

SPACES
FINANCIAL REPORT
DECEMBER 31, 2023



SPACES
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+ 1111 Superior Avenue, Suite 700, Cleveland, Ohio 44114

+ p 216.363.0100 | f 216.363.0500

+ www.maloneynovotny.com

Independent Auditors' Report

The Board of Trustees
SPACES
Cleveland, Ohio

Opinion

We have audited the financial statements of SPACES (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year 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 SPACES as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of SPACES 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 SPACES' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SPACES' 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 SPACES' ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited SPACES' 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 11, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Meloney + Novotny LLC

Cleveland, Ohio
January 13, 2025

SPACES

STATEMENT OF FINANCIAL POSITION

December 31, 2023
(With Comparative Totals as of December 31, 2022)

	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 659,564	\$ 242,245
Receivables:		
Grants	332,034	285,855
Pledge, net	-	5,138
Other - insurance receivable	-	49,784
Total current assets	<u>991,598</u>	<u>583,022</u>
PROPERTY AND EQUIPMENT		
Land	51,800	51,800
Building and improvements	1,998,755	1,998,755
Furniture and equipment	58,301	58,301
Computers	29,205	29,205
Website design	38,000	38,000
Software	6,195	6,195
	<u>2,182,256</u>	<u>2,182,256</u>
Less accumulated depreciation	<u>483,376</u>	<u>414,923</u>
	1,698,880	1,767,333
INVESTMENTS	<u>84,644</u>	<u>73,354</u>
Total assets	<u><u>\$ 2,775,122</u></u>	<u><u>\$ 2,423,709</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 172,958	\$ 15,430
Current portion of mortgage payable	20,637	19,829
Accrued expenses and other liabilities	6,408	8,960
Total current liabilities	<u>200,003</u>	<u>44,219</u>
MORTGAGE PAYABLE	138,508	159,310
NET ASSETS		
Without donor restrictions	1,674,726	2,009,944
With donor restrictions	761,885	210,236
Total net assets	<u>2,436,611</u>	<u>2,220,180</u>
Total liabilities and net assets	<u><u>\$ 2,775,122</u></u>	<u><u>\$ 2,423,709</u></u>

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

SPACES

STATEMENT OF ACTIVITIES

Year Ended December 31, 2023
(With Comparative Totals for Year Ended December 31, 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Foundation grants	\$ 270,710	\$ 1,114,290	\$ 1,385,000	\$ 313,400
Government grants	-	460,605	460,605	258,521
Corporate contributions	1,600	60,000	61,600	15,717
Individual contributions	22,494	96,000	118,494	32,818
Trustee contributions	2,440	-	2,440	4,440
Special events	13,805	-	13,805	38,557
Contributed nonfinancial assets	424	23,585	24,009	5,411
Membership and lecture fees	1,850	-	1,850	3,100
Rental income	800	-	800	400
Miscellaneous	8,128	-	8,128	6,409
Net assets released from restrictions	<u>1,199,943</u>	<u>(1,199,943)</u>	<u>-</u>	<u>-</u>
Total support and revenue	1,522,194	554,537	2,076,731	678,773
EXPENSES				
Program services	1,477,185	-	1,477,185	519,112
Management and general	230,253	-	230,253	128,762
Fundraising	<u>112,780</u>	<u>-</u>	<u>112,780</u>	<u>113,026</u>
Total expenses	<u>1,820,218</u>	<u>-</u>	<u>1,820,218</u>	<u>760,900</u>
CHANGE IN NET ASSETS FROM OPERATIONS	(298,024)	554,537	256,513	(82,127)
NON-OPERATING ACTIVITY				
Net unrealized gain (loss) on investments	11,290	-	11,290	(12,284)
Loss on pledges	-	(2,888)	(2,888)	-
(Loss) gain on insurance claim	<u>(48,484)</u>	<u>-</u>	<u>(48,484)</u>	<u>49,784</u>
Change in non-operating activity	<u>(37,194)</u>	<u>(2,888)</u>	<u>(40,082)</u>	<u>37,500</u>
CHANGE IN NET ASSETS	(335,218)	551,649	216,431	(44,627)
NET ASSETS, BEGINNING OF YEAR	<u>2,009,944</u>	<u>210,236</u>	<u>2,220,180</u>	<u>2,264,807</u>
NET ASSETS, END OF YEAR	<u>\$ 1,674,726</u>	<u>\$ 761,885</u>	<u>\$ 2,436,611</u>	<u>\$ 2,220,180</u>

