ARTSCONNECTION, INC.

FINANCIAL STATEMENTS

AUGUST 31, 2023 AND 2022

LUTZ AND CARR
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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, 2023 and 2022, 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, 2023 and 2022, 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.

LUTZ AND CARR
CERTIFIED PUBLIC ACCOUNTANTS, LLP

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.

Lutz + Carr, LLP

New York, New York
October 15, 2024

ARTSCONNECTION, INC.

STATEMENTS OF FINANCIAL POSITION

AUGUST 31, 2023 AND 2022

	2023	2022
Assets		
Cash and cash equivalents (Notes 1b and 12a)	$ 257,141	$ 340,280
Unconditional promises to give (Notes 1c, 4a and 12b)		
Without donor restrictions	574,124	401,515
With donor restrictions	674,922	540,417
Accounts receivable	104,373	265,669
Prepaid expenses and other assets	73,879	257,082
Property and equipment, at cost, net of accumulated depreciation and amortization (Notes 1d and 5)	119,019	135,687
Operating lease right-of-use asset (Note 1e)	617,530	-
Security deposit	38,499	36,900
Total Assets	$2,459,487	$1,977,550
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 294,119	$ 286,226
Loans payable (Note 7)	-	100,000
Deferred revenue (Note 1f)	-	127,602
Refundable advances (Note 6)	-	102,525
Operating lease liability (Notes 1e and 9)	640,665	-
Total Liabilities	934,784	616,353
Contingency (Note 8)		
Net Assets		
Without Donor Restrictions		
Cash reserve (Note 3a)	255,746	255,736
Other	335,785	161,433
Total Without Donor Restrictions	591,531	417,169
With Donor Restrictions		
Subject to time and purpose (Note 3b)	827,922	838,778
Perpetual in nature (Note 3c)	105,250	105,250
Total With Donor Restrictions	933,172	944,028
Total Net Assets	1,524,703	1,361,197
Total Liabilities and Net Assets	$2,459,487	$1,977,550

See notes to financial statements.

ARTSCONNECTION, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED AUGUST 31, 2023 AND 2022

	2023	2022
Changes in Net Assets Without Donor Restrictions		
Revenue, Gains and Other Support		
Contributions	$1,895,074	$1,807,746
Federal Relief Program - Employee Retention Tax Credits (Note 10)	677,559	-
Loan forgiveness - Paycheck Protection Program (Note 7b)	-	666,647
Benefit income	522,147	-
Less: Direct benefit expenses	(93,189)	-
Program fees	1,395,590	1,251,840
Rental income	-	26,400
Donated services (Note 11)	31,988	-
Artwork sales, net of cost of goods sold of $32,110	-	(7,500)
Interest and other income	12,724	167
	4,441,893	3,745,300
Net assets released from restrictions		
Satisfaction of time and program restrictions	838,778	1,058,799
Total Revenue, Gains and Other Support	5,280,671	4,804,099
Expenses		
Program Services		
School and professional development	2,561,159	2,615,586
Teen programs	1,051,798	887,201
Total Program Services	3,612,957	3,502,787
Supporting Services		
Management and general	474,920	439,611
Fundraising	1,018,432	658,469
Total Supporting Services	1,493,352	1,098,080
Total Expenses	5,106,309	4,600,867
Increase in Net Assets Without Donor Restrictions	174,362	203,232
Changes in Net Assets With Donor Restrictions		
Contributions	827,922	690,417
Net assets released from restrictions	(838,778)	(1,058,799)
Decrease in Net Assets With Donor Restrictions	(10,856)	(368,382)
Increase (decrease) in net assets	163,506	(165,150)
Net assets, beginning of year	1,361,197	1,526,347
Net Assets, End of Year	$1,524,703	$1,361,197

See notes to financial statements.

