements of Financial Position
June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Assets		
Cash and cash equivalents	\$ 1,771,105	\$ 1,753,268
Investments	1,332,993	1,498,468
Contributions receivable, net of allowance for discounts and uncollectible pledges of \$429,072 and \$449,023 for 2009 and 2008, respectively	4,593,367	5,097,009
Loans to FFTA Properties, Inc.	445,275	496,155
Note receivable, net of discount	31,942	35,255
Other assets	249,859	277,347
Property and equipment, net	<u>741,798</u>	<u>739,920</u>
Total Assets	<u>\$ 9,166,339</u>	<u>\$ 9,897,422</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 267,227	\$ 301,043
Campaign allocations payable	5,148,777	5,438,210
Payable to FFTA Properties, Inc.	<u>200,981</u>	<u>214,680</u>
Total Liabilities	5,616,985	5,953,933
Commitments and Contingencies		
Net assets		
Unrestricted		
Designated for subsequent year's operating expenses and community arts and regional allocations	1,694,003	1,789,746
Board designated - Louisville Ballet special allocation	-	125,000
Board designated - Stage One contingent allocation	263,000	60,600
Invested in property and equipment	741,798	739,920
Undesignated	<u>251,864</u>	<u>434,063</u>
Total Unrestricted	2,950,665	3,149,329
Temporarily restricted	298,689	494,160
Permanently restricted	<u>300,000</u>	<u>300,000</u>
Total Net Assets	<u>3,549,354</u>	<u>3,943,489</u>
Total Liabilities and Net Assets	<u>\$ 9,166,339</u>	<u>\$ 9,897,422</u>

The accompanying notes are an integral part of these financial statements.

**Fund for the Arts
Statement of Activities
Year Ended June 30, 2009**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public Support and Gains				
Contribution revenue				
Campaign result	\$ 7,935,457	\$ 919,685	\$ -	\$ 8,855,142
Special GAP partnership grants	-	-	-	-
Less amounts designated by donors for specific organizations	<u>(1,363,958)</u>	<u>-</u>	<u>-</u>	<u>(1,363,958)</u>
Total Contribution Revenues	6,571,499	919,685	-	7,491,184
Allowance for pledge discounts and uncollectible pledges	<u>(495,000)</u>	<u>(1,133)</u>	<u>-</u>	<u>(496,133)</u>
Net contribution revenue	6,076,499	918,552	-	6,995,051
Other public support and gains				
Kentucky Arts Commission Challenge grant	65,520	-	-	65,520
Investment income (loss)	43,998	(12,816)	-	31,182
Miscellaneous income	1,000	-	-	1,000
Total Other Public Support and Gains	<u>110,518</u>	<u>(12,816)</u>	<u>-</u>	<u>97,702</u>
Total Public Support and Gains	6,187,017	905,736	-	7,092,753
Net assets released from restricted status upon satisfaction of program restrictions	<u>1,101,207</u>	<u>(1,101,207)</u>	<u>-</u>	<u>-</u>
Total Public Support and Gains	<u>7,288,224</u>	<u>(195,471)</u>	<u>-</u>	<u>7,092,753</u>
Allocations and Expenses				
Undesignated allocations				
Campaign allocations	6,640,613	-	-	6,640,613
Less amounts designated by donors for specific organizations	<u>(1,363,958)</u>	<u>-</u>	<u>-</u>	<u>(1,363,958)</u>
Total Undesignated Allocations	5,276,655	-	-	5,276,655
Community arts and regional allocations	<u>488,858</u>	<u>-</u>	<u>-</u>	<u>488,858</u>
Total Undesignated Allocations and Grants	5,765,513	-	-	5,765,513
Program expenses	<u>555,233</u>	<u>-</u>	<u>-</u>	<u>555,233</u>
Total Undesignated Allocations and Program Expenses	6,320,746	-	-	6,320,746
Other Expenses				
Fundraising expenses	949,633	-	-	949,633
Management and general expenses	216,509	-	-	216,509
Total Other Expenses	<u>1,166,142</u>	<u>-</u>	<u>-</u>	<u>1,166,142</u>
Total Allocations and Expenses	<u>7,486,888</u>	<u>-</u>	<u>-</u>	<u>7,486,888</u>
Changes in Net Assets	(198,664)	(195,471)	-	(394,135)
Net Assets at Beginning of Year	<u>3,149,329</u>	<u>494,160</u>	<u>300,000</u>	<u>3,943,489</u>
Net Assets at End of Year	<u>\$ 2,950,665</u>	<u>\$ 298,689</u>	<u>\$ 300,000</u>	<u>\$ 3,549,354</u>

The accompanying notes are an integral part of these financial statements.

