

Clay Center for the Arts & Sciences of West Virginia, Inc.



**Financial Statements
and
Compliance Report**

June 30, 2022 and 2021

Clay Center for the Arts & Sciences of West Virginia, Inc.

Financial Statements and Compliance Report

June 30, 2022 and 2021

TABLE OF CONTENTS

	<u>Pages</u>
Independent Auditor's Report	1 – 3
Financial Statements:	
Statements of Financial Position	4 – 5
Statements of Activities	6 – 7
Statements of Functional Expenses	8 – 9
Statements of Changes in Net Assets	10
Statements of Cash Flows	11 – 12
Notes to Financial Statements	13 – 30
Supplementary Information:	
Schedule of Expenditures of Federal Awards	31
Notes to the Schedule of Expenditures of Federal Awards	32
Schedule of State Awards	33
Reports Required by Federal Regulation:	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	34 – 35
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance with the Uniform Guidance	36 – 38
Schedule of Findings and Questioned Costs	39 – 40
Accompanying Information:	
Independent Auditor's Report on Information Accompanying the Financial Statements	41
Supplemental schedule of operating revenues without restriction	42



707 Virginia Street E. • Suite 400 • Charleston, WV 25301 • Phone: 304.345.9400 • Fax: 304.345.7258
www.ggmcpa.net • Email: ggm@ggmcpa.net

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Clay Center for the Arts and Sciences of West Virginia, Inc.
Charleston, West Virginia

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Clay Center for the Arts & Sciences of West Virginia, Inc. (the Organization), 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 Clay Center for the Arts & Sciences of West Virginia, Inc. 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) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Organization 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 the Organization's ability to continue as a going concern for 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 and *Government 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 GAAS and *Government 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 Organization'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 Organization'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and schedule of state awards are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and schedule of state awards are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 15, 2022 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Organization's internal control over financial reporting and compliance.

Gray, Griffith & Mays, a.c.

Charleston, West Virginia
December 15, 2022

Clay Center for the Arts & Sciences of West Virginia, Inc.

STATEMENTS OF FINANCIAL POSITION

June 30, 2022 and 2021

	2022	2021
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents	\$ 1,491,983	\$ 1,543,635
Designated cash and cash equivalents	693,789	1,018,965
Accounts and grants receivable	157,200	238,816
Pledges receivable, current portion	562,644	636,936
Other assets	216,304	406,820
Total current assets	3,121,920	3,845,172
Noncurrent assets:		
Investments:		
Reserve funds	4,390,745	5,493,982
Charitable deferred gift annuity	619,490	743,910
Operating endowment	30,678,276	36,417,827
Discovery Museum Renewal endowment	8,726,871	9,434,443
Building endowment	6,890,454	8,316,307
Community Outreach endowment	4,643,186	5,597,023
Education endowment	256,955	310,128
Total investments	56,205,977	66,313,620
Designated cash and cash equivalents, noncurrent	1,518,169	360,733
Pledges receivable, noncurrent	1,593,182	1,531,339
Property and equipment, net	42,552,379	45,394,126
Total noncurrent assets	101,869,707	113,599,818
Total assets	\$ 104,991,627	\$ 117,444,990

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

Clay Center for the Arts & Sciences of West Virginia, Inc.

STATEMENTS OF FINANCIAL POSITION

June 30, 2022 and 2021

	2022	2021
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable	\$ 382,819	\$ 141,203
Ticket sales payable	89,651	163,062
Deferred revenue	326,113	418,805
Accrued expenses	172,147	136,133
Refundable advance - Paycheck Protection Program	-	280,725
Gift annuity payable, current maturities	25,155	25,155
Total current liabilities	995,885	1,165,083
Long-term gift annuity payable, less current maturities	330,702	332,058
Total liabilities	1,326,587	1,497,141
Net assets:		
Without donor restriction:		
Undesignated	43,721,622	47,769,193
Board designated	11,112,413	10,233,162
	54,834,035	58,002,355
With donor restriction	48,831,005	57,945,494
Total net assets	103,665,040	115,947,849
Total liabilities and net assets	\$ 104,991,627	\$ 117,444,990

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

Clay Center for the Arts & Sciences of West Virginia, Inc.

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2022

	Without Donor Restriction	With Donor Restriction	Total
Operating revenue:			
Operating contributions and grants	\$ 433,327	\$ 722,205	\$ 1,155,532
Sponsorships	70,434	506,667	577,101
Memberships	149,691	-	149,691
Admissions/ticket sales	1,102,364	-	1,102,364
Facility rentals	245,025	-	245,025
Food service	30,196	-	30,196
Special events	73,369	-	73,369
Other earned revenue	316,410	-	316,410
Federal grants - PPP and ERC	280,725	-	280,725
Federal grant - SVOG	1,613,588	-	1,613,588
Donated material, facilities and services	52,107	-	52,107
Net assets released from restrictions	2,738,517	(2,738,517)	-
Revenue from operations	7,105,753	(1,509,645)	5,596,108
Operating expenses:			
Program	3,691,021	-	3,691,021
Management and general	714,711	-	714,711
Fundraising	641,108	-	641,108
	5,046,840	-	5,046,840
Net operating income before depreciation	2,058,913	(1,509,645)	549,268
Depreciation expense	4,173,883	-	4,173,883
Net operating (loss) gain	(2,114,970)	(1,509,645)	(3,624,615)
Non-operating revenue, net:			
Capital contributions and special projects	-	92,821	92,821
Restoration fee	30,845	-	30,845
Endowment contributions, net	-	(11,996)	(11,996)
Investment income, net	(1,127,619)	(7,642,245)	(8,769,864)
Net assets released from restrictions	43,424	(43,424)	-
Non-operating revenue, net	(1,053,350)	(7,604,844)	(8,658,194)
Decrease in net assets	\$ (3,168,320)	\$ (9,114,489)	\$ (12,282,809)

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

Clay Center for the Arts & Sciences of West Virginia, Inc.

