

ARTS FOR LEARNING CONNECTICUT
FINANCIAL STATEMENTS AND ADDITIONAL
FINANCIAL INFORMATION

JUNE 30, 2021 AND 2020



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

ARTS FOR LEARNING CONNECTICUT

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JUNE 30, 2021 AND 2020

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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, 2021 and 2020, 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, 2021 and 2020, 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. Bybee Company, P.C.

Hamden, Connecticut
January 7, 2022

ARTS FOR LEARNING CONNECTICUT
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

	2021	2020
ASSETS		
Cash and Cash Equivalents	\$ 278,247	\$ 197,953
Restricted Cash	-	5,516
Accounts Receivable	26,953	1,490
Grants Receivable	155,197	18,137
Investments at Fair Value	-	260
Property and Equipment, Net	3,961	1,429
Other Current Assets	7,399	6,140
TOTAL ASSETS	\$ 471,757	\$ 230,925
LIABILITIES		
Accounts Payable	\$ 635	\$ 1,949
Accrued Expenses	12,563	10,701
Deposits for Future Programs	33,726	63,623
Payroll Protection Program Note Payable	35,869	32,462
Total Liabilities	82,793	108,735
NET ASSETS		
Net Assets (Deficit) Without Donor Restrictions	55,766	(25,138)
Net Assets With Donor Restrictions	333,198	147,328
Total Net Assets	388,964	122,190
TOTAL LIABILITIES AND NET ASSETS	\$ 471,757	\$ 230,925

ARTS FOR LEARNING CONNECTICUT

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES						
Program Revenue	\$ 189,535	\$ -	\$ 189,535	\$ 337,291	\$ -	\$ 337,291
Grant Revenue	-	525,599	525,599	-	258,250	258,250
Contributions	34,028	-	34,028	42,833	5,165	47,998
Special Event Income (Loss), Net	1,400	-	1,400	(3,627)	-	(3,627)
Payroll Protection Program Loan Forgiveness	32,462	-	32,462	-	-	-
Insurance Reimbursement	46,860	-	46,860	-	-	-
Realized and Unrealized Gains (Losses)	158	-	158	(359)	-	(359)
Interest and Dividends	13	-	13	17	-	17
Assets Released from Restriction	339,729	(339,729)	-	168,519	(168,519)	-
Total Revenues	644,185	185,870	830,055	544,674	94,896	639,570
EXPENSES						
Program Services	482,153	-	482,153	445,610	-	445,610
Management and General	52,414	-	52,414	54,309	-	54,309
Fundraising	28,714	-	28,714	25,585	-	25,585
Total Expenses	563,281	-	563,281	525,504	-	525,504
CHANGE IN NET ASSETS	80,904	185,870	266,774	19,170	94,896	114,066
NET ASSETS (DEFICIT) - BEGINNING OF YEAR	(25,138)	147,328	122,190	(44,308)	52,432	8,124
NET ASSETS (DEFICIT) - END OF YEAR	\$ 55,766	\$ 333,198	\$ 388,964	\$ (25,138)	\$ 147,328	\$ 122,190

ARTS FOR LEARNING CONNECTICUT
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2021 AND 2020

	2021				2020			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries	\$ 124,119	\$ 26,108	\$ 20,433	\$ 170,660	\$ 110,031	\$ 30,075	\$ 16,402	\$ 156,508
Payroll Taxes and Benefits	14,673	2,946	2,416	20,035	13,198	3,757	1,967	18,922
Total Salaries and Related Expenses	138,792	29,054	22,849	190,695	123,229	33,832	18,369	175,430
Artist Fees	275,298	-	-	275,298	288,881	-	-	288,881
Outside Services	37,650	1,009	-	38,659	2,230	998	-	3,228
Professional Fees	8,959	1,798	1,475	12,232	9,587	2,730	1,429	13,746
Office Expense	8,207	1,648	1,351	11,206	5,620	1,599	838	8,057
Rent	6,988	1,403	1,150	9,541	6,524	1,858	973	9,355
Advertising and Marketing	-	7,008	-	7,008	-	2,154	-	2,154
National Dues	-	6,518	-	6,518	-	6,091	-	6,091
Insurance	1,750	351	288	2,389	2,413	687	360	3,460
Equipment Rental	2,055	413	338	2,806	1,707	485	254	2,446
Telephone	1,732	347	285	2,364	2,490	708	371	3,569
Dues and Subscriptions	-	1,686	-	1,686	-	1,363	-	1,363
Printing	-	-	860	860	-	-	622	622
Depreciation Expense	-	702	-	702	-	521	-	521
Postage	489	99	80	668	493	141	74	708
Conferences and Travel	233	47	38	318	2,436	693	363	3,492
Service Charges	-	231	-	231	-	424	-	424
Staff Training	-	100	-	100	-	25	-	25
Development	-	-	-	-	-	-	1,932	1,932
TOTAL	\$ 482,153	\$ 52,414	\$ 28,714	\$ 563,281	\$ 445,610	\$ 54,309	\$ 25,585	\$ 525,504

