

**ARTS FOR LEARNING CONNECTICUT**

**TABLE OF CONTENTS**

**JUNE 30, 2020 AND 2019**

<b>INDEPENDENT AUDITOR'S REPORT</b>	1-2
<b>AUDITED FINANCIAL STATEMENTS</b>	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7-12



**T.M. BYXBEE COMPANY, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

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To the Board of Directors of  
Arts for Learning Connecticut  
Hamden, Connecticut

We have audited the accompanying financial statements of Arts for Learning Connecticut (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Arts for Learning Connecticut as of June 30, 2020 and 2019, 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.

*T.M. Byrbee Company, P.C.*

Hamden, Connecticut  
November 13, 2020

**ARTS FOR LEARNING CONNECTICUT**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2020 AND 2019**

	2020	2019
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 197,953	\$ 15,727
Restricted Cash	5,516	3,111
Accounts Receivable	1,490	21,669
Grants Receivable	18,137	23,107
Investments at Fair Value	260	602
Property and Equipment, Net	1,429	1,949
Other Current Assets	6,140	1,000
TOTAL ASSETS	\$ 230,925	\$ 67,165
<b>LIABILITIES</b>		
Accounts Payable	\$ 1,949	\$ 20,727
Accrued Expenses	10,701	24,501
Deposits for Future Performances	63,623	13,813
Payroll Protection Program Loan	32,462	-
Total Liabilities	108,735	59,041
<b>NET ASSETS</b>		
Net Assets (Deficit) Without Donor Restrictions	(25,138)	(44,308)
Net Assets With Donor Restrictions	147,328	52,432
Total Net Assets	122,190	8,124
TOTAL LIABILITIES AND NET ASSETS	\$ 230,925	\$ 67,165

See notes to financial statements.

**ARTS FOR LEARNING CONNECTICUT**

**STATEMENTS OF ACTIVITIES**

**YEARS ENDED JUNE 30, 2020 AND 2019**

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES</b>						
Performance Revenue	\$ 337,291	\$ -	\$ 337,291	\$ 522,541	\$ -	\$ 522,541
Grant Revenue	-	258,250	258,250	-	119,105	119,105
Contributions	42,833	5,165	47,998	24,588	3,325	27,913
Special Event Income, Net	(3,627)	-	(3,627)	10,508	-	10,508
Interest and Dividends	17	-	17	24	-	24
Realized and Unrealized Gains (Losses)	(359)	-	(359)	(2,117)	-	(2,117)
Assets Released from Restriction	168,519	(168,519)	-	100,998	(100,998)	-
Total Revenues	<u>544,674</u>	<u>94,896</u>	<u>639,570</u>	<u>656,542</u>	<u>21,432</u>	<u>677,974</u>
<b>EXPENSES</b>						
Program Services	445,610	-	445,610	549,647	-	549,647
Management and General	54,309	-	54,309	55,872	-	55,872
Fundraising	25,585	-	25,585	85,964	-	85,964
Total Expenses	<u>525,504</u>	<u>-</u>	<u>525,504</u>	<u>691,483</u>	<u>-</u>	<u>691,483</u>
<b>CHANGE IN NET ASSETS</b>	19,170	94,896	114,066	(34,941)	21,432	(13,509)
<b>NET ASSETS - BEGINNING OF YEAR</b>	(44,308)	52,432	8,124	(9,367)	31,000	21,633
<b>NET ASSETS (DEFICIT) - END OF YEAR</b>	<u>\$ (25,138)</u>	<u>\$ 147,328</u>	<u>\$ 122,190</u>	<u>\$ (44,308)</u>	<u>\$ 52,432</u>	<u>\$ 8,124</u>

(4)

See notes to financial statements.

**ARTS FOR LEARNING CONNECTICUT**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

	2020				2019			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries	\$ 110,031	\$ 30,075	\$ 16,402	\$ 156,508	\$ 70,601	\$ 27,355	\$ 55,653	\$ 153,609
Payroll Taxes and Benefits	13,198	3,757	1,967	18,922	8,466	3,833	6,674	18,973
Total Salaries and Related Expenses	123,229	33,832	18,369	175,430	79,067	31,188	62,327	172,582
Artist Fees	288,881	-	-	288,881	449,081	-	-	449,081
Professional Fees	9,587	2,730	1,429	13,746	5,515	2,497	4,348	12,360
Rent	6,524	1,858	973	9,355	4,712	2,133	3,715	10,560
Office Expense	5,620	1,599	838	8,057	5,331	2,414	4,202	11,947
National Dues	-	6,091	-	6,091	-	9,489	-	9,489
Telephone	2,490	708	371	3,569	1,927	873	1,519	4,319
Conferences and Travel	2,436	693	363	3,492	2,040	923	1,608	4,571
Insurance	2,413	687	360	3,460	83	38	65	186
Outside Services	2,230	998	-	3,228	-	1,022	-	1,022
Equipment Rental	1,707	485	254	2,446	1,243	563	980	2,786
Advertising and Marketing	-	2,154	-	2,154	-	2,531	-	2,531
Development	-	-	1,932	1,932	-	-	4,848	4,848
Dues and Subscriptions	-	1,363	-	1,363	-	1,150	-	1,150
Postage	493	141	74	708	648	293	511	1,452
Printing	-	-	622	622	-	-	1,841	1,841
Depreciation Expense	-	521	-	521	-	445	-	445
Service Charges	-	424	-	424	-	313	-	313
Staff Training	-	25	-	25	-	-	-	-
<b>TOTAL</b>	<b>\$ 445,610</b>	<b>\$ 54,309</b>	<b>\$ 25,585</b>	<b>\$ 525,504</b>	<b>\$ 549,647</b>	<b>\$ 55,872</b>	<b>\$ 85,964</b>	<b>\$ 691,483</b>