Fund for the Arts
Statement of Activities
Year Ended June 30, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public Support and Gains				
Contribution revenue				
Campaign result	\$ 8,251,925	\$ 913,271	\$ -	\$ 9,165,196
Special GAP partnership grants	711,600	-	-	711,600
Less amounts designated by donors for specific organizations	<u>(2,105,800)</u>	<u>-</u>	<u>-</u>	<u>(2,105,800)</u>
Total Contribution Revenues	6,857,725	913,271	-	7,770,996
Allowance for pledge discounts and uncollectible pledges	<u>(235,000)</u>	<u>3,960</u>	<u>-</u>	<u>(231,040)</u>
Net contribution revenue	6,622,725	917,231	-	7,539,956
Other public support and gains				
Kentucky Arts Commission Challenge grant	88,310	-	-	88,310
Investment income (loss)	88,965	(6,756)	-	82,209
Miscellaneous income	<u>4,416</u>	<u>-</u>	<u>-</u>	<u>4,416</u>
Total Other Public Support and Gains	<u>181,691</u>	<u>(6,756)</u>	<u>-</u>	<u>174,935</u>
Total Public Support and Gains	6,804,416	910,475	-	7,714,891
Net assets released from restricted status upon satisfaction of program restrictions	<u>1,127,299</u>	<u>(1,127,299)</u>	<u>-</u>	<u>-</u>
Total Public Support and Gains	<u>7,931,715</u>	<u>(216,824)</u>	<u>-</u>	<u>7,714,891</u>
Allocations and Expenses				
Undesignated allocations				
Campaign allocations	7,646,784	-	-	7,646,784
Less amounts designated by donors for specific organizations	<u>(2,105,800)</u>	<u>-</u>	<u>-</u>	<u>(2,105,800)</u>
Total Undesignated Allocations	5,540,984	-	-	5,540,984
Community arts and regional allocations	<u>310,493</u>	<u>-</u>	<u>-</u>	<u>310,493</u>
Total Undesignated Allocations and Grants	5,851,477	-	-	5,851,477
Program expenses	<u>577,275</u>	<u>-</u>	<u>-</u>	<u>577,275</u>
Total Undesignated Allocations and Program Expenses	6,428,752	-	-	6,428,752
Other Expenses				
Fundraising expenses	980,956	-	-	980,956
Management and general expenses	<u>236,716</u>	<u>-</u>	<u>-</u>	<u>236,716</u>
Total Other Expenses	<u>1,217,672</u>	<u>-</u>	<u>-</u>	<u>1,217,672</u>
Total Allocations and Expenses	<u>7,646,424</u>	<u>-</u>	<u>-</u>	<u>7,646,424</u>
Changes in Net Assets	285,291	(216,824)	-	68,467
Net Assets at Beginning of Year	<u>2,864,038</u>	<u>710,984</u>	<u>300,000</u>	<u>3,875,022</u>
Net Assets at End of Year	<u>\$ 3,149,329</u>	<u>\$ 494,160</u>	<u>\$ 300,000</u>	<u>\$ 3,943,489</u>

The accompanying notes are an integral part of these financial statements.

Fund for the Arts
Statements of Cash Flows
Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash Flows from Operating Activities		
Changes in net assets	\$ (394,135)	\$ 68,467
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities:		
Depreciation	76,766	69,911
Net unrealized and realized losses on investments	23,512	4,261
Loss on disposal of equipment	1,071	1,552
Allowance for pledge discounts and uncollectible pledges	496,133	231,040
Discount on note receivable	(1,697)	(1,849)
Noncash interest income from FFTA Properties, Inc.	(15,000)	(12,035)
Noncash contribution to member groups	65,880	65,880
Changes in:		
Contributions receivable	7,509	(582,297)
Other assets	27,488	(1,209)
Accounts payable and accrued expenses	(33,816)	34,301
Campaign allocations payable	(303,132)	637,876
Net Cash (Used) Provided by Operating Activities	<u>(49,421)</u>	<u>515,898</u>
Cash Flows from Investing Activities		
Proceeds from maturities and sale of investments	1,379,094	1,035,862
Purchases of investments	(1,237,131)	(833,567)
Proceeds from sale of property and equipment	-	14,500
Purchase of property and equipment	(79,715)	(99,086)
Related party receivable	-	(280,000)
Payments from note receivable	5,010	5,000
Net Cash Provided (Used) by Investing Activities	<u>67,258</u>	<u>(157,291)</u>
Net Increase in Cash and Cash Equivalents	17,837	358,607
Cash and Cash Equivalents at Beginning of Year	<u>1,753,268</u>	<u>1,394,661</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,771,105</u>	<u>\$ 1,753,268</u>
Schedule of non-cash transactions:		
Contribution to member groups applied to loan and interest receivable from FFTA Properties, Inc.	\$ 65,880	\$ 65,880