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2021

	Without Donor Restriction	With Donor Restriction	Total
Operating revenue:			
Operating contributions and grants	\$ 1,049,426	\$ 290,202	\$ 1,339,628
Sponsorships	43,875	129,450	173,325
Memberships	44,293	-	44,293
Admissions/ticket sales	130,088	-	130,088
Facility rentals	21,425	-	21,425
Food service	1,253	-	1,253
Special events	54,788	-	54,788
Other earned revenue	81,705	-	81,705
Federal grants - PPP and ERC	409,648	-	409,648
Donated material, facilities and services	65,527	-	65,527
Net assets released from restrictions	1,734,500	(1,734,500)	-
Revenue from operations	3,636,528	(1,314,848)	2,321,680
Operating expenses:			
Program	2,084,060	-	2,084,060
Management and general	572,938	-	572,938
Fundraising	470,085	-	470,085
	3,127,083	-	3,127,083
Net operating income (loss) before depreciation	509,445	(1,314,848)	(805,403)
Depreciation expense	4,062,945	-	4,062,945
Net operating loss	(3,553,500)	(1,314,848)	(4,868,348)
Non-operating revenue, net:			
Capital contributions and special projects	24,469	238,108	262,577
Restoration fee	(316)	-	(316)
Endowment contributions	-	9,482	9,482
Investment income, net	1,205,250	11,749,077	12,954,327
Loss on disposal of equipment	35,000	-	35,000
Bequests	110,000	-	110,000
Net assets released from restrictions	185,958	(185,958)	-
Non-operating revenue, net	1,560,361	11,810,709	13,371,070
(Decrease) increase in net assets	\$ (1,993,139)	\$ 10,495,861	\$ 8,502,722

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

Clay Center for the Arts & Sciences of West Virginia, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2022

	Program Services	Management and General	Fundraising	Total
Payroll, taxes and benefits	\$ 1,218,176	\$ 542,220	\$ 386,042	\$ 2,146,438
Artists fees and related expense	719,143	-	21,103	740,246
Exhibit rental	182,810	-	-	182,810
Collection	22,305	-	-	22,305
Advertising/promotional	134,552	-	11,587	146,139
Printing	10,862	1,739	3,702	16,303
Office expenses	4,142	5,862	574	10,578
Copies	3,790	3,778	1,721	9,289
Supplies	34,934	794	1,244	36,972
Professional fees	20,987	39,431	8,606	69,024
Telephone	10,007	4,358	1,776	16,141
Utilities	547,060	31,192	6,629	584,881
Janitorial and cleaning supplies	153,612	8,152	1,630	163,394
Repairs and maintenance	327,539	15,067	2,937	345,543
Software expense	25,890	12,505	31,663	70,058
Postage and shipping	32,150	4,889	2,927	39,966
Travel and professional development	8,153	1,391	4,819	14,363
Meeting expense, food and catering	9,768	1,482	70,155	81,405
Dues and subscriptions	13,204	4,050	2,579	19,833
Credit card fees	58,120	994	7,158	66,272
Insurance	144,089	34,066	14,595	192,750
Facility rental additional charges	34,244	4,670	-	38,914
Donated material, facilities, and services	-	2,387	49,720	52,107
Miscellaneous	1,464	(4,316)	9,941	7,089
Reimbursements	(25,980)	-	-	(25,980)
Total expenses before depreciation	<u>3,691,021</u>	<u>714,711</u>	<u>641,108</u>	<u>5,046,840</u>
Depreciation	<u>3,923,450</u>	<u>208,694</u>	<u>41,739</u>	<u>4,173,883</u>
	<u>\$ 7,614,471</u>	<u>\$ 923,405</u>	<u>\$ 682,847</u>	<u>\$ 9,220,723</u>

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

Clay Center for the Arts & Sciences of West Virginia, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2021

	Program Services	Management and General	Fundraising	Total
Payroll, taxes and benefits	\$ 752,900	\$ 420,064	\$ 308,561	\$ 1,481,525
Artists fees and related expense	9,621	-	1,851	11,472
Exhibit rental	77,369	-	-	77,369
Collection	168,699	-	-	168,699
Advertising/promotional	5,015	-	3,165	8,180
Printing	2,947	915	6	3,868
Office expenses	1,168	2,644	998	4,810
Copies	4,566	5,138	1,408	11,112
Supplies	8,850	135	216	9,201
Professional fees	34,488	37,526	6,387	78,401
Telephone	10,140	4,416	1,799	16,355
Utilities	461,041	26,570	5,692	493,303
Janitorial and cleaning supplies	50,528	2,626	525	53,679
Repairs and maintenance	263,219	12,704	2,517	278,440
Software expense	33,431	12,918	28,426	74,775
Postage and shipping	5,371	3,555	3,471	12,397
Travel and professional development	1,627	885	4,314	6,826
Meeting expense, food and catering	1,085	772	21,240	23,097
Dues and subscriptions	7,308	3,512	1,639	12,459
Credit card fees	15,748	456	5,101	21,305
Insurance	139,014	31,747	13,390	184,151
Facility rental additional charges	4,288	68	-	4,356
Donated material, facilities, and services	14,006	745	50,777	65,528
Miscellaneous	11,664	5,574	8,618	25,856
Reimbursements	(33)	(32)	(16)	(81)
	<u>2,084,060</u>	<u>572,938</u>	<u>470,085</u>	<u>3,127,083</u>
Depreciation	<u>3,819,168</u>	<u>203,147</u>	<u>40,630</u>	<u>4,062,945</u>
	<u>\$ 5,903,228</u>	<u>\$ 776,085</u>	<u>\$ 510,715</u>	<u>\$ 7,190,028</u>

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

Clay Center for the Arts & Sciences of West Virginia, Inc.