**ARTS FOR LEARNING CONNECTICUT**

**STATEMENTS OF CASH FLOWS**

**YEARS ENDED JUNE 30, 2020 AND 2019**

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
CHANGE IN NET ASSETS	\$ 114,066	\$ (13,509)
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Depreciation	521	445
Realized and Unrealized Loss on Investments	359	1,047
Loss on Sale of Fixed Assets	-	1,070
(Increase) Decrease In:		
Accounts Receivable	20,179	(2,642)
Grants Receivable	4,970	(23,107)
Other Current Assets	(5,140)	(1,000)
Increase (Decrease) In:		
Accounts Payable	(18,778)	16,389
Accrued Expenses	(13,800)	5,145
Deposits for Future Performances	49,810	(363)
Net Cash Provided by (Used In) Operating Activities	152,187	(16,525)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Investments	(17)	(17)
Purchase of Property and Equipment	-	(1,259)
Net Cash Used in Investing Activities	(17)	(1,276)
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from PPP Loan	32,462	-
Net Cash Provided by Financing Activities	32,462	-
 <b>NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>	184,632	(17,801)
 <b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH - BEGINNING OF YEAR</b>	18,838	36,640
 <b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR</b>	\$ 203,469	\$ 18,838

See notes to financial statements.

(6)

**ARTS FOR LEARNING CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2020 AND 2019**

**NOTE 1 – NATURE OF ACTIVITIES**

Arts for Learning Connecticut (the "Organization") is a not-for-profit corporation that has been serving the children of Connecticut for over thirty years. The mission of Arts for Learning Connecticut is to make the arts an integral part of the lives of children in school and community settings and to enhance their development as creative and productive human beings. The Organization receives the majority of its support from corporations, private foundations, public sources and individuals.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), 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 the board of directors.

**Net Assets With Donor Restrictions:** Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met with 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 are maintained in perpetuity.

Cash, Cash Equivalents and Restricted Cash

The Organization considers cash and highly liquid financial instruments with an initial maturity of three months or less, which are neither held nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted for a specific purpose are excluded from this definition.

Accounts Receivable

Accounts receivable are stated at the net amount management expects to collect from outstanding balances. An account is written off when management believes the amounts will not be collected.



**ARTS FOR LEARNING CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2020 AND 2019**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Revenue Recognition

Revenue is recognized when earned. Program service fees are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions.

Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions. When a 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.

Property and Equipment

It is the policy of the Organization to capitalize all expenditures for property and equipment in excess of \$500. Depreciation is calculated on a straight-line basis over the estimated useful lives of the respective assets. Donated equipment is recorded at fair market at the date of the donation. Purchased equipment is recorded at cost. Depreciation expense was \$521 and \$445 for the years ended June 30, 2020 and 2019, respectively. Repairs and maintenance are charged as expenses as incurred.

Donated Materials and Services

Donated services have not been reflected in the accompanying statements as no objective basis is available to measure the value of such services. A substantial number of volunteers have donated their time to the activities of the Organization.

Valuation of Investments

Investments are stated at fair value based on quoted market prices within active markets. See Note 5 for discussion of fair value measurements.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any uncertain tax positions taken by the Organization as defined in FASB Accounting Standards Codification Topic 740. Tax years ended June 30, 2017 through June 30, 2020 remain subject to examination.

**ARTS FOR LEARNING CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2020 AND 2019**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Functional Allocation of Expenses

Program and supporting service costs have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. Such allocations are determined by management on an equitable basis.

Concentrations of Credit Risk

Financial instruments which potentially subject the Organization to a concentration of credit risk consist primarily of cash. The Organization maintains its cash in bank accounts which, at times, may exceed federally insured limits.

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

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Date of Management's Review

Subsequent events have been evaluated through November 13, 2020, which is the date the financial statements were available to be issued.