The accompanying notes are an integral part of these financial statements.

Fund for the Arts
Notes to Financial Statements
June 30, 2009 and 2008

Note A - Nature of Organization and Operations

The mission of the Fund for the Arts ("the Fund"), a not-for-profit organization, is to foster excellence in the arts as a primary means of improving the quality of life, education of children and furthering the economic development of the Metro Louisville community. The Fund conducts an annual campaign and participates in various facilitated fundraising initiatives in the community soliciting contributions from individuals, corporations and governmental entities in the Louisville metropolitan area. The Fund allocates amounts directly received to not-for-profit arts organizations providing funding to 15 member groups and more than 200 community organizations and schools across the region. The Fund also incurs direct program expenses in support of its mission including offering a range of community arts services designed to advocate for and extend the reach of the arts to the whole community; funds annual scholarships for students pursuing a career in the performing and visual arts; publishes "Majic", an arts journal listing art highlights and a calendar of events; offers an ArtsCARD to encourage arts patronage; and participates in other initiatives important to the success of the Metro Louisville arts community such as "ArtSpace".

Note B - Summary of Significant Accounting Policies

1. Basis of Presentation: The accompanying financial statements reflect the financial position and activities of the Fund and are presented on the accrual basis of accounting. The financial position and activities of FFTA Properties, Inc. ("Properties"), a not-for-profit organization and a related party to the Fund, are not consolidated in the accompanying financial statements.
2. 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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.
3. Donor-Imposed Restrictions: The Fund records and reports its assets, liabilities, net assets, revenues, expenses, gains and losses, and other support based on the existence or absence of donor-imposed restrictions.

The Fund reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Fund for the Arts
Notes to Financial Statements (Continued)
June 30, 2009 and 2008

Note B - Summary of Significant Accounting Policies (Continued)

3. Donor-Imposed Restrictions (Continued): The Fund reports gifts as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent donor stipulations about how long those long-lived assets must be maintained, the Fund reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Permanently restricted net assets include those contributions and other inflows of assets whose use by the Fund is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Fund.

4. Cash Equivalents: Cash equivalents represent investments purchased with a maturity of 90 days or less, not designated for a specific purpose, and typically includes money market funds utilized to invest cash on-hand in excess of daily requirements. The Fund typically maintains balances with banks in excess of federally-insured limits.
5. Investments: Investments in certificates of deposit and money market accounts are stated at cost plus accrued interest, which approximates fair value. Other investments are recorded at fair value based upon quoted market prices. Realized and unrealized gains and losses are recorded in the statement of activities as incurred.
6. Property and Equipment: The Fund records all purchases of long-lived property and equipment in excess of \$1,000 at cost at the date of acquisition or fair value at date of donation in the case of gifts. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 50 years.
7. Income Taxes: The Fund has received a determination letter from the Internal Revenue Service indicating that it is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and is classified as an organization that is not a private foundation. Accordingly, no provision for income taxes is included in the financial statements.
8. Contributions: Contributions are reported at fair value at the date the unconditional promise is received. Conditional promises are not recognized until the conditions on which they depend are substantially met. Contributions receivable are generally expected to be collected in the following year. An allowance for uncollectible pledges receivable is provided based upon the judgment of the Fund considering factors such as the prior collection history and type of contributions.
9. Campaign Allocations Payable: Campaign allocations payable are to be paid in the following year.