STATEMENTS OF CHANGES IN NET ASSETS

For the Years Ended June 30, 2022 and 2021

	Without Donor Restriction			With Donor Restriction	Total
	Undesignated	Board Designated	Total		
Net assets, June 30, 2020	\$ 49,872,230	\$ 10,123,264	\$ 59,995,494	\$47,449,633	\$ 107,445,127
Increase (decrease) in net assets for the year ended June 30, 2021	(2,103,037)	109,898	(1,993,139)	10,495,861	8,502,722
Net assets, June 30, 2021	47,769,193	10,233,162	58,002,355	57,945,494	115,947,849
Increase (decrease) in net assets for the year ended June 30, 2022	(4,047,571)	879,251	(3,168,320)	(9,114,489)	(12,282,809)
Net assets, June 30, 2022	\$ 43,721,622	\$ 11,112,413	\$ 54,834,035	\$48,831,005	\$ 103,665,040

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

Clay Center for the Arts & Sciences of West Virginia, Inc.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$(12,282,809)	\$ 8,502,722
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	4,173,883	4,062,945
Realized and unrealized gain on investments including reinvested dividends	8,769,880	(12,954,327)
(Gain) loss on disposal of equipment	-	(35,000)
Collection of pledges into endowment	(189,547)	(168,486)
Change in operating assets and liabilities:		
(Increase) decrease:		
Accounts and grants receivable	81,616	(173,504)
Pledges receivable	12,449	379,953
Other assets	190,516	12,425
Increase (decrease):		
Accounts and ticket sales payable	168,205	(5,166)
Accrued expenses	36,014	14,070
Gift annuity payable	(1,356)	(22,346)
Deferred revenue	(92,692)	(16,145)
Refundable advance, Paycheck Protection Program	(280,725)	245,731
Net cash provided by (used in) operating activities	585,434	(157,128)
Cash flows from investing activities:		
Distributions from endowment investment accounts	1,877,731	1,300,705
Net (purchases) sales of investments	(539,968)	14,718
Proceeds from sale of equipment	-	35,000
Purchases of property and equipment	(1,332,136)	(470,740)
Net cash provided by investing activities	5,627	879,683

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

Clay Center for the Arts & Sciences of West Virginia, Inc.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2022 and 2021

	2022	2021
Cash flows provided by financing activities:		
Collection of pledges into endowment	<u>\$ 189,547</u>	<u>\$ 168,486</u>
Net increase in cash and cash equivalents	780,608	891,041
Cash and cash equivalents, beginning of year	<u>2,917,880</u>	<u>2,026,839</u>
Cash and cash equivalents, end of year	<u><u>\$ 3,698,488</u></u>	<u><u>\$ 2,917,880</u></u>
 SUMMARY OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	\$ 1,491,983	\$ 1,543,635
Designated cash and cash equivalents, current	693,789	1,018,965
Designated cash and cash equivalents, less current	<u>1,518,169</u>	<u>360,733</u>
Total cash and cash equivalents	<u><u>\$ 3,703,941</u></u>	<u><u>\$ 2,923,333</u></u>

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

Clay Center for the Arts & Sciences of West Virginia, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

1 – NATURE OF ACTIVITIES

Clay Center for the Arts & Sciences of West Virginia, Inc. (the Organization) is a non-profit organization operated under the laws of West Virginia. The general purpose of the Organization is to operate a center for the arts and sciences. The Organization, which is not classified as a private foundation, is recognized by the Internal Revenue Service as exempt from Federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar sections of state statutes. The Organization's Department of the Treasury information returns are subject to examination, generally for three years after the filing date.

Collectors Club and Friends of Clay Center are volunteer groups that assist the Organization's Board of Directors in carrying out the purposes of the Organization. The financial statements presented herein include the balances and activities of the Organization, Collectors Club and Friends of Clay Center.

2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting: The financial statements have been prepared on the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America.

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

Fair value measurements: Due to the short-term nature of cash equivalents, other assets, and accounts payable, their fair value approximates carrying value.

Basis of presentation: Financial statement presentation follows the standards set by the Financial Accounting Standards Board. Under those provisions, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: (a) net assets without donor restriction and (b) net assets with donor restrictions.

Without donor restriction: Net assets over which the Board of Directors has discretionary control.

Clay Center for the Arts & Sciences of West Virginia, Inc.

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2022 and 2021

2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of presentation: (Continued)

With donor restriction: Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained 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: For purposes of reporting the statement of cash flows, the Organization considers all cash accounts, and all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents, which are not held in investment accounts and are not subject to withdrawal restrictions or penalties.

Investments: Investments are carried at fair value. Investments acquired by gift are recorded at fair value at the date of receipt. Fair value is determined principally from published sources. Cash and cash equivalents of investment accounts held temporarily until suitable investment opportunities arise are included in investments. The Organization does not require collateral to secure its investments.

Operating classification: Operating activities in the statement of activities illustrate a measure of how the Organization is maintaining the resources available for its "current operations." Operations reflect all transactions increasing or decreasing unrestricted net assets except those of a capital nature, special project, investment activity, and endowment gifts. Net assets with donor restrictions released from restrictions which satisfy an operating purpose are also classified as operating. All other capital transactions related to land, buildings, and equipment are excluded from operations.

Pledges receivable: Pledges receivable are recognized as contribution revenue in the period the promise is made. Pledges receivable are recorded at net realizable value, which approximates fair value. Conditional promises to give are recognized when the conditions on which they depend are substantially met. The discounts on long-term pledges receivable are computed using an interest rate applicable to the year in which the pledges were made. Amortization of the discount is included in contribution revenue.

Clay Center for the Arts & Sciences of West Virginia, Inc.