ARTSCONNECTION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED AUGUST 31, 2023 WITH COMPARATIVE TOTALS FOR 2022

	Program Services			Supporting Services			2023	2022
	School and Professional Development	Teen Programs	Total	Management and General	Fundraising	Total	Total Expenses	Total Expenses
Salaries, payroll taxes, benefits and artists fees	$ 2,078,451	$ 561,818	$2,640,269	$ 356,840	$ 511,692	$ 868,532	$3,508,801	$3,498,438
Professional fees	203,990	157,129	361,119	34,343	126,988	161,331	522,450	405,904
Occupancy	84,536	43,776	128,312	31,120	45,016	76,136	204,448	304,433
Telephone and internet	12,849	7,158	20,007	4,507	6,540	11,047	31,054	33,162
Equipment rental	2,232	1,751	3,983	822	1,188	2,010	5,993	10,101
Office supplies and expenses	26,427	37,777	64,204	9,053	24,262	33,315	97,519	38,985
Program supplies	31,035	102,764	133,799	1,208	4,039	5,247	139,046	100,106
Postage and messengers	534	13,973	14,507	27	1,431	1,458	15,965	12,961
Transportation	3,633	2,819	6,452	323	771	1,094	7,546	3,958
Meetings and conferences	15,998	10,103	26,101	698	1,323	2,021	28,122	18,970
Indirect benefit expenses	-	-	-	-	230,149	230,149	230,149	-
Printing and duplicating	1,111	615	1,726	46	759	805	2,531	2,787
Payroll, credit card and bank fees	17,780	8,970	26,750	6,546	9,468	16,014	42,764	29,155
Interest expense	11,608	5,857	17,465	4,273	6,182	10,455	27,920	6,118
Scholarships and awards	120	47,809	47,929	-	-	-	47,929	45,000
Miscellaneous	43,589	35,724	79,313	15,077	34,105	49,182	128,495	61,040
Total expenses before depreciation and amortization	2,533,893	1,038,043	3,571,936	464,883	1,003,913	1,468,796	5,040,732	4,571,118
Depreciation and amortization	27,266	13,755	41,021	10,037	14,519	24,556	65,577	29,749
Total Expenses, 2023	$ 2,561,159	$1,051,798	$3,612,957	$ 474,920	$ 1,018,432	$1,493,352	$5,106,309	
Total Expenses, 2022	$ 2,615,586	$ 887,201	$3,502,787	$ 439,611	$ 658,469	$1,098,080		$4,600,867

See notes to financial statements.

ARTSCONNECTION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED AUGUST 31, 2022

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

See notes to financial statements.

ARTSCONNECTION, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED AUGUST 31, 2023 AND 2022

	2023	2022
Cash Flows From Operating Activities		
Increase (decrease) in net assets	$ 163,506	$(165,150)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Non-cash operating lease expense	132,519	-
Depreciation and amortization	65,577	29,749
Forgiveness of loans and interest	-	(666,647)
(Increase) decrease in:		
Unconditional promises to give	(307,114)	583,221
Accounts receivable	161,296	139,567
Prepaid expenses and other assets	183,203	(141,552)
Security deposits	(1,599)	-
Increase (decrease) in:		
Accounts payable and accrued expenses	7,893	(82,344)
Deferred revenue	(127,602)	(49,170)
Refundable advances	(102,525)	102,525
Operating lease liability	(109,384)	-
Net Cash Provided (Used) By Operating Activities	65,770	(249,801)
Cash Flows From Investing Activities		
Acquisition of property and equipment	(48,909)	(80,476)
Cash Flows From Financing Activities		
Proceeds from loans payable and line of credit	533,400	428,520
Repayment of loans payable and line of credit	(633,400)	(328,520)
Net Cash Provided (Used) By Financing Activities	(100,000)	100,000
Net decrease in cash and cash equivalents	(83,139)	(230,277)
Cash and cash equivalents, beginning of year	340,280	570,557
Cash and Cash Equivalents, End of Year	$ 257,141	$ 340,280
Supplemental Disclosure		
Interest paid	$ 27,920	$ 6,618
Operating lease right-of-use asset obtained in exchange for lease liability	$ 750,049	$ -

See notes to financial statements.

ARTSCONNECTION, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2023 AND 2022

Note 1 - Organization and Summary of Significant Accounting Policies

a - Organization

ArtsConnection, Inc. (the "Organization") is a dedicated arts-in-education organization. For forty four 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, 2023 AND 2022

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 records fundraising benefit revenue received as refundable advances until the event takes place.

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 obligations 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, 2023 AND 2022

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

e - Operating Lease Right-of-Use Asset and Operating Lease Liability
For lease with an initial term greater than twelve months, the Organization's operating lease liability is initially recorded at the present value of the unpaid lease payments as of September 1, 2022. The Organization's operating lease right-of-use asset is initially recorded at the carrying amount of the lease liability adjusted for initial direct costs, accruals, deferred rent liability and lease incentives, if any. Operating lease cost is recognized on a straight-line basis over the lease term.

f - Deferred Revenue
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.

g - 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.

h - 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.

i - Subsequent Events
The Organization has evaluated subsequent events through October 15, 2024, the date that the financial statements are considered available to be issued.

