

ARTSCONNECTION, INC.

FINANCIAL STATEMENTS

AUGUST 31, 2022 AND 2021



LUTZ AND GARR

CERTIFIED PUBLIC ACCOUNTANTS, LLP

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
ArtsConnection, Inc.

Opinion

We have audited the accompanying financial statements of ArtsConnection, Inc., which comprise the statements of financial position as of August 31, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ArtsConnection, Inc. as of August 31, 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 audits in accordance with auditing standards generally accepted in the United States of America. 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 ArtsConnection, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about ArtsConnection, Inc.'s 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 is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Lotz + Carr, LLP

New York, New York
March 20, 2024

ARTSCONNECTION, INC.
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Assets		
Cash and cash equivalents (Notes 1b and 10a)	\$ 340,280	\$ 570,557
Unconditional promises to give (Notes 1c, 4a and 10b)		
Without donor restrictions	401,515	871,216
With donor restrictions	540,417	653,937
Accounts receivable	265,669	405,236
Prepaid expenses and other assets	257,082	115,530
Property and equipment, at cost, net of accumulated depreciation and amortization (Notes 1d and 5)	135,687	84,960
Security deposit	<u>36,900</u>	<u>36,900</u>
Total Assets	<u><u>\$1,977,550</u></u>	<u><u>\$2,738,336</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 286,226	\$ 368,570
Loans payable (Note 7)	100,000	666,647
Deferred revenue (Note 1e)	127,602	176,772
Refundable advances (Note 6)	<u>102,525</u>	<u>-</u>
Total Liabilities	<u>616,353</u>	<u>1,211,989</u>
Commitments and Contingency (Note 8)		
Net Assets (Note 11)		
Without Donor Restrictions		
Cash reserve (Note 3a)	255,736	255,569
Other (deficit)	<u>161,433</u>	<u>(41,632)</u>
Total Without Donor Restrictions	<u>417,169</u>	<u>213,937</u>
With Donor Restrictions		
Subject to time and purpose (Note 3b)	838,778	1,207,160
Perpetual in nature (Note 3c)	<u>105,250</u>	<u>105,250</u>
Total With Donor Restrictions	<u>944,028</u>	<u>1,312,410</u>
Total Net Assets	<u>1,361,197</u>	<u>1,526,347</u>
Total Liabilities and Net Assets	<u><u>\$1,977,550</u></u>	<u><u>\$2,738,336</u></u>

See notes to financial statements.

ARTSCONNECTION, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED AUGUST 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Changes in Net Assets Without Donor Restrictions		
Revenue, Gains and Other Support		
Contributions	\$1,807,746	\$1,687,328
Loan forgiveness - Paycheck Protection Program (Note 7c)	666,647	700,967
Benefit income	-	635,440
Less: Direct benefit expenses	-	(13,554)
Program fees	1,251,840	1,137,130
Rental income	26,400	-
Donated materials (Note 9)	-	13,554
Artwork sales, net of cost of goods sold of \$32,110	(7,500)	-
Interest and other income	167	120
	<u>3,745,300</u>	<u>4,160,985</u>
Net assets released from restrictions		
Satisfaction of time and program restrictions	<u>1,058,799</u>	<u>613,937</u>
Total Revenue, Gains and Other Support	<u>4,804,099</u>	<u>4,774,922</u>
Expenses		
Program Services		
School and professional development	2,615,586	2,588,986
Teen programs	887,201	551,660
Total Program Services	<u>3,502,787</u>	<u>3,140,646</u>
Supporting Services		
Management and general	439,611	260,856
Fundraising	658,469	589,264
Total Supporting Services	<u>1,098,080</u>	<u>850,120</u>
Total Expenses	<u>4,600,867</u>	<u>3,990,766</u>
Increase in Net Assets Without Donor Restrictions	<u>203,232</u>	<u>784,156</u>
Changes in Net Assets With Donor Restrictions		
Contributions	690,417	811,345
Net assets released from restrictions	<u>(1,058,799)</u>	<u>(613,937)</u>
Increase (Decrease) in Net Assets With Donor Restrictions	<u>(368,382)</u>	<u>197,408</u>
Increase (decrease) in net assets	<u>(165,150)</u>	<u>981,564</u>
Net assets, beginning of year, as previously reported	1,491,347	544,783
Prior period adjustment (Note 11)	35,000	-
Net assets, beginning of year, as restated	<u>1,526,347</u>	<u>544,783</u>
Net Assets, End of Year	<u><u>\$1,361,197</u></u>	<u><u>\$1,526,347</u></u>

See notes to financial statements.