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2022 and 2021

2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment: Property and equipment are recorded at cost as of the date of acquisition or fair value as of the date of receipt in the case of gifts. The assets are capitalized when the Organization determines that substantial future benefit will be achieved. Depreciation is computed on a straight-line basis over the estimated useful lives. The cost and accumulated depreciation of property sold or retired is removed from accounts and any resulting gain or loss is recorded in the period of disposal. Renewals and improvements, which extend the useful lives of assets, are capitalized at cost. Maintenance and repairs are included as expenses in the combined statement of activities. Interest expense, net of interest income on tax-exempt borrowings, incurred during the construction of the qualifying assets is capitalized.

Contributions of land, buildings, and equipment are presented 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 and finance long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Useful lives of asset classes:

Land improvements	5-15 years
Building and building improvements	5-40 years
Furniture, fixtures and equipment	3-15 years
Exhibits	5-7 years
Digital dome	5-20 years

Concentration of credit risk: The Organization maintains its cash and investments at a financial institution located in West Virginia. The balances in these accounts, at times, may exceed federally insured limits. Other financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of pledges receivable.

Ticket sales payable: The Organization operates a box office and sells tickets for the West Virginia Symphony Orchestra and any groups that are renting and using the performance hall. These sales are recorded as a liability and settled monthly or after the event.

Deferred revenue: Deferred revenue results from the receipt of revenue under exchange transactions for which the event has not taken place or qualifying expenses have not been incurred.

Clay Center for the Arts & Sciences of West Virginia, Inc.

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2022 and 2021

2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated services and materials: The Organization receives donations of services and materials. Donated materials are reflected as contributions at the estimated fair value at date of receipt and are recorded as expenses in the department benefitted. Contributions of services are recognized if the services received create or enhance nonfinancial assets, or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed services and promises to give services that do not meet the above criteria are not recognized.

Functional allocation of expenses: The costs of providing the various services and programs have been summarized on a functional basis in the combined statement of functional expense. Accordingly, certain costs have been directly allocated among the programs and supporting services benefitted.

Advertising: The Organization expenses advertising costs the first time the advertising takes place. Advertising expense was \$146,139 and \$8,180 for the years ended June 30, 2022 and 2021, respectively.

Collection: The focus of the Organization's permanent art collection is primarily 19th, 20th and 21st century work by American and European artists with an emphasis on works on paper; however, following a recent collection assessment, the Organization will focus its acquisitions on works with connections to West Virginia and Appalachia as well as large, outdoor sculptures. Collections expense for outdoor sculpture acquisitions include site preparation and installation. Items considered for accession and de-accession are carefully weighed with regard to relevance to the Organization's mission, its suitability for the collection and the ability of the Organization to care for the object and use it effectively. Each item considered for accession and de-accession is first presented to the Collections and Acquisitions Committee, and then presented to the Board for final approval. Proceeds from the de-accession of collection pieces are maintained for new accessions and not reflected in these statements.

The collection is not recognized as an asset on the statement of financial position. The collection grows through donations, Collectors Club activities, and distributions from funds held at Greater Kanawha Valley Foundation. Pursuant to the Organization's policies, income is reclassified to income without restriction as a release from restriction and the purchase costs are recognized as a program service expense; no value is reported for the in-kind contribution of art. During the year ended June 30, 2022, the Organization acquired 1 work of art through purchase. Total paid for the purchased work and sculpture installations was \$22,305. During the year ended June 30, 2021, the Organization acquired 1 work of art through purchase. The total paid for the purchased work was \$168,699.

Clay Center for the Arts & Sciences of West Virginia, Inc.

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2022 and 2021

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 balance sheet date, comprise the following:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,491,983	\$ 1,543,635
Accounts and grants receivable	157,200	238,816
Operating pledges receivable, current portion	<u>376,442</u>	<u>357,109</u>
	<u>\$ 2,025,625</u>	<u>\$ 2,139,560</u>

4 – FAIR VALUE MEASUREMENTS

FASB codification 820-10-50 "Fair Value Measurements" was issued in order to establish a single definition of fair value and a framework for measuring fair value in generally accepted accounting principles (GAAP) that is intended to result in increased consistency and comparability in fair value measurements. Codification 820-10-50 also expands disclosures about fair value measurements and applies whenever other authoritative literature requires certain assets and liabilities to be measured at fair value, but does not expand the use of fair value.

The organization reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are defined as follows:

Level 1. Unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2. Observable inputs other than those included in Level 1, such as quoted market prices for similar assets or liabilities in active markets or quoted market prices for identical assets and liabilities in inactive markets.

Level 3. Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair values requires significant management judgment or estimation.

Clay Center for the Arts & Sciences of West Virginia, Inc.

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2022 and 2021

4 – FAIR VALUE MEASUREMENTS (Continued)

When available, the organization measures fair value using level 1 inputs because they generally provide the most reliable evidence of fair value.

The primary uses of fair value measures in the organization's financial statements are initial measurement of noncash gifts, including gifts of investment assets and unconditional promises to give, and recurring measurements of investments.

The following tables set forth by level the Organization's investments at fair value as of June 30, 2022 and 2021:

June 30, 2022	Fair Value	Level 1	Level 2	Level 3
U.S. common stocks	\$ 14,010,619	\$ 14,010,619	\$ -	\$ -
Government and other debt obligations	2,057,640	1,153,739	903,901	-
Corporate bonds	1,069,684	-	1,069,684	-
Mutual funds	31,532,067	31,532,067	-	-
Alternative investments	7,069,463	-	2,874,472	4,194,991
	55,739,473	<u>\$ 46,696,425</u>	<u>\$ 4,848,057</u>	<u>\$ 4,194,991</u>
Cash equivalents	466,504			
Total investments at fair value	<u>\$ 56,205,977</u>			
June 30, 2021	Fair Value	Level 1	Level 2	Level 3
U.S. common stocks	\$ 17,288,775	\$ 17,288,775	\$ -	\$ -
Government and other debt obligations	3,801,207	3,077,587	723,620	-
Corporate bonds	1,890,715	-	1,890,715	-
Mutual funds	37,115,274	37,115,274	-	-
Alternative investments	4,207,980	-	2,526,263	1,681,717
	64,303,951	<u>\$ 57,481,636</u>	<u>\$ 5,140,598</u>	<u>\$ 1,681,717</u>
Cash equivalents	2,009,669			
Total investments at fair value	<u>\$ 66,313,620</u>			

Clay Center for the Arts & Sciences of West Virginia, Inc.