Fund for the Arts
Notes to Financial Statements (Continued)
June 30, 2009 and 2008

Note C - Investments

A comparison of cost and fair value of investments at June 30, 2009 and 2008 is as follows:

	2009		2008	
	Cost	Fair Value	Cost	Fair Value
Certificates of deposit	\$ 350,354	\$ 350,354	\$ 347,624	\$ 347,624
Mutual funds	82,453	70,695	87,565	88,511
Money market accounts	505,506	505,506	554,602	554,602
Bonds	408,012	406,438	504,316	507,731
	<u>\$ 1,346,325</u>	<u>\$ 1,332,993</u>	<u>\$ 1,494,107</u>	<u>\$ 1,498,468</u>

Fair value measurements at June 30, 2009 and 2008 are quoted prices in active markets for identical assets (Level 1). Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would result in material changes in the fair value of investments and net assets of the Fund.

Note D - Contributions Receivable

Contributions receivable include the following unconditional promises to give at June 30, 2009 and 2008:

	2009	2008
Gross contributions receivable	\$ 5,022,439	\$ 5,546,032
Less: Allowance for doubtful pledges	(427,939)	(449,023)
Unamortized discount on future contributions	(1,133)	-
Contributions Receivable, Net	<u>\$ 4,593,367</u>	<u>\$ 5,097,009</u>

Gross contributions receivable are due according to the following schedule:

Less than one year	\$ 4,989,106
One to five years	<u>33,333</u>
Total Gross Contributions Receivable	<u>\$ 5,022,439</u>

Contributions receivable in future periods are discounted at 3.53%.

Fund for the Arts
Notes to Financial Statements (Continued)
June 30, 2009 and 2008

Note E - Loans to FFTA Properties, Inc.

During 2007, the Fund approved two unsecured loans to Properties for certain renovation projects. The first loan was approved in an amount up to \$300,000 to provide additional funding to complete the current phase of the renovation of the Brown Theatre. The loan bears interest at a rate of 5%. Payments are due from Properties as cash is available. The total advanced to Properties and outstanding as of June 30, 2009 and 2008 was \$300,000.

The Fund approved a second loan to Properties in an amount up to \$250,000 to fund renovations to floors 1-8 of the Brown Office Building ("ArtSpace") (Note M). This loan was funded from the special loan fund previously established through the dissolution of the Bank of Louisville Foundation. The renovations were necessary to support the relocation of the Louisville Orchestra, the Kentucky Opera and the Music Theatre Louisville/Stage One/Louisville Theatrical Association combination to ArtSpace. Payments may be due as cash is available however there are no defined repayment terms and the loan bears no interest. The total advanced to Properties on this loan during 2008 was \$250,000, with interest imputed at 5%. The outstanding balance as of June 30, 2009 and 2008 was \$145,275 and \$196,155, respectively, after the application of a noncash contribution to Fund member groups for their discounted rents in ArtSpace of \$65,880 for both 2009 and 2008, of which \$50,880 and \$53,845, respectively, was applied to this loan, and the remainder to interest receivable from Properties.

Note F - Note Receivable

During fiscal 2007, in conjunction with the Kentucky Center for the Arts, the Fund advanced funds to the Louisville Orchestra to purchase a new camera system for use in connection with public performances. The amount advanced by the Fund was \$50,229 at 0% stated interest and payments of \$416 per month for 120 months are due to the Fund. Interest was imputed at 5% resulting in a discount on the loan and an additional non-cash allocation to the Orchestra for 2007 in the amount of \$10,806.

The balance of the unsecured loan at June 30, 2009 is \$38,562 less the discount account of \$6,620 resulting in a net note receivable of \$31,942 presented in the accompanying statement of financial position. The balance of the loan at June 30, 2008 is \$43,562 less the discount account of \$8,307 resulting in a net note receivable of \$35,255 presented in the accompanying statement of financial position. Principal amounts due for the fiscal years ended June 30, 2010, 2011 and 2012 are \$3,482, \$3,660, and \$3,847, respectively.

Fund for the Arts
Notes to Financial Statements (Continued)
June 30, 2009 and 2008

Note G - Property and Equipment

Property and equipment at June 30, 2009 and 2008 consists of the following:

	<u>2009</u>	<u>2008</u>
Building and improvements	\$ 1,347,081	\$ 1,286,484
Office furniture and equipment	317,188	310,920
Vehicle	<u>41,000</u>	<u>41,000</u>
	1,705,269	1,638,404
Less accumulated depreciation	<u>963,471</u>	<u>898,484</u>
	<u>\$ 741,798</u>	<u>\$ 739,920</u>

Note H - Endowment Funds

The Fund has placed a donor-restricted endowment fund with Louisville Community Foundation, Inc. ("the Foundation") which provides funding for a scholarship to assist pre-college to college age students in pursuing advanced studies in the arts, towards a career in the performing arts. The agreement with the Foundation requires the principal be held in perpetuity. In the event of the Fund's dissolution, the Fund reserves the right to name a successor organization to the Foundation fund. The net income of the fund, as defined in the agreement between the Foundation and the Fund, is available for distribution. The Fund makes the determination of the amount to be distributed.