ARTSCONNECTION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED AUGUST 31, 2022 WITH COMPARATIVE TOTALS FOR 2021

	Program Services			Supporting Services			2022	2021
	School and Professional Development	Teen Programs	Total	Management and General	Fundraising	Total	Total Expenses	Total Expenses
Salaries, taxes, benefits and artists fees	\$ 2,164,222	\$507,962	\$2,672,184	\$ 337,916	\$ 488,338	\$ 826,254	\$3,498,438	\$2,934,911
Professional fees	180,219	147,314	327,533	28,808	49,563	78,371	405,904	421,633
Occupancy	130,601	61,745	192,346	45,698	66,389	112,087	304,433	164,739
Telephone and internet	15,031	6,996	22,027	4,407	6,728	11,135	33,162	32,699
Equipment rental	4,761	1,897	6,658	1,404	2,039	3,443	10,101	25,600
Office supplies and expenses	15,977	5,828	21,805	3,659	13,521	17,180	38,985	46,172
Program supplies	41,277	57,824	99,101	106	899	1,005	100,106	111,902
Postage and messengers	590	10,288	10,878	190	1,893	2,083	12,961	4,875
Transportation	3,195	441	3,636	80	242	322	3,958	1,003
Meetings and conferences	8,886	6,970	15,856	1,096	2,018	3,114	18,970	1,933
Indirect benefit expenses	-	-	-	-	-	-	-	89,104
Printing and duplicating	179	944	1,123	63	1,601	1,664	2,787	1,232
Payroll, credit card and bank fees	12,508	5,913	18,421	4,376	6,358	10,734	29,155	65,626
Interest expense	2,625	1,241	3,866	918	1,334	2,252	6,118	859
Scholarships and awards	600	44,400	45,000	-	-	-	45,000	33,300
Miscellaneous	22,153	21,404	43,557	6,424	11,059	17,483	61,040	38,624
Total expenses before depreciation and amortization	2,602,824	881,167	3,483,991	435,145	651,982	1,087,127	4,571,118	3,974,212
Depreciation and amortization	12,762	6,034	18,796	4,466	6,487	10,953	29,749	16,554
Total Expenses, 2022	\$ 2,615,586	\$887,201	\$3,502,787	\$ 439,611	\$ 658,469	\$1,098,080	\$4,600,867	
Total Expenses, 2021	\$ 2,588,986	\$551,660	\$3,140,646	\$ 260,856	\$ 589,264	\$ 850,120		\$3,990,766

See notes to financial statements.

ARTSCONNECTION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED AUGUST 31, 2021

	Program Services			Supporting Services			Total Expenses
	School and Professional Development	Teen Programs	Total	Management and General	Fundraising	Total	
Salaries, taxes, benefits and artists fees	\$ 2,019,634	\$330,232	\$2,349,866	\$ 205,651	\$ 379,394	\$585,045	\$2,934,911
Professional fees	282,397	82,420	364,817	16,819	39,997	56,816	421,633
Occupancy	87,453	25,018	112,471	18,426	33,842	52,268	164,739
Telephone and internet	17,458	5,297	22,755	3,418	6,526	9,944	32,699
Equipment rental	18,079	2,435	20,514	1,793	3,293	5,086	25,600
Office supplies and expenses	26,245	7,278	33,523	2,698	9,951	12,649	46,172
Program supplies	75,457	36,367	111,824	-	78	78	111,902
Postage and messengers	851	2,042	2,893	150	1,832	1,982	4,875
Transportation	943	6	949	5	49	54	1,003
Meetings and conferences	935	871	1,806	45	82	127	1,933
Indirect benefit expenses	-	-	-	-	89,104	89,104	89,104
Printing and duplicating	873	-	873	-	359	359	1,232
Payroll, credit card and bank fees	34,828	9,963	44,791	7,338	13,497	20,835	65,626
Interest expense	456	130	586	97	176	273	859
Scholarships and awards	-	33,300	33,300	-	-	-	33,300
Miscellaneous	14,589	13,787	28,376	2,565	7,683	10,248	38,624
Total expenses before depreciation and amortization	2,580,198	549,146	3,129,344	259,005	585,863	844,868	3,974,212
Depreciation and amortization	8,788	2,514	11,302	1,851	3,401	5,252	16,554
Total Expenses	\$ 2,588,986	\$551,660	\$3,140,646	\$ 260,856	\$ 589,264	\$850,120	\$3,990,766

See notes to financial statements.