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

SPACES

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2023
(With Comparative Totals for Year Ended December 31, 2022)

	2023				2022
	Program Services	Management and General	Fundraising	Total	Total
Direct program costs	\$ 811,524	\$ -	\$ -	\$ 811,524	\$ 119,959
Personnel costs to staff	172,479	114,986	95,822	383,287	271,596
Regranting of income to artists	275,960	-	-	275,960	148,450
Payments to creative personnel	127,579	-	-	127,579	37,715
Professional services	-	74,844	-	74,844	19,591
Depreciation	54,762	6,161	7,530	68,453	68,202
Occupancy costs	16,404	1,447	1,447	19,298	15,854
Office expenses	-	17,569	-	17,569	11,593
Insurance	8,734	2,157	771	11,662	7,502
Telephone and data services	-	10,419	-	10,419	4,868
Interest	5,782	510	510	6,802	7,584
Special events	-	-	5,613	5,613	34,381
Equipment rental	2,716	1,630	1,087	5,433	5,096
Miscellaneous	1,245	530	-	1,775	8,509
Total expenses	<u>\$ 1,477,185</u>	<u>\$ 230,253</u>	<u>\$ 112,780</u>	<u>\$ 1,820,218</u>	<u>\$ 760,900</u>

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

SPACES

STATEMENT OF CASH FLOWS

Year Ended December 31, 2023

(With Comparative Totals for Year Ended December 31, 2022)

	<u>2023</u>	<u>2022</u>
OPERATING ACTIVITIES		
Change in net assets	\$216,431	\$ (44,627)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	68,453	68,202
Net unrealized (gain) loss on investments	(11,290)	12,284
Loss on pledges	2,888	-
Contributions restricted for long-term investment	-	(4,951)
Change in operating assets and liabilities:		
Decrease in accounts receivable	-	3,040
(Increase) decrease in grants receivable	(46,179)	15,230
Decrease in pledge receivables	2,250	2,750
Decrease (increase) in other receivables	49,784	(49,784)
Increase in accounts payable	157,528	1,627
(Decrease) increase in accrued expenses and other liabilities	<u>(2,552)</u>	<u>5,935</u>
Net cash provided by operating activities	437,313	9,706
INVESTING ACTIVITIES		
Purchase of property and equipment	-	(3,578)
Net purchases of investments	<u>-</u>	<u>(4,951)</u>
Net cash used by investing activities	-	(8,529)
FINANCING ACTIVITIES		
Payments on mortgage payable	<u>(19,994)</u>	<u>(19,211)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	417,319	(13,083)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>242,245</u>	<u>255,328</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$659,564</u>	<u>\$242,245</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Interest	\$ 6,802	\$ 7,584

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

SPACES

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Significant Accounting Policies

- A. Purpose – SPACES commissions artists from around the world, at all stages of their careers, to make new work that is responsive to timely issues. Through its Residency & Exhibition Program, SPACES provides compensation, support, and access to resources for cultural producers who immerse themselves in Cleveland, Ohio for up to eight weeks. Through its regranting program, residencies, and public programs, SPACES gives artists the kind of support rarely seen outside major institutions, leading to ambitious new projects that reach an international stage and expand artists' practices.

In 2002, SPACES established its international artist residency model. Resulting programming is presented quarterly, with resident projects exhibited in conjunction with other artist projects. Founded in 2019, the Satellite Fund is administered by SPACES through a Regional Regranting Program of the Andy Warhol Foundation for the Visual Arts. With additional support through the Cleveland Foundation, \$24,000 was distributed among 12 Cuyahoga County artists in 2023.

In addition to its support for local artists via the Satellite Fund, SPACES offers project-based support through the Urgent Art Fund to Cuyahoga County artists, in partnership with Cuyahoga Arts & Culture. This support may go toward production expenses and artist commission for creation of "urgent art" that is socially, politically, or culturally responsive. By designating funds specifically for such projects taking place in the public realm, SPACES can help artists immediately engage their community in creative dialogue about the most pressing issues. By infusing its cultural economy with this support, SPACES hopes to contribute to the long-term vitality of the field.