ARTS FOR LEARNING CONNECTICUT

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
CHANGE IN NET ASSETS	\$ 266,774	\$ 114,066
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Depreciation	702	521
Realized and Unrealized (Gain) Loss on Investments	(158)	359
Forgiveness of Payroll Protection Program Note Payable	(32,462)	-
(Increase) Decrease In:		
Accounts Receivable	(25,463)	20,179
Grants Receivable	(137,060)	4,970
Other Current Assets	-	(5,140)
Increase (Decrease) In:		
Accounts Payable	(1,314)	(18,778)
Accrued Expenses	1,862	(13,800)
Deposits for Future Programs	<u>(31,156)</u>	<u>49,810</u>
Net Cash Provided by Operating Activities	<u>41,725</u>	<u>152,187</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale (Purchase) of Investments	419	(17)
Purchase of Property and Equipment	<u>(3,234)</u>	<u>-</u>
Net Cash Used in Investing Activities	<u>(2,815)</u>	<u>(17)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Payroll Protection Program Note Payable	<u>35,869</u>	<u>32,462</u>
Net Cash Provided by Financing Activities	<u>35,869</u>	<u>32,462</u>
NET INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	74,779	184,632
CASH, CASH EQUIVALENTS AND RESTRICTED CASH - BEGINNING OF YEAR	<u>203,469</u>	<u>18,838</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 278,247</u>	<u>\$ 203,469</u>

See notes to financial statements.

ARTS FOR LEARNING CONNECTICUT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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 forty years. The mission of Arts for Learning Connecticut is to inspire young people and expand their learning through the arts. Program fees, grants and contributions represent the Organization's primary sources of revenue.

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, 2021 AND 2020

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 and Grants

Contributions and grants 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 and grants 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 \$702 and \$521 for the years ended June 30, 2021 and 2020, 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, 2018 through June 30, 2021 remain subject to examination.

ARTS FOR LEARNING CONNECTICUT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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.

Date of Management's Review

Subsequent events have been evaluated through January 7, 2022, which is the date the financial statements were available to be issued.

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, 2021:

Cash and Cash Equivalents	\$278,247
Accounts Receivable	26,953
Grants Receivable	<u>155,197</u>
Total Financial Assets	<u>\$460,397</u>

Financial assets available to meet general expenditures over the next twelve months \$460,397

The Organization has no formal policy regarding liquidity.

ARTS FOR LEARNING CONNECTICUT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Furniture and Fixtures	\$ 5,587	\$ 5,959
Less: Accumulated Depreciation	<u>(1,626)</u>	<u>(4,530)</u>
Property and Equipment, Net	<u>\$ 3,961</u>	<u>\$ 1,429</u>

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>2021</u>		<u>2020</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Equity Securities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 540</u>	<u>\$ 260</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 expires October 31, 2023. In addition, the Organization rents office equipment under an operating lease that expires in October 2023. Rent expense under these agreements amounted to \$11,440 and \$11,040 for the years ended June 30, 2021 and 2020, respectively.

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

Year Ending June 30:	
2022	\$ 24,240
2023	33,740
2024	<u>11,780</u>
Total	<u>\$ 69,760</u>

ARTS FOR LEARNING CONNECTICUT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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 immediately upon hiring. Participants in the plan can contribute a percentage of compensation up to the maximum allowed under the Internal Revenue Code. The Organization makes a 2% nonelective contribution. The Organization contributed \$2,715 and \$- for the years ended June 30, 2021 and 2020, respectively. The Organization discontinued the match as of January 1, 2019, but reinstated it as of September 1, 2020.

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, 2021 and 2020 was \$0.

NOTE 9 – PAYCHECK PROTECTION PROGRAM NOTE PAYABLE

Pursuant to the CARES Act, the Organization obtained a \$32,462 and \$35,869 SBA Paycheck Protection Program loans through Liberty Bank on April 17, 2020 and February 1, 2021, respectively. The loans, or portions thereof, will be forgiven by the Small Business Administration if the Organization uses the loan proceeds for purposes specified in the loan agreements. The amounts not forgiven after the coverage period are payable over two years at an interest rate of 1%. The Organization expects to meet the conditions for full forgiveness. The first loan in the amount of \$32,462 was fully forgiven on December 22, 2020 and is recognized as income in June 30, 2021 fiscal year.

NOTE 10 – NET ASSETS

As of June 30, 2021 and 2020, the Organization's net assets without donor restrictions and net assets with donor restrictions consisted of the following:

	<u>2021</u>	<u>2020</u>
Without Donor Restrictions		
Undesignated	\$ 55,766	(\$ 25,138)
Net Assets (Deficit) Without Donor Restrictions	<u>\$ 55,766</u>	<u>(\$ 25,138)</u>
With Donor Restrictions		
Restricted for Public Mural Project	\$ -	\$ 5,165
Restricted for Higher Order Thinking (HOT) School Initiative	128,000	-
Restricted for Other Specified Programs	<u>205,198</u>	<u>142,163</u>
Net Assets with Donor Restrictions	<u>\$333,198</u>	<u>\$147,328</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>2021</u>	<u>2020</u>
Restricted for Specified Programs	\$339,729	\$168,519