ARTSCONNECTION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$(165,150)	\$ 981,564
Adjustments to reconcile increase (decrease) in net assets to net cash used by operating activities:		
Depreciation and amortization	29,749	16,554
Forgiveness of loans and interest	(666,647)	(805,027)
(Increase) decrease in:		
Unconditional promises to give	583,221	(442,589)
Accounts receivable	139,567	(385,250)
Prepaid expenses and other assets	(141,552)	143,142
Increase (decrease) in:		
Accounts payable and accrued expenses	(82,344)	81,102
Deferred revenue	(49,170)	36,712
Refundable advances	102,525	-
Net Cash Used By Operating Activities	<u>(249,801)</u>	<u>(373,792)</u>
 Cash Flows From Investing Activities		
Acquisition of property and equipment	<u>(80,476)</u>	<u>(67,422)</u>
 Cash Flows From Financing Activities		
Proceeds from loans payable and line of credit	428,520	666,647
Repayment of loans payable and line of credit	<u>(328,520)</u>	-
Net Cash Provided By Financing Activities	<u>100,000</u>	<u>666,647</u>
 Net increase (decrease) in cash and cash equivalents	(230,277)	225,433
Cash and cash equivalents, beginning of year	<u>570,557</u>	<u>345,124</u>
 Cash and Cash Equivalents, End of Year	<u><u>\$ 340,280</u></u>	<u><u>\$ 570,557</u></u>
 Supplemental Disclosure		
Interest paid	<u><u>\$ 6,618</u></u>	<u><u>\$ -</u></u>

See notes to financial statements.

ARTSCONNECTION, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

Note 1 - Organization and Summary of Significant Accounting Policies

a - Organization

ArtsConnection, Inc. (the "Organization") is a dedicated arts-in-education organization. For forty two years, it has worked to reinstate the arts as a vital part of the public school curriculum while training and employing professional visual and performing artists to teach and perform in the schools. Founded in 1979, ArtsConnection rose to the challenge by providing high quality arts programming to the City's schools following the fiscal crisis of the 1970's, when budget cuts virtually eliminated arts education from the schools.

ArtsConnection's work has been recognized as a national model by the US Department of Education and the National Endowment for the Arts. ArtsConnection has been a recipient of the Governor's Arts Award in recognition of its contributions to the cultural life of New York State.

Over 80% of ArtsConnection's work takes place in New York City public elementary, middle and high school classrooms. ArtsConnection develops individualized arts programs for each of the 100+ schools it works with annually based on input from school administrators, teachers and parents. Together, ArtsConnection and their school partners examine the skills and strategies children need to succeed academically and socially, and identify qualities within arts visual and performing arts instruction that can strengthen this achievement.

ArtsConnection programs draw upon a roster of 150 individual artists and ensembles in all arts disciplines, which represent the cultural diversity of New York City. The majority of this work are classroom-based residencies averaging 10-25 sessions per residency. To ensure the effectiveness of these programs, all residencies include significant time for planning and reflection, allowing artists and teachers to come together to set goals and assess the program's progress. Professional development for both teaching artists and classroom teachers facilitates these collaborations, building teachers understanding of the artistic process and its relevance to other learning, as well as expanding artists' knowledge of pedagogy and school culture. Evaluation and assessment is built into all of ArtsConnection's programming.

In addition to these activities, over the past decade, ArtsConnection has developed signature programs that use the arts to: foster early childhood literacy through the study of puppetry; promote language acquisition among elementary and middle school English Language Learners through dance and theatre instruction, and build personal and cognitive skills in children on the autism spectrum through training in musical theatre.