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2022 and 2021

4 – FAIR VALUE MEASUREMENTS (Continued)

Alternative investments represent limited partnership and similar interests held by the Organization in funds that invest in public and private securities and follow a variety of investment strategies. Terms and conditions of these investments, including liquidity provisions, are different for each fund. The Organization believes that the carrying amount of its alternative investments were a reasonable estimate of the fair value of such investments at June 30, 2022 and 2021. The fair values have been estimated using the net asset value per share of the investments.

As is typical of investment portfolios of similar types of institutions, alternative investments are not readily marketable, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed.

The following table summarizes the changes in fair values associated with FASB ASC 820 Level 3 assets:

	2022	2021
Beginning balance	\$ 1,681,717	\$ 730,712
Purchases	2,483,277	1,655,322
Sales	(42,034)	(758,222)
Realized / unrealized gains	72,031	53,905
Ending balance	\$ 4,194,991	\$ 1,681,717

The gains shown in the preceding table are reflected in the accompanying statements of activities for the years ended June 30, 2022 and 2021.

The following schedule summarizes the investment income for the years ended June 30, 2022 and 2021:

	2022	2021
Interest and dividends	\$ 2,191,362	\$ 1,100,711
Net realized gains	2,546,210	4,639,749
Net unrealized (losses) gains	(13,317,595)	7,400,947
Investment fees	(189,841)	(187,080)
	\$ (8,769,864)	\$ 12,954,327

Clay Center for the Arts & Sciences of West Virginia, Inc.

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2022 and 2021

6 – ENDOWMENTS

The Organization's endowment consists of 5 individual funds established for a variety of purposes. The endowment includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Organization has interpreted West Virginia's enacted Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment funds that are not classified in perpetually restricted net assets are classified as net assets with purpose restrictions until those amounts are appropriated for expenditure by the Organization in accordance with the spending policy which is consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

Investment Return Objectives, Risk Parameters and Strategies

The Organization has adopted investment and spending policies, approved by the Board of Directors for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5%, while growing the funds if possible. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Clay Center for the Arts & Sciences of West Virginia, Inc.

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2022 and 2021

6 – ENDOWMENTS (Continued)

Spending Policy

The Organization has a policy of appropriating for distribution each year 5% of its endowment fund's average fair value of the prior 12 quarters through the calendar year-end proceeding the fiscal year in which the distribution is planned. In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Organization expects the current spending policy to allow its endowment funds to grow at a nominal average rate, which is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

The following represents the net asset classes of the Organization's endowment funds and board designated endowment funds as well as the changes in those funds for the years ended June 30, 2022 and 2021:

June 30, 2022	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>
Changes in funds:		
Net assets, beginning of year	\$ 5,654,535	\$ 54,991,461
Investment return (net)	-	(7,668,853)
Contributions (net of write-offs)	-	9,949
Reclassifications and transfers	-	675,000
Appropriation of funds for distribution	<u>(200,000)</u>	<u>(1,977,984)</u>
Net assets, end of year	<u>\$ 5,454,535</u>	<u>\$ 46,029,573</u>
Donor-restricted endowment funds	\$ -	\$ 46,029,573
Board-designated endowment funds	<u>5,454,535</u>	<u>-</u>
Total funds	<u>\$ 5,454,535</u>	<u>\$ 46,029,573</u>

Clay Center for the Arts & Sciences of West Virginia, Inc.

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2022 and 2021

6 – ENDOWMENTS (Continued)

June 30, 2021	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>
Changes in funds:		
Net assets, beginning of year	\$ 5,644,637	\$ 44,532,044
Investment return (net)	9,898	11,749,077
Contributions (net of write-offs)	-	11,045
Appropriation of funds for distribution	<u>-</u>	<u>(1,300,705)</u>
Net assets, end of year	<u>\$ 5,654,535</u>	<u>\$ 54,991,461</u>
Donor-restricted endowment funds	\$ -	\$ 54,991,461
Board-designated endowment funds	<u>5,654,535</u>	<u>-</u>
Total funds	<u>\$ 5,654,535</u>	<u>\$ 54,991,461</u>

Endowment funds without restriction are board designated. The Board of Directors has designated additional net assets which are detailed in Note 13.

7 – RELATED PARTY TRANSACTIONS

During the normal course of business, the Organization purchases various supplies and services from companies associated with Board members. Additionally, the Organization has received substantial amounts of support from companies, governmental entities, and not-for-profit organizations associated with the Organization's governing Board. Amounts receivable from these related parties as pledges receivable to give for the year ended June 30, 2022 and 2021, was approximately \$1,193,000 and \$1,204,000, respectively.

Clay Center for the Arts & Sciences of West Virginia, Inc.