**ARTS FOR LEARNING CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2020 AND 2019**

**NOTE 3 – LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the date of financial position, comprise the following at June 30, 2020:

Cash and Cash Equivalents	\$203,469
Accounts Receivable	1,490
Grants Receivable	18,137
Investments	<u>260</u>
Total Financial Assets	<u>223,356</u>
Less: Amounts not available to be used within one year:	
Net Assets with Donor Restrictions	<u>147,328</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 76,028</u>

The Organization has no formal policy regarding liquidity.

**NOTE 4 – PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Furniture and Fixtures	\$ 5,959	\$ 5,959
Less: Accumulated Depreciation	( 4,530)	( 4,010)
Property and Equipment, Net	<u>\$ 1,429</u>	<u>\$ 1,949</u>

ARTS FOR LEARNING CONNECTICUT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

**NOTE 5 – FAIR VALUE MEASUREMENTS**

The Organization’s investments are reported at fair value in the accompanying statement of financial position and include the following:

	<u>2020</u>		<u>2019</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Equity Securities	<u>\$ 540</u>	<u>\$ 260</u>	<u>\$ 540</u>	<u>\$ 602</u>

The Fair Value Measurements Topic of the FASB Accounting Standards Codification establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy is based on the observability of the inputs to valuation techniques used to measure fair value, classified in three levels (Level 1, 2 and 3). Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority. All of the Organization’s investments have been valued using Level 1 inputs.

**NOTE 6 – OPERATING LEASES**

The Organization has a lease agreement for office space which expired in November 2018. In August 2018, the Organization entered into a new lease agreement for office space which expires October 31, 2021. In addition, the Organization rents office equipment under an operating lease that expires in October 2023. Rent expense under these agreements amounted to \$11,040 and \$12,244 for the years ended June 30, 2020 and 2019, respectively.

Future minimum annual rental payments under these operating leases are as follows:

Year Ending June 30:	
2021	\$ 11,440
2022	5,040
2023	1,740
2024	<u>580</u>
Total	<u>\$ 18,800</u>

**NOTE 7 – RETIREMENT PLAN**

The Organization has established a Savings Incentive Match Plan for Employees (“SIMPLE”) plan for its employees. Employees are eligible for participation after one year of service. Participants in the plan can contribute a percentage of compensation up to the maximum allowed under the Internal Revenue Code. The Organization matched up to 3% of employees’ contributions. The Organization contributed \$0 and \$552 for the years ended June 30, 2020 and 2019, respectively. The Organization discontinued the match as of January 1, 2019.

**ARTS FOR LEARNING CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2020 AND 2019**

**NOTE 8 - LINE OF CREDIT**

The Organization maintains a \$25,000 line of credit at Liberty Bank. The line of credit bears interest at 2.5% over Prime and is due on demand. The balance on the line of credit at June 30, 2020 and 2019 was \$0.

**NOTE 9 – PAYCHECK PROTECTION PROGRAM NOTE PAYABLE**

Pursuant to the CARES Act, the Organization obtained a \$32,462 SBA Paycheck Protection Loan through Liberty Bank on April 17, 2020. The loan bears interest at 1.00% and matures on April 17, 2022 when it is due in full. The loan, or a portion thereof, will be forgiven by the Small Business Administration if the Organization uses the loan proceeds for purposes specified in the loan agreement. It is the Organization’s intention to meet the criteria for one-hundred percent forgiveness of this loan and plans on applying for the loan forgiveness in the June 30, 2021 fiscal year. If the loan is forgiven, it will be recognized as income in the June 30, 2021 fiscal year.

**NOTE 10 - NET ASSETS**

As of June 30, 2020 and 2019, the Organization's net assets without donor restrictions and net assets with donor restrictions consisted of the following:

	<u>2020</u>	<u>2019</u>
<b>Without Donor Restrictions</b>		
Undesignated	(\$ 25,138)	(\$ 44,308)
Net Assets (Deficit) Without Donor Restrictions	<u>(\$ 25,138)</u>	<u>(\$ 44,308)</u>
<b>With Donor Restrictions</b>		
Restricted for Public Mural Project	\$ 5,165	\$ 3,111
Restricted for Specified Performances	<u>142,163</u>	<u>49,321</u>
Net Assets with Donor Restrictions	<u>\$147,328</u>	<u>\$ 52,432</u>

Net assets released from donor restrictions as a result of incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors are as follows:

	<u>2020</u>	<u>2018</u>
Restricted for Specified Performances	\$168,519	\$100,998

**NOTE 11 – RISKS AND UNCERTAINTIES**

The Organization’s operations may be affected by the recent and ongoing outbreak of the coronavirus disease 2019 (COVID-19), which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain; however, it may have a material adverse impact on the Organization’s financial position, operations and cash flows.