ARTSCONNECTION, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

a - Organization (continued)

In March 2010, High 5 Tickets to the Arts, a thirteen-year old, not-for-profit organization which provided \$5 tickets to performing and visual arts events for middle and high school students and afterschool educational programs in arts criticism, was legally merged with ArtsConnection. The merger has led to the development of an array of Teen Programs in the arts, expanding ArtsConnection's outreach to teenagers and increasing its programmatic activities during out of school time.

b - Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments, purchased with a maturity of three months or less, to be cash equivalents.

c - Unconditional Promises to Give and Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Conditional promises to give, that is, those with a measurable performance or other barrier and right of return, are not recognized until the conditions on which they depend have been met. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

The Organization uses the allowance method to determine uncollectible promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made.

A portion of Organization's revenue is derived from federal 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. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position.

d - Property and Equipment

Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Property and equipment are depreciated using the straight-line method over the estimated useful life of the related asset.

ARTSCONNECTION, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

e - Revenue Recognition

Program fees are recognized in the period the programs take place. Fees received in advance of the programs taking place are recorded as deferred revenue. Rental income is recognized in the period in which the rental takes place.

f - Financial Statement Presentation

The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States, which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and Board of Directors.

Net Assets With Donor Restrictions

Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions may be temporary in nature; those restrictions will be met by actions of the Organization or the passage of time. Other donor restrictions may be perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

g - 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

h - Subsequent Events

The Organization has evaluated subsequent events through March 20, 2024, the date that the financial statements are considered available to be issued.

i - Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and employee benefits, which are allocated on the basis of estimates of time and effort, and depreciation, interest and office and occupancy, which are based on direct labor costs.

ARTSCONNECTION, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

j - Tax Status

ArtsConnection, Inc. is a not-for-profit corporation, exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation.

k - New Accounting Standard

For 2022, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standard Update (ASU) 2020-07, *Presentation and Disclosures by Not-for Entities for Contributed Nonfinancial Assets*, which requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. Adoption of this standard did not have a significant impact on the financial statements, with the exception of increased disclosure.

Note 2 - Information Regarding Liquidity and Availability

The Organization operates with a balanced budget for each fiscal year based on the revenues expected to be available to fund anticipated expenses. A substantial portion of annual revenue is comprised of contribution revenue raised during the current year, and revenue from other sources earned during the year. The Organization considers general expenditures to consist of all expenses related to its ongoing program activities, and the expenses related to general and administrative and fundraising activities undertaken to support those services.

The Organization regularly monitors liquidity to meet its operating needs and other commitments and obligations. Management prepares regular cash flow projections to determine liquidity needs, and has a policy to maintain liquid financial assets on an ongoing basis sufficient to cover sixty - ninety days of general expenditures. Financial assets in excess of daily cash requirements are invested in money market funds, and other short-term investments.

ARTSCONNECTION, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

Note 2 - Information Regarding Liquidity and Availability (continued)

The Organization's financial assets as of August 31, 2022 and 2021 and those available to meet cash needs for general expenditures within one year are summarized as follows:

	<u>2022</u>	<u>2021</u>
Financial Assets at Year End:		
Cash and cash equivalents	\$ 340,280	\$ 570,557
Unconditional promises to give	941,932	1,525,153
Accounts receivable	<u>265,669</u>	<u>405,236</u>
Total Financial Assets	1,547,881	2,500,946
Less: Amounts not Available to be Used within One Year:		
Net assets with donor restrictions, subject to expenditure for specific purposes or passage of time	(838,778)	(1,207,160)
Plus: Net assets with donor restrictions to be met in less than one year	838,778	1,075,160
Net assets with donor restrictions for permanent cash reserve	(105,250)	(105,250)
Board designated cash reserve	<u>(255,736)</u>	<u>(255,569)</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$1,186,895</u>	<u>\$2,008,127</u>

In addition to these financial assets available within one year, the Organization's board designated cash reserve fund (Note 3a) could be made available to meet cash needs for general expenditures.

The Organization also has a line of credit, as more fully described in Note 7a, available to meet short-term or unanticipated liquidity needs.

Note 3 - Restrictions on Assets

a - Cash Reserve

During fiscal year 2001, the Board of Directors of the Organization resolved to establish a cash reserve fund which may be borrowed at the discretion of the Executive Director (up to \$100,000). During fiscal years 2006 and 2007, the Rockefeller Brothers Fund contributed \$150,000 towards the reserve. Income earned on these funds and the permanently restricted cash reserve funds are to be added to this cash reserve.