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2022 and 2021

8 – PLEDGES RECEIVABLE

Pledges receivable represent unconditional promises to give by donors. Pledges receivable are due as follows as of June 30, 2022 and 2021:

	Due in 1 Year	Due in 2-5 Years	Due beyond 5 Years	Total
June 30, 2022				
Operating pledges receivable	\$ 376,442	\$ 579,990	\$ 255,343	\$ 1,211,775
Renewal campaign pledges receivable	165,141	115,250	1,000,000	1,280,391
Endowment pledges receivable	21,061	84,244	205,342	310,647
Total	562,644	779,484	1,460,685	2,802,813
Allowance for uncollectible pledges	-	(73,900)	-	(73,900)
Discount to net present value	-	(76,991)	(496,096)	(573,087)
Net operating/endowment pledges receivable	\$ 562,644	\$ 628,593	\$ 964,589	\$ 2,155,826
June 30, 2021				
Operating pledges receivable	\$ 357,109	\$ 388,305	\$ 280,403	\$ 1,025,817
Renewal campaign pledges receivable	258,766	188,393	1,085,000	1,532,159
Endowment pledges receivable	21,061	84,244	226,402	331,707
Total	636,936	660,942	1,591,805	2,889,683
Allowance for uncollectible pledges	-	(95,949)	-	(95,949)
Discount to net present value	-	(53,475)	(571,984)	(625,459)
Net operating/endowment pledges receivable	\$ 636,936	\$ 511,518	\$ 1,019,821	\$ 2,168,275

Pledges have been discounted at 5% annual rate of interest.

Clay Center for the Arts & Sciences of West Virginia, Inc.

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2022 and 2021

9 – PROPERTY AND EQUIPMENT

A summary of land, buildings and equipment at June 30, 2022 and 2021 is as follows:

	2022	2021
Land and land improvements	\$ 11,572,327	\$ 11,528,902
Building and building improvements	96,678,504	95,497,202
Furniture, fixtures and equipment	5,692,929	5,656,817
Exhibits	7,168,592	7,168,592
Planetarium and theater	2,068,664	2,003,340
Projects in process	104,664	130,186
	123,285,680	121,985,039
Less accumulated depreciation	(80,733,301)	(76,590,913)
	\$ 42,552,379	\$ 45,394,126

10 – GIFT ANNUITY PAYABLE

The gift annuity payable consists of the following June 30, 2022 and 2021:

	2022	2021
In 2015 the Organization received \$585,000 to fund a Charitable Deferred Gift Annuity. The agreement requires the Organization to pay a named individual \$2,096 per month until death. The liability has been discounted using a nominal annual rate of 2.2%.	\$ 392,145	\$ 417,300
Less discount	(36,288)	(60,087)
Total annuity payable	355,857	357,213
Less current portion	25,155	25,155
	\$ 330,702	\$ 332,058

Clay Center for the Arts & Sciences of West Virginia, Inc.

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2022 and 2021

10 – GIFT ANNUITY PAYABLE (Continued)

The following is a schedule of expected future gift annuity payments:

2023		\$	25,155
2024			25,155
2025			25,155
2026			25,155
2027			25,155
Thereafter			266,370
Subtotal			392,145
Discount			(36,288)
		\$	355,857

11 – LINE OF CREDIT

As of June 30, 2022, the Organization has a bank line-of-credit for \$1,000,000, with variable interest equal to the 30-day average Secured Overnight Financing Rate (SOFR) plus 1.9% (2.99% at June 30, 2022), that expires December 17, 2022. It is collateralized by the Organization's investment account. As of June 30, 2022, the Organization had not drawn on the line of credit.

12 – NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restriction contain donor-imposed restrictions that expire upon the passage of time or once specific actions are undertaken by the Organization, or the principal be invested in perpetuity and does not expire. These net assets are then released and reclassified to net assets without donor restriction from which they are expended. Net assets with donor restriction consist of the following balances as of June 30, 2022 and 2021:

Clay Center for the Arts & Sciences of West Virginia, Inc.

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2022 and 2021

12 – NET ASSETS WITH DONOR RESTRICTION

<u>Use Restricted</u>	2022	2021
Endowment earnings:		
Future operating and building maintenance expenditures	\$ 11,704,106	\$ 20,370,498
Community Outreach Program	1,896,971	2,850,808
Restricted Net Assets in Endowment	13,601,077	23,221,306
Future operating and building maintenance expenditures	478,260	635,460
Community Outreach Program	229,713	100,110
Exhibits and program	1,534,545	1,957,581
Collections	558,917	260,878
Total Net Assets with Donor Restrictions not in Perpetuity	16,402,512	26,175,335
 <u>Perpetually restricted</u>		
Operating endowment fund	17,407,854	17,281,172
Building endowment fund	5,025,100	5,025,100
Community Outreach endowment fund	2,746,213	2,746,215
Discovery Museum Renewal fund	6,845,000	6,170,000
Education endowment fund	177,450	177,450
Corpus restricted in perpetuity	32,201,617	31,399,937
Restricted Pledges	226,876	370,221
Total Net Assets With Donor Restrictions in Perpetuity	32,428,493	31,770,158
Total Net Assets with Donor Restrictions	\$ 48,831,005	\$ 57,945,493

Clay Center for the Arts & Sciences of West Virginia, Inc.

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2022 and 2021

13 – BOARD DESIGNATED NET ASSETS

The Board of Directors have created certain funds and placed board designations for their use. These are included in net assets without donor restriction but separately stated from other net assets without donor restriction. Board designated net assets consist of the following balances as of June 30, 2022 and 2021:

	2022	2021
Board designated endowment fund	\$ 5,454,535	\$ 5,654,535
Building reserve fund	2,576,652	1,283,764
Operating reserve fund	2,329,368	2,329,368
Exhibit reserve fund	731,858	731,858
Conservation fund	20,000	20,000
Museum renewal fund	-	213,637
	\$ 11,112,413	\$ 10,233,162

14 – EMPLOYEE BENEFIT PLAN

The Organization has established a defined contribution retirement plan under Section 403(b) of the Internal Revenue Code for full time employees age 21 or older. The plan provides for contributions up to 3% of salary, as defined. The Organization's contributions vest to employees after two years of employment. Contributions to the plan during the years ended June 30, 2022 and 2021 were \$32,549 and \$24,880 , respectively.

15 – COLLECTIVE BARGAINING AGREEMENT

The Organization entered into a union contract with the Stage Employees Local No. 271 I.A.T.S.E. that runs from February 1, 2016 to December 31, 2022. Employee benefits provided by the contract include rates of pay and hours of work, as well as other conditions of employment.