SPACES' Creative Engagement initiatives complement its exhibitions with audience-forward programming contextualized by on-site, off-site, and digital exhibitions and artist projects. By providing accessible ways of learning about art, artists, and creative production, SPACES helps forge connections and understanding of the cultural value of art. In 2021, with the support of Minority Arts & Education Fund, SPACES expanded its outreach to develop long-term partnerships with other cultural organizations, community development corporations, and similar networks. SPACES translated its programming guide to Spanish and English and partnered with the Museum of Creative Human Art, the Tamir Rice Foundation, Centro Julia Burgos, and other local culturally-specific organizations to provide visiting artists and local residents the opportunity to collaborate in important and creative ways.

- B. Accounting Method – The financial statements were prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. SPACES reports information regarding its financial position and activities using two classes of net assets: without donor restrictions and with donor restrictions.

Net assets without donor restrictions result from the receipt of funds that are free from donor-imposed restrictions as to the timing or use of the funds. Net assets without donor restrictions also include those funds that have been designated for use by the Board of Trustees of SPACES.

SPACES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

B. Accounting Method (Continued)

Net assets with donor restrictions result from receipt of cash or other assets subject to donor stipulations that limit the use of the contributed assets. Some donor-imposed restrictions are temporary in nature, such as those resulting from timing differences between the receipt of funds and the incurrence of the related expenses. Other donor-imposed restrictions are permanent in nature where the funds are subject to the restrictions of donors that the principal be invested in perpetuity and only the income be utilized. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with SPACES' financial statements for the year ended December 31, 2022, from which the summarized information was derived.

- C. **Contributed Nonfinancial Assets** – SPACES records contributed services at fair value if the services received (a) create or enhance a long-lived asset or (b) require specialized skills by individuals that would have been purchased if not donated. The amounts reflected in the accompanying financial statements as contributions related to services for donated design, production, and advertising.

A number of volunteers have donated significant amounts of their time assisting SPACES' programs, management, and internal functions through various committee assignments. These donated services have not been recognized in the accompanying financial statements as it is impractical to determine the fair value of the services received and they do not meet the criteria for recognition.

- D. **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 at the date of the financial statements. Estimates also affect the reported amounts of expenses during the reporting period. Actual results can differ from those estimates.
- E. **Cash and Cash Equivalents** – SPACES considers all highly liquid securities with initial maturities of three months or less when purchased to be cash equivalents. SPACES has cash on hand at financial institutions which may, at times, exceed federally insured amounts.
- F. **Receivables** – All grants at December 31, 2023 are due within one year. Based upon review of historical collections and current outstanding receivables, management has recorded no allowance at December 31, 2023.

SPACES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

- G. Investments – Investments are measured at fair value in the statement of financial position. Realized and unrealized gains and losses are reported in the statement of activities. Investment income is recognized as revenue in the period it is earned and gains and losses are recognized as changes in net assets in the accounting periods in which they occur. Investment income and gains and losses, net of investment expenses, are reported as increases or decreases in net assets without donor restrictions unless a donor or law restricts their use.
- H. Fair Value of Financial Instruments – SPACES reports certain assets and liabilities at fair value in the financial statements. Accounting principles define fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. These standards establish a fair value hierarchy that prioritizes the inputs and defines valuation techniques used to measure fair value. The three levels of the fair value hierarchy are described below:

Level 1 – Uses unadjusted quoted prices that are available in active markets for identical assets or liabilities as of the reporting date.

Level 2 – Uses inputs other than Level 1 that are either directly or indirectly observable as of the reporting date through correlation with market data, including quoted prices for similar assets or liabilities in active markets and quoted prices in markets that are not active.

Level 3 – Uses inputs that are unobservable and are supported by little or no market activity and reflect the use of significant management judgment.

SPACES' investments are pooled in a Cleveland Foundation Fund and consist primarily of investments which have readily determinable market values. However, there is not an active market for the pooled investments. Therefore, they are considered to be Level 2.

- I. Revenue Recognition – Grants and contributions are recognized when the donor makes a pledge to give that is, in substance, an unconditional promise. All contributions are available for general use when the contribution is made, unless specifically restricted by the donor. Unconditional promises to give that are expected to be collected within one year are recorded at realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows using risk-free interest rates. The amortization of the discounts on those amounts is included in contribution revenue. Conditional promises to give are recognized as revenue when the conditions are met.

A portion of the Organization's revenue is derived from cost-reimbursable government grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific grant provisions.