ARTSCONNECTION, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

Note 3 - Restrictions on Assets (continued)

b - Net Assets With Donor Restrictions - Subject to Time and Purpose Restrictions

Net assets restricted for time and purpose at August 31, 2022 and 2021 are designated for future operations and programs.

c - Net Assets With Donor Restrictions - Perpetual in Nature

Net assets of a perpetual nature consist of New York State Council on the Arts challenge grants and matching funds for institutional stabilization (cash reserve). The Organization must maintain a permanent cash reserve fund, from which it may borrow on a revolving basis to meet its cash flows requirements. Any such borrowing must be repaid within two years of the initial borrowing. Income earned on the funds is available for general operating support. The Organization is in compliance with the borrowing requirements of the permanent cash reserve fund.

Note 4 - Promises to Give

a - Unconditional Promises to Give

Unconditional promises to give are due within one year. Uncollectible promises to give are expected to be insignificant

b - Conditional Promises to Give

The Organization has received a four-year grant from a Federal agency totaling \$2,500,000. \$422,200 of the total grant has not been recorded within the financial statements since recognition is conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. If Federal funding is granted each year, it is expected the Organization will receive the remaining \$422,200 during the next fiscal year.

Note 5 - Property and Equipment

Property and equipment consist of the following at August 31:

	<u>Life</u>	<u>2022</u>	<u>2021</u>
Furniture and equipment	3-5 years	\$201,251	\$181,013
Website	3 years	159,588	99,350
Leasehold improvements	10 years	<u>44,622</u>	<u>44,622</u>
		405,461	324,985
Less: Accumulated depreciation and amortization		<u>(269,774)</u>	<u>(240,025)</u>
		<u>\$135,687</u>	<u>\$ 84,960</u>

ARTSCONNECTION, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

Note 6 - Refundable Advances

Amounts received for the Organization's benefit event are recorded as refundable advances until the event takes place, at which time the advances are recognized as revenue.

Note 7 - Loans Payable

- a - The Organization has a revolving line of credit with JPMorgan Chase Bank that provides for borrowings up to \$300,000. Borrowings on the line of credit bear interest at 4.48% plus the prime rate. There were outstanding borrowings at August 31, 2022 of \$100,000.
- b - The Organization had a loan outstanding with a Board member due on January 31, 2021 that bears interest at 1.97% per annum. The remaining balance of the loan plus accrued interest was forgiven by the board member during the year ended August 31, 2021.
- c - On April 10, 2020, the Organization received a \$700,967 Paycheck Protection Program loan. The full amount of the loan was forgiven in June 2021 and, accordingly, has been recognized as revenue for the year ended August 31, 2021.

On March 13, 2021, the Organization received a \$666,647 Paycheck Protection Program loan. The full amount of the loan was forgiven in July of 2022 and, accordingly, has been recognized as revenue for the year ended August 31, 2022.

Note 8 - Commitments and Contingency

- a - The Organization occupied office space under a sublease through November 30, 2022. In November 2022, the Organization entered into a new lease for office space that expires November 2027. The lease provides for base rent, annual increases and additional rent based on increases in real estate taxes. The lease, including rent reductions, provides for minimum annual payments as follows:

<u>Year Ending August 31,</u>	
2023	\$141,113
2024	156,888
2025	160,810
2026	164,830
2027	168,951
Thereafter, through November 30, 2027	42,497

ARTSCONNECTION, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

Note 8 - Commitments and Contingency (continued)

a - (continued)

Rent expense for the years ended August 31, 2022 and 2021 was \$228,888 and \$109,003, respectively.

b - Government supported projects are subject to audit by the granting agency.

c - During the year ended August 31, 2022 the Organization entered into a one year agreement to sublease part of its office space to a third party, which terminated in August 2022. Rental income for the year ended August 31, 2022 was \$26,400.

Note 9 - Donated Materials

The Organization received donated gala costs utilized in connection with its fundraising activities for the year ended August 31, 2021.

Note 10 - Concentrations

a - The Organization maintains its cash balances in a financial institution located in New York City. The cash balances, at times, may exceed federally insured limits.

b - At August 31, 2022 75% of the unconditional promises to give is from two government agencies and one foundation. At August 31, 2021, 74% of the unconditional promises to give is from one government agency and one nonprofit organization.

Note 11 - Prior Period Adjustment

Net assets without donor restrictions as of September 1, 2021 were restated to capitalize website costs that were originally recorded as professional fees.