16 – LEASING ACTIVITIES

The Organization leases office equipment under leases ranging up to 51 months. These leases are accounted for by the operating method and expire on various dates through January 2026. Future commitments under these leases is as follows:

Year Ending June 30,	
2023	\$ 6,620
2024	4,732
2025	956
2026	478
	\$ 12,786

Clay Center for the Arts & Sciences of West Virginia, Inc.

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2022 and 2021

16 – LEASING ACTIVITIES (Continued)

Rent expense for the years ended June 30, 2022 and 2021 was approximately \$10,000 and \$4,000, respectively.

17 – GREATER KANAWHA VALLEY FOUNDATION

The Organization has an interest in gifts made to the Greater Kanawha Valley Foundation, (GKVF). GKVF has variance power and these assets are recognized by GKVF, with the Organization identified as the designated recipient of distributions from these funds. The assets are not recognized as assets on the Organization's books. At June 30, 2022 and 2021 assets at GKVF for which the Organization is the named recipient, totaled approximately \$5,277,000 and \$6,406,000, respectively. The Organization has received distributions from the GKVF totaling approximately \$174,000 and \$356,000 in 2022 and 2021, respectively.

18 – RISK AND UNCERTAINTIES

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statement of activities. At times during the year, the Organization may have had cash balances on deposit at financial institutions in excess of the amount insured by the Federal Deposit Insurance Corporation (FDIC). Management considers the financial institutions to be adequately funded and the potential loss to be negligible.

19 - COVID-19 AND CARES ACT FUNDING

In March 2020, the World Health Organization declared the outbreak of COVID-19, a novel strain of the Coronavirus, a pandemic. The coronavirus outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of the outbreak as the pandemic continues on the Organization's financial performance will depend on certain developments, including the duration and spread of the outbreak. Given the uncertainty regarding the spread of the Coronavirus, the related financial impact of the Organization's results of operations, financial position, and liquidity or capital resources cannot be reasonably estimated at this time and have not been reflected in the financial statements.

In response to economic uncertainty associated with the Coronavirus (COVID-19) pandemic, the Organization has applied for and received the benefit of temporary programs designed to provide economic relief to small businesses including provisions to the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), which was signed into law on March 27, 2020.

Clay Center for the Arts & Sciences of West Virginia, Inc.

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2022 and 2021

19 - COVID-19 AND CARES ACT FUNDING (Continued)

Paycheck Protection Program

During the year ended June 30, 2021 the Organization received loan proceeds in the amounts of \$280,725 under the Paycheck Protection Program (“PPP”). Established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), the PPP provides for loans to qualifying businesses in amounts up to 2.5 times the business’s average monthly payroll expenses. Under this program, the unsecured loans are forgivable for amounts related to certain payroll, mortgage, rent, utilities employee benefits and state and local employer tax expenses for a period of twenty-four (24) weeks after the loan is received. Forgiveness provisions are also based on how employers utilize the funds for these designated expenses and maintaining or quickly rehiring employees and wage and salary levels. Forgiveness will be reduced if full-time headcount declines, or if salaries and wages decrease. If not forgiven, the PPP loan has a maturity of 2 years, an interest rate of 1% and loan payments are deferred for the first six months of the loan term.

The Organization expected to meet the PPP’s eligibility criteria and management concluded that the PPP loan represented, in substance, a grant that was expected to be forgiven, and has chosen to analogize the guidance in FASB ASC 958-605, which addresses accounting for contributions received by not-for-profit entities. Accordingly, the Organization recorded the PPP loan as a conditional contribution in accordance with FASB ASC 958- 605. Under this model, management recorded the cash inflow from the PPP loan as a refundable advance and reduces the refundable advance and recognizes the contribution once the conditions of release have been substantially met. Details of the PPP refundable advance and grant revenue recognized for the years ended June 30, 2021 and 2020 are as follows:

	<u>2022</u>	<u>2021</u>
Refundable advance - PPP Round 1	\$ -	\$ 34,994
Refundable advance - PPP Round 2	<u>280,725</u>	<u>280,725</u>
	280,725	315,719
Grant revenue recognized - PPP Round 1	-	(34,994)
Grant revenue recognized - PPP Round 2	<u>(280,725)</u>	<u>-</u>
Refundable advance - PPP	<u>\$ -</u>	<u>\$ 280,725</u>

The Organization’s management determined that the Organization had complied with the PPP program guidelines and submitted their applications for forgiveness. The first round of PPP loan funds was forgiven in May 2021. The second round of PPP loan funds was forgiven in November 2021.

Clay Center for the Arts & Sciences of West Virginia, Inc.

NOTES TO FINANCIAL STATEMENTS (Continued)

June 30, 2022 and 2021

19 - COVID-19 AND CARES ACT FUNDING (Continued)

Employee Retention Credit

Under the CARES Act, an Employee Retention Credit provides for refundable tax credits against certain payroll taxes. The Organization received Employee Retention Credits for June 30, 2022 and 2021, in the amount of \$16 and \$374,654, respectively. Consistent with guidance, the credit proceeds are reported as government grants in the statement of activities.

The total amount of revenue recognized related to CARES Act relief funding for the years ended June 30, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Paycheck Protection Program Round 2	\$ 280,725	\$ -
Paycheck Protection Program Round 1	-	34,994
Employee Retention Credit	<u>-</u>	<u>374,654</u>
Federal grants - PPP and ERC	<u>\$ 280,725</u>	<u>\$ 409,648</u>

20 – SHUTTERED VENUE OPERATORS GRANT

The Organization received a Shuttered Venue Operators Grant (SVOG) from the Small Business Administration in July 2021. The Shuttered Venue Operators Grant (SVOG) program was established by the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act, and amended by the American Rescue Plan Act. The program is administered by SBA's Office of Disaster Assistance. The total grant funds received and expended were \$1,613,588 for the year ending June 30, 2022.