SPACES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

I. Revenue Recognition (Continued)

Revenues from membership and lecture fees, rental income and miscellaneous activities are recognized when the service is rendered or at the time of sale. Special event revenues are recognized when the event is held.

J. **Property and Equipment** – Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of assets ranging from 3 to 40 years. Additions and major renewals are capitalized. Expenditures for minor equipment, maintenance, and repairs are charged to expense as incurred. Depreciation expense totaled \$68,453 for the year ended December 31, 2023.

K. **Net Assets Designated by the Board** – The Board of Trustees has designated amounts to be set aside to be used for purposes as determined at the Board's discretion. The balance of board-designated net assets, which is included in net assets without donor restrictions in the statement of financial position at December 31, 2023, is \$84,644 which is designated for funds functioning as endowment.

L. **Income Tax Status** – SPACES is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. SPACES believes it has appropriate support for any tax positions taken and, as such, does not have any uncertain tax provisions that would be material to the financial statements. SPACES' federal tax returns are subject to examination by the IRS, generally for three years after they are filed.

M. **Functional Expense Allocation** – The costs of providing various programs and other activities have been summarized on a functional basis in a natural classification. Accordingly, certain costs have been allocated to program services, management and general, and fundraising as determined by management. Expenses are generally charged to the specific program for which they are incurred; in some cases, however, expenses which support the work performed under program services as well as for support services are incurred. Such expenses are allocated among the various program services and support services based on either estimates of time and effort or square footage.

N. **Subsequent Events** – SPACES has evaluated subsequent events through January 13, 2025, which is the date the financial statements were available to be issued.

Note 2. Liquidity and Availability

SPACES manages its cash available to meet general expenditures following these guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that the mission fulfillment will continue to be met, ensuring sustainability of SPACES.

SPACES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 2. Liquidity and Availability (Continued)

At December 31, 2023 and 2022, financial assets available for general expenditure, within one year of the statement of financial position date, comprise the following:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$659,564	\$242,245
Receivables:		
Grants	332,034	285,855
Pledge, net	-	5,138
Other - insurance receivable	-	49,784
	<u>\$991,598</u>	<u>\$583,022</u>

SPACES' endowment funds consist of funds designated by the Board of Trustees as endowments. The board-designated endowments are subject to an annual spending rate of 5% as described in Note 4. Although SPACES does not intend to spend from its board-designated funds other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its board-designated endowment could be made available if necessary.

Note 3. Net Assets With Donor Restrictions

Net assets with donor restrictions were available for the following purposes at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for a specified purpose:		
Program support	\$215,536	\$ 812
Venice Architecture Biennale	214,315	-
Subject to time restrictions:		
Grants and pledge receivable	<u>332,034</u>	<u>209,424</u>
	<u>\$761,885</u>	<u>\$210,236</u>

Note 4. Board-Designated Endowment

SPACES established a board-designated endowment fund with the Cleveland Foundation with the purpose to support the organization's mission. Endowment funds are subject to the investment policy approved by the Board of Trustees. Under terms of the policy, annual distributions are limited to 5% of the previous year's investment value. The principal of the fund may be distributed upon the affirmative vote of the majority of the voting members during a meeting during which a quorum of the Board of Trustees is present. Funds from this endowment may be used for purchasing, relocating, and renovating a historic building on the near west side of Cleveland. The value reported is the fair market value provided to SPACES by the Cleveland Foundation.

SPACES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 4. Board-Designated Endowment (Continued)

Changes in board-designated endowment net assets for the year ended December 31, 2023 are as follows:

	<u>Without Donor Restrictions</u>
Endowment net assets, beginning of year	\$ 73,354
Investment gains, net	<u>11,290</u>
Endowment investments, end of year	<u>\$ 84,644</u>

Note 5. Mortgage Payable

In connection with the purchase and renovation of the new gallery, SPACES entered into a mortgage payable of \$800,000 with an unrelated party for the purchase of the ground floor air-rights parcel in 2016. On January 1, 2021, the terms of the note were modified to 120 monthly payments of \$2,233 at an interest rate of 4%. The final payment is due December 1, 2030.

Maturities of the mortgage payable during the next five years and thereafter are as follows:

2024	\$ 20,637
2025	21,478
2026	22,353
2027	23,263
2028	24,211
Thereafter	<u>47,203</u>
	<u>\$159,145</u>