The scholarship endowment fund assets at June 30, 2009 and 2008 are included in investments in the accompanying statements of financial position (see Note C).

	<u>2009</u>	<u>2008</u>
Bond funds	\$ 24,743	\$ 30,979
Equity funds	<u>45,952</u>	<u>57,532</u>
	<u>\$ 70,695</u>	<u>\$ 88,511</u>

The Fund is also the beneficiary of an operating endowment bequeathed to the Louisville Community Foundation by the Estate of Mary Caperton Bingham. The fair value of the assets of the endowment of \$4,968,816 and \$6,250,683 at June 30, 2009 and 2008, respectively, are not recorded in the accompanying financial statements because under the terms of the Bingham Will, the Foundation has the power to redirect the use of the endowment assets to other beneficiaries if the Fund (or its successor) "ceases to perform its current function of helping to fund a broad range of arts organizations in the Louisville Metropolitan Area." Contribution revenue includes distributions from the Foundation of \$339,323 and \$374,589, respectively, in 2009 and 2008.

Fund for the Arts
Notes to Financial Statements (Continued)
June 30, 2009 and 2008

Note H - Endowment Funds (Continued)

As both funds reside at the Foundation, the investment objective of the endowment funds is to have a 65% equities / 35% bond/cash allocation. Based on historical asset class returns this should provide an 8% long-term rate of return, which are the funds' ultimate objective. In order to generate this return for the portfolio, funds are invested in moderately conservative investments. The focus on an annualized return may cause the portfolio to experience periods of negative rates of return while aiming for a higher return over a long term period.

Note I - Net Assets

Temporarily restricted net assets at June 30, 2009 and 2008 are available for the following:

	<u>2009</u>	<u>2008</u>
Operating	\$ 104,241	\$ 84,818
Teacher Art Grants	92,471	229,790
Member Groups - CFO Office	60,417	60,417
Community Engagement Grant	25,000	-
Whittenberg Scholarship Fund	16,195	38,511
Black Achievers Scholarship	365	624
Gheens Great Expectation Series	-	80,000
	<u>\$ 298,689</u>	<u>\$ 414,160</u>

Permanently restricted net assets are restricted to investment in perpetuity, the income from which is expendable to support:

	<u>2009</u>	<u>2008</u>
Scholarship endowment	\$ 50,000	\$ 50,000
Loan fund	250,000	250,000
	<u>\$ 300,000</u>	<u>\$ 300,000</u>

Fund for the Arts
Notes to Financial Statements (Continued)
June 30, 2009 and 2008

Note J - Leases

The Fund owns a building and leases office space in that building to others. Rental income during fiscal 2009 and 2008 was \$69,638 and \$61,384 respectively. The following presents the future minimum rentals to be earned under noncancelable leases as of June 30, 2009:

<u>Year Ending</u> <u>June 30,</u>	<u>Amount</u>
2010	\$ 25,900
2011	14,200
2012	4,800
2013	4,800
2014	4,400
	<u>\$ 54,100</u>

In addition, the Fund currently leases a portion of the office space for an annual rental of \$45,229. The parties have agreed to provide a six-month notice of intent to cancel this arrangement. To date, no notice has been provided.

Note K - Employee Benefit Plans

Effective March 1, 2007, the Fund adopted a "safe harbor" 401(k) plan that covers substantially all employees of the Fund. Under this plan, the Fund matches employee contributions up to 5% of compensation. Additional employer contributions to the plan are at the discretion of the Fund's Board of Directors and are also determined as a percentage of compensation. Total contributions to the plan during fiscal 2009 and 2008 were \$53,870 and \$55,828, respectively. In addition, the Fund made additional payments to employees during 2009 and 2008 totaling \$2,020 and \$3,405, respectively, to provide for a shortfall in contributions from the operational mechanics of the new 401(k) plan. Employees had the option of contributing the amount received into the plan and \$325 and \$2,814 of the total was contributed for 2009 and 2008, respectively.