21 – SUBSEQUENT EVENTS

The Organization's management has reviewed events and transactions occurring after June 30, 2022 through the date of the independent auditor's report, which is the date the financial statements were available to be issued for events requiring adjustment to or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

Clay Center for the Arts & Sciences of West Virginia, Inc.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2022

Federal Grantor/Pass Through Grantor	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Small Business Administration			
Shuttered Venue Operators Grant	59.075	N/A	\$ <u>1,613,588</u>
Total expenditures of federal awards			\$ <u>1,613,588</u>

See Independent Auditor's Report and Notes to Schedule of Expenditures of Federal Awards

Clay Center for the Arts & Sciences of West Virginia, Inc.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2022

1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Clay Center for the Arts & Sciences of West Virginia, Inc. (the Organization) under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-122, Cost Principles for Non-Profit Organizations, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3 – INDIRECT COST RATE

For the purposes of charging indirect costs to deferral awards, the Organization has not elected to use the 10 percent de minimus cost rate as permitted by section 200.414 of the Uniform Guidance.

Clay Center for the Arts & Sciences of West Virginia, Inc.

SCHEDULE OF STATE AWARDS

For the Year Ended June 30, 2022

Granting Agency	Grant Number	Grant Award	Grant Receipts	Grant Expenditures
West Virginia Division of Culture and History Arts Partners Project	AH22-8460	\$ 62,583	\$ 62,583	\$ 62,583
West Virginia Division of Culture and History Museum Galleries	GRTAWD 22*3466	<u>73,500</u>	<u>73,500</u>	<u>73,500</u>
		<u>\$ 136,083</u>	<u>\$ 136,083</u>	<u>\$ 136,083</u>

See Independent Auditor's Report



707 Virginia Street E. • Suite 400 • Charleston, WV 25301 • Phone: 304.345.9400 • Fax: 304.345.7258
www.ggmcpa.net • Email: ggm@ggmcpa.net

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS**

Independent Auditor's Report

To the Board of Directors
Clay Center for the Arts & Sciences of West Virginia, Inc.
Charleston, West Virginia

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Clay Center for the Arts & Sciences of West Virginia, Inc. (the Organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated December 15, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gray, Griffith & Mays, a.c.

Charleston, West Virginia
December 15, 2022



707 Virginia Street E. • Suite 400 • Charleston, WV 25301 • Phone: 304.345.9400 • Fax: 304.345.7258
 www.ggmcpa.net • Email: ggm@ggmcpa.net

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND
 REPORT ON INTERNAL CONTROL OVER COMPLIANCE
 IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

Independent Auditor's Report

To the Board of Directors
 Clay Center for the Arts & Sciences of West Virginia, Inc.
 Charleston, West Virginia

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Clay Center for the Arts & Sciences of West Virginia, Inc.'s (the Organization) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2022. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Gray, Griffith & Mays, a.c.

Charleston, West Virginia
December 15, 2022

Clay Center for the Arts & Sciences of West Virginia, Inc.

SCHEDULE FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2022

Financial Statements:

Type of auditor's report issued:	Unmodified		
Internal control over financial reporting:			
* Material weakness(es) identified?	Yes <u> </u>	No <u> </u>	X <u> </u>
* Significant deficiencies identified that are not considered to be material weakness(es)?	Yes <u> </u>	No <u> </u>	X <u> </u>
Noncompliance material to financial statements noted?	Yes <u> </u>	No <u> </u>	X <u> </u>

Federal Awards:

Internal control over major programs:			
* Material weakness(es) identified?	Yes <u> </u>	No <u> </u>	X <u> </u>
* Significant deficiencies identified that are not considered to be material weakness(es)?	Yes <u> </u>	No <u> </u>	X <u> </u>
Type of auditor's report issued on compliance for major programs:	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516 (a)?	Yes <u> </u>	No <u> </u>	X <u> </u>

Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
59.075	Shuttered Venue Operators Grant
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes <u> </u> No <u> </u> X <u> </u>

Clay Center for the Arts & Sciences of West Virginia, Inc.

SCHEDULE FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2022

SECTION II. FINANCIAL STATEMENT FINDINGS

No items were noted.

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No items were noted.

ACCOMPANYING INFORMATION



707 Virginia Street E. • Suite 400 • Charleston, WV 25301 • Phone: 304.345.9400 • Fax: 304.345.7258
www.ggmcpa.net • Email: ggm@ggmcpa.net

**INDEPENDENT AUDITOR'S REPORT ON INFORMATION
ACCOMPANYING THE COMBINED FINANCIAL STATEMENTS**

To the Board of Directors
Clay Center for the Arts & Sciences of WV, Inc.

We have audited the financial statements of Clay Center for the Arts & Sciences of West Virginia, Inc. for the years ended June 30, 2022 and 2021, and have issued our report thereon dated December 15, 2022, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole.

The schedule of unrestricted operating revenues is presented for the purpose of additional analysis and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Gray, Griffith & Mays, a.c.

Charleston, West Virginia
December 15, 2022

Clay Center for the Arts & Sciences of West Virginia, Inc.

SCHEDULE OF UNRESTRICTED OPERATING REVENUES

June 30, 2022 and 2021

	2022	2021
Operating revenue (unrestricted):		
Operating contributions and grants	\$ 433,327	\$ 1,049,426
Sponsorships	70,434	43,875
Memberships	149,691	44,293
Admissions/ticket sales	1,102,364	130,088
Facility rentals	245,025	21,425
Food service	30,196	1,253
Special events	73,369	54,788
Other earned revenue	316,410	81,705
Federal grants - PPP and ERC	280,725	409,648
Federal grant - SVOG	1,613,588	-
Donated material, facilities and services	52,107	65,527
Net assets released from restrictions	2,738,517	1,734,500
Gross operating revenue	\$ 7,105,753	\$ 3,636,528

See independent auditor's report on accompanying information.