ARTSCONNECTION, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2023 AND 2022

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

j - 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.

k - 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.

l - New Accounting Standard

During 2023, the Organization adopted ASU 2016-02, *Leases (Topic 842)*. The core principles of ASU 2016-02 (the "ASU") change the way organizations account for their leases by recognizing lease assets and related liabilities on the statement of financial position for all leases with terms longer than twelve months and disclosing key information about leasing arrangements. As such, results for 2023 are presented under Topic 842, while results for 2022 continue to be reported in accordance with historical accounting practices. The adoption of the ASU did not have a significant impact on the Organization's net assets as of September 1, 2022.

As part of the adoption of the ASU, the Organization elected to apply the modified retrospective transition approach as of the date of initial application without restating comparative period financial statements, to use a risk-free rate, equal to the five-year Treasury Bill rate for the discount of the operating lease and to apply the practical expedients which allows the Organization to not reassess (i) whether any expired or existing contracts are leases or contain leases (ii) the lease classification for any expired or existing leases (iii) initial direct costs for any existing leases.

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.

ARTSCONNECTION, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2023 AND 2022

Note 2 - Information Regarding Liquidity and Availability (continued)

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.

The Organization's financial assets as of August 31, 2023 and 2022 and those available to meet cash needs for general expenditures within one year are summarized as follows:

	2023	2022
Financial Assets at Year End:		
Cash and cash equivalents	$ 257,141	$ 340,280
Unconditional promises to give	1,249,046	941,932
Accounts receivable	104,373	265,669
Total Financial Assets	1,610,560	1,547,881
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	(827,922)	(838,778)
Plus: Net assets with donor restrictions to be met in less than one year	496,937	838,778
Net assets with donor restrictions for permanent cash reserve	(105,250)	(105,250)
Board designated cash reserve	(255,746)	(255,736)
Financial Assets Available to Meet General Expenditures within One Year	$ 918,579	$1,186,895

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.

ARTSCONNECTION, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2023 AND 2022

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). In addition, the Rockefeller Brothers Fund contributed $150,000 towards the reserve. Income earned on these funds is also restricted and added to the cash reserve.

b - Net Assets With Donor Restrictions - Subject to Time and Purpose Restrictions
Net assets restricted for time and purpose at August 31, 2023 and 2022 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 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. $7,200 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 $7,200 during the next fiscal year.

ARTSCONNECTION, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2023 AND 2022

Note 5 - Property and Equipment

Property and equipment consist of the following at August 31:

	Life	2023	2022
Furniture and equipment	3-5 years	$250,160	$201,251
Website	3 years	159,588	159,588
Leasehold improvements	10 years	44,622	44,622
		454,370	405,461
Less: Accumulated depreciation and amortization		(335,351)	(269,774)
		$119,019	$135,687

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 - Line of Credit

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 no outstanding borrowings at August 31, 2023. There were outstanding borrowings at August 31, 2022 of $100,000.

b - 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 - Government Supported Projects

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

ARTSCONNECTION, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2023 AND 2022

Note 9 - Operating Lease Liability

The Organization occupies office space under an operating lease agreement expiring November 30, 2027.

Operating lease expense for the year ended August 31, 2023 was $164,921. There were no variable lease costs incurred. As of August 31, 2023, the remaining term of the Organization's operating lease is 51 months and the discount rate is 3.68%.

Maturities of the Organization's operating lease liability as of August 31, 2023 are as follows:

Year Ending August 31,	
2024	$156,888
2025	160,810
2026	164,830
2027	168,951
Thereafter, through November 30, 2027	42,496
	693,975
Less: Amount attributable to interest	(53,310)
	$640,665

Note 10 - Federal Relief Program - Employee Retention Tax Credits

The Coronavirus Aid, Relief and Economic Security ("CARES") Act enacted in 2020 allowed eligible employers to claim employee retention tax credits for qualified wages paid after March 12, 2020 and before September 30, 2021. The Organization qualified for credits of $677,559 for the year ended August 31, 2023. Accordingly, this amount has been recognized as revenue in the accompanying statements. The amount receivable at August 31, 2023 was $341,717.

Note 11 - Donated Services

The Organization received donated gala services utilized in connection with its fundraising activities for the year ended August 31, 2023. The services are valued by the provider based on current market rates charged for similar services.

ARTSCONNECTION, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2023 AND 2022

Note 12 - 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, 2023 75% of the unconditional promises to give is from two government agencies and one corporation. At August 31, 2022, 75% of the unconditional promises to give is from two government agencies and one foundation.