The Fund has a nonqualified deferred compensation plan for the benefit of the Fund's CEO. The amount allocated to the CEO is 6.7% of salary pursuant to the employment agreement discussed in Note L. The Fund allocated \$18,737 and \$18,116 to the CEO during fiscal 2009 and fiscal 2008, respectively. In addition, the Fund made additional contributions to the plan of \$1,637 and \$6,875 during 2009 and 2008, respectively, to provide for a shortfall in retirement benefits resulting from the operational mechanics of the new 401(k) plan. At June 30, 2009 and 2008, \$206,342 and \$247,360, respectively, is recorded in other assets and accounts payable and accrued expenses related to the CEO's nonqualified deferred compensation plan.

Fund for the Arts
Notes to Financial Statements (Continued)
June 30, 2009 and 2008

Note L - Employment Agreement

The Fund has an employment agreement with the Fund's CEO. If the Fund should terminate the officer's employment for a reason other than "just cause" prior to the officer reaching age 64, the officer is entitled to receive from the Fund 100% of his base salary and benefits for a period of twelve months after termination. When the officer reaches age 64, the severance will be ratably reduced each month until reaching age 65 after which no further severance provision will apply. If the Fund should terminate the officer for "just cause," the Fund is obligated to pay the then base salary only through the end of the month during which the termination occurs. If the officer resigns, except for obligations of either party to the other which have accrued through the date of resignation, the officer and the Fund shall be fully released from all further and future obligations of performance under this agreement.

Note M - FFTA Properties, Inc.

Properties, a not-for-profit organization, is an unconsolidated related party with the Fund. Properties owns the W.L. Lyons Brown Theatre ("the Theatre"), the adjoining Fifth Third Conference Center, 8 floors of the Brown Office Building along with the related land, which is the building housing the Theatre. Properties undertook a complete renovation of the space ("ArtSpace"), a significant portion of which serves as the home for various member groups.

For fiscal 2009 and 2008, the Fund allocated to Properties \$107,000, in each year, as general support for the payment of Properties' commitments. In fiscal 2008, the Fund made a "special grant" to Properties of \$30,000 for infrastructure costs associated with ArtSpace and the development of C². C², a Fund initiative, seeks to provide a support platform where other not-for-profit organizations can maximize their impact and success through collaboration while enhancing their engagement with the arts.

Additionally, the Fund has guaranteed payment on the Properties' bonds payable, which were outstanding in the amount of \$1,064,808 and \$1,106,501 at June 30, 2009 and 2008, respectively. See Note O for additional information.

During fiscal 2007, the Fund approved two loans to Properties in the amounts of \$300,000 and \$250,000 of which \$300,000 and \$145,275 is outstanding at June 30, 2009 and \$300,000 and \$196,155 is outstanding at June 30, 2008 (see Note E). Properties leases space to the Louisville Orchestra, Kentucky Opera and the Music Theatre Louisville/Stage One/Louisville Theatrical Association combination (all Fund member groups) at discounted rental rates. The approximate fair market value of this economic benefit to these member groups of \$65,880, per year is reflected as additional allocation expense and reduction of amounts owed by Properties to the Fund in the accompanying 2009 and 2008 financial statements. See Note E for additional information.

Fund for the Arts
Notes to Financial Statements (Continued)
June 30, 2009 and 2008

Note M - FFTA Properties, Inc. (Continued)

The following presents summarized financial data of Properties as of and for the fiscal years ended June 30:

	<u>2009</u>	<u>2008</u>
Total net property and equipment	\$ 7,739,930	\$ 7,873,693
Total assets	8,035,949	8,172,574
Total liabilities	1,816,533	1,877,992
Total net assets	6,219,416	6,294,582
Total revenues and other support	688,464	569,675
Total expenses and losses	763,630	708,723

Note N - Guarantee

During 2006, Properties obtained new debt financing for which the Fund provided a guarantee of payment to the bank. The debt matures in 2016, and the guarantee will remain in effect until the debt's maturity. The face value of the debt was \$1,200,000, of which \$1,064,808 remains outstanding at June 30, 2009.

The maximum liability to the Fund is the outstanding balance of the debt, \$1,064,808, plus any unpaid interest and fees along with the costs of collecting the obligations. Because the fair value of Properties' assets used as collateral exceeds the amount of the debt obligation, significant losses are not anticipated. The liability to "stand ready" at June 30, 2009 and 2008 associated with the guarantee is included in the payable to Properties in the accompanying statements of financial position at \$10,648 and \$11,065, respectively.

Fund for the Arts
Notes to Financial Statements (Continued)
June 30, 2009 and 2008

Note O - Special GAP Partnership Funding

As part of the Cultural Blueprint, four Fund member groups were identified as principal cultural resources, "cornerstones" of Kentucky: Actors Theatre of Louisville, Kentucky Opera Association, Louisville Ballet and The Louisville Orchestra. As cornerstones, it was recognized that these institutions provide significant educational services to the children of Kentucky, provide essential leadership to the Arts and are strategic assets in the continued economic development initiatives for Metro Louisville. The process also confirmed an annual funding shortage ("the GAP") relating to the operation of these organizations. To address this operational funding "GAP", the Fund Board committed to working with a newly created not-for-profit organization, The Partnership for Creative Economies, Inc. ("PCE") in developing a stabilization initiative based on a combination of additional private, Metro Louisville and Kentucky State Government funding. During fiscal 2006, the Fund directly received pledges for this "GAP Funding" stabilization initiative totaling \$750,000, which was reported as temporarily restricted contribution revenue for that year. The entire \$750,000 has been received by the Fund and the entire amount was distributed to the cornerstone groups as of June 30, 2008 with \$250,000 of the allocations included in the year ended June 30, 2008. In addition, the Fund received special partnership gift payments from PCE of \$711,600, which were disbursed to the cornerstone organizations during the year ended June 30, 2008. All GAP Funding pledged has been received and distributed to the cornerstone groups as noted in the following:

Pledges direct to Fund (FY06-08)	\$ 750,000
Partnership Pledges to Fund:	
FY 2006	464,999
FY 2007	1,104,867
FY 2008	<u>711,600</u>
Total Paid Through Fund	3,031,466
Gap funding paid direct to Groups by Donors (not reported by Fund)	<u>600,000</u>
Total Gap Funding	<u>\$ 3,631,466</u>
Total Amounts Received by Groups:	
Actors Theatre of Louisville	\$ 857,026
Kentucky Opera	709,226
Louisville Ballet	603,913
Louisville Orchestra	<u>1,461,301</u>
Total Received	<u>\$ 3,631,466</u>

Fund for the Arts
Notes to Financial Statements (Continued)
June 30, 2009 and 2008

Note P - Subsequent Events

Subsequent events for the Fund have been considered through the date of the Independent Auditors' Report which represents the date which the financial statements were available to be issued.

Independent Auditors' Report on Supplemental Information

To the Board of Directors
Fund for the Arts

Our report on our audits of the basic financial statements of Fund for the Arts ("the Fund") for the years ended June 30, 2009 and 2008 appears on page 1. Our audits were conducted for the purpose of forming an opinion on such financial statements taken as a whole. The Schedules of Allocations to Member and Nonmember Organizations, Schedules of Expenses for the years ended June 30, 2009 and 2008, and the Schedule of Eligible Income for Kentucky Arts Council Grant for the year ended June 30, 2009 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



CHILTON & MEDLEY PLC
Louisville, Kentucky
September 25, 2009

**Supplemental
Information**

Fund for the Arts
Schedule of Allocations to Member
and Nonmember Organizations
Years Ended June 30, 2009 and 2008

<u>Organization</u>	<u>2009</u>	<u>2008</u>
Actors Theatre of Louisville	\$ 1,230,146	\$ 1,501,976
Kentucky Museum of Art and Craft	153,440	204,092
Kentucky Opera Association	734,287	786,298
Kentucky Shakespeare Festival	118,654	123,124
Louisville Bach Society	47,468	51,406
Louisville Ballet *	1,004,775	850,986
Louisville Orchestra	2,005,611	2,587,729
Louisville Theatrical Association	98,551	69,723
Louisville Visual Art Association	60,541	71,859
Louisville Youth Choir	47,095	59,219
Louisville Youth Orchestra	74,782	76,413
Music Theatre Louisville (formerly Broadway at Iroquois)	194,258	327,679
Stage One - Louisville Children's Theatre**	320,655	497,246
Walden Theatre	51,862	53,498
West Louisville Performing Arts Academy	73,559	57,236
W.L. Lyons Brown Theatre/Fifth Third Conference Center/ArtSpace	353,317	263,848
Miscellaneous grants and special projects	<u>560,470</u>	<u>374,945</u>
Total Allocations to Member and Nonmember Organizations	<u>\$ 7,129,471</u>	<u>\$ 7,957,277</u>
<u>Classified on Statements of Activities</u>		
Campaign allocations	\$ 6,640,613	\$ 7,646,784
Community arts and regional allocations	<u>488,858</u>	<u>310,493</u>
Total Classified on the Statements of Activities	<u>\$ 7,129,471</u>	<u>\$ 7,957,277</u>

* The 2009 Louisville Ballet grants shown includes \$125,000 from 2008 Campaign as contingencies were satisfied.

** The 2009 Stage One grants shown includes \$60,600 from 2008 Campaign as contingencies were satisfied.

Stage One also received an additional \$260,000 from the 2009 Campaign that is not reflected above as the grant is subject to various conditions.

See accompanying independent auditors' report on supplemental information.

Fund for the Arts
Schedule of Expenses
Year Ended June 30, 2009

	<u>Program</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
Undesignated allocations	\$ 5,765,513	\$ -	\$ -	\$ 5,765,513
Salaries and benefits	319,823	580,665	160,001	1,060,489
Occupancy (net of \$69,638 rental income)	14,074	35,451	(17,030)	32,495
Publications	34,268	-	-	34,268
NeXt	4,936	-	-	4,936
Special programs	33,752	4,633	-	38,385
Arts Showcase	68,460	4,870	-	73,330
Campaign Events	994	5,499	-	6,493
Campaign printing and marketing	6,486	70,706	-	77,192
Campaign incentives	-	76,259	-	76,259
Campaign and other performers	-	1,221	-	1,221
Materials and supplies	4,918	20,261	3,922	29,101
Printing	10,732	13,382	4,047	28,161
Postage	14,706	25,078	2,108	41,892
Telephone	6,480	16,320	5,189	27,989
Data processing	10,329	26,017	8,272	44,618
Meetings	5,465	9,447	1,826	16,738
Dues and subscriptions	1,017	2,562	814	4,393
Depreciation - office equipment	1,209	3,045	968	5,222
Legal and accounting	-	-	31,931	31,931
Insurance	4,728	11,908	3,786	20,422
Travel and transportation	12,581	28,569	5,528	46,678
Financial service fees	-	7,550	4,925	12,475
Miscellaneous	275	6,190	222	6,687
	<u>\$ 6,320,746</u>	<u>\$ 949,633</u>	<u>\$ 216,509</u>	<u>\$ 7,486,888</u>

See accompanying independent auditors' report on supplemental information.

Fund for the Arts
Schedule of Expenses
Year Ended June 30, 2008

	Program	Fundraising	Management and General	Total
Undesignated allocations	\$ 5,851,477	\$ -	\$ -	\$ 5,851,477
Salaries and benefits	353,217	574,887	172,895	1,100,999
Occupancy (net of \$61,384 rental income)	14,425	35,269	(6,668)	43,026
Publications	37,739	-	-	37,739
NeXt	4,674	-	-	4,674
Special programs	41,000	-	-	41,000
Arts Showcase	63,868	41,012	-	104,880
Campaign Events	-	6,234	-	6,234
Campaign printing and marketing	-	82,121	-	82,121
Campaign incentives	-	60,825	-	60,825
Campaign and other performers	-	6,747	-	6,747
Materials and supplies	3,873	16,783	3,329	23,985
Printing	9,180	15,859	5,653	30,692
Postage	4,581	34,490	2,041	41,112
Telephone	6,009	14,681	5,057	25,747
Data processing	11,243	27,466	9,461	48,170
Meetings	4,759	7,555	5,379	17,693
Dues and subscriptions	1,164	2,844	979	4,987
Depreciation - office equipment	984	2,404	828	4,216
Legal and accounting	-	-	16,921	16,921
Insurance	4,937	12,061	4,108	21,106
Travel and transportation	12,111	31,105	9,142	52,358
Financial service fees	-	5,729	5,046	10,775
Miscellaneous	3,511	2,884	2,545	8,940
	<u>\$ 6,428,752</u>	<u>\$ 980,956</u>	<u>\$ 236,716</u>	<u>\$ 7,646,424</u>

See accompanying independent auditors' report on supplemental information.

Fund for the Arts
Schedule of Eligible Income for Kentucky Arts Council Grant
Year Ended June 30, 2009

Campaign 2009 - Unrestricted	\$ 7,935,457
Less Allowance for Uncollectible Pledges	(495,000)
Plus Other Public Support and Gains	110,518
Plus Net Assets Released from Restrictions	<u>1,101,207</u>
 Total Eligible Income	 <u><u>\$ 8,652,182</u></u>

See accompanying independent auditors' report on supplemental information.