

**ARTS FOR LEARNING CONNECTICUT**

**INDEPENDENT AUDITORS' REPORT**  
**FINANCIAL STATEMENTS AND ADDITIONAL**  
**FINANCIAL INFORMATION**

**JUNE 30, 2022 AND 2021**



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

**ARTS FOR LEARNING CONNECTICUT**

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## INDEPENDENT AUDITORS' REPORT

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

### **Opinion**

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, 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 Arts for Learning Connecticut as of June 30, 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Arts for Learning Connecticut 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 these 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 Arts for Learning Connecticut's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## Auditor's 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 auditor's 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 judgement 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 Arts for Learning Connecticut'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Arts for Learning Connecticut'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.



Hamden, Connecticut  
January 10, 2023

**ARTS FOR LEARNING CONNECTICUT**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>AS RESTATED</u> <u>2021</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 519,499	\$ 278,247
Accounts Receivable	5,980	26,953
Grants Receivable	49,700	5,290
Grant Receivable - Employee Retention Tax Credit	28,000	-
Property and Equipment, Net	4,053	3,961
Other Assets	<u>1,694</u>	<u>7,399</u>
TOTAL ASSETS	<u>\$ 608,926</u>	<u>\$ 321,850</u>
<b>LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 26,865	\$ 13,198
Grants Payable	113,832	100,000
Deposits for Future Programs	16,538	33,726
Payroll Protection Program Note Payable	<u>-</u>	<u>35,869</u>
Total Liabilities	<u>157,235</u>	<u>182,793</u>
<b>NET ASSETS</b>		
Net Assets Without Donor Restrictions	249,491	54,479
Net Assets With Donor Restrictions	<u>202,200</u>	<u>84,578</u>
Total Net Assets	<u>451,691</u>	<u>139,057</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 608,926</u>	<u>\$ 321,850</u>

**ARTS FOR LEARNING CONNECTICUT**

**STATEMENTS OF ACTIVITIES**

**YEARS ENDED JUNE 30, 2022 AND 2021**

	2022			AS RESTATED 2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
	<b>REVENUES</b>					
Program Revenue	\$ 661,110	\$ -	\$ 661,110	\$ 234,642	\$ -	\$ 234,642
Grant and Contribution Revenue	312,258	250,700	562,958	101,428	170,185	271,613
Government Grants	84,330	-	84,330	32,462	-	32,462
Interest and Dividends	562	-	562	13	-	13
Insurance Reimbursement	-	-	-	46,860	-	46,860
Realized Gain on Sale of Investments	-	-	-	158	-	158
Special Event Income (Loss), Net	-	-	-	1,400	-	1,400
Assets Released from Restriction	133,078	(133,078)	-	225,935	(225,935)	-
Total Revenues	<u>1,191,338</u>	<u>117,622</u>	<u>1,308,960</u>	<u>642,898</u>	<u>(55,750)</u>	<u>587,148</u>
<b>EXPENSES</b>						
Program Services	915,334	-	915,334	482,153	-	482,153
Management and General	52,003	-	52,003	52,414	-	52,414
Fundraising	28,989	-	28,989	28,714	-	28,714
Total Expenses	<u>996,326</u>	<u>-</u>	<u>996,326</u>	<u>563,281</u>	<u>-</u>	<u>563,281</u>
<b>CHANGE IN NET ASSETS</b>	195,012	117,622	312,634	79,617	(55,750)	23,867
<b>NET ASSETS (DEFICIT) - BEGINNING OF YEAR</b>	54,479	84,578	139,057	(25,138)	140,328	115,190
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 249,491</u>	<u>\$ 202,200</u>	<u>\$ 451,691</u>	<u>\$ 54,479</u>	<u>\$ 84,578</u>	<u>\$ 139,057</u>

See notes to financial statements.

**ARTS FOR LEARNING CONNECTICUT**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**YEARS ENDED JUNE 30, 2022 AND 2021**

	2022				2021			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries	\$ 186,242	\$ 28,992	\$ 21,650	\$ 236,884	\$ 124,119	\$ 26,108	\$ 20,433	\$ 170,660
Payroll Taxes and Benefits	20,146	2,845	2,342	25,333	14,673	2,946	2,416	20,035
Total Salaries and Related Expenses	206,388	31,837	23,992	262,217	138,792	29,054	22,849	190,695
Artist Fees	631,025	-	-	631,025	275,298	-	-	275,298
Outside Services	30,968	1,162	-	32,130	37,650	1,009	-	38,659
Professional Fees	11,522	1,627	1,339	14,488	8,959	1,798	1,475	12,232
Rent	10,577	1,494	1,230	13,301	6,988	1,403	1,150	9,541
Office Expense	7,645	1,080	888	9,613	8,207	1,648	1,351	11,206
Event Expense	5,840	-	-	5,840	-	-	-	-
National Dues	-	7,193	-	7,193	-	6,518	-	6,518
Conferences and Travel	4,320	610	502	5,432	233	47	38	318
Insurance	2,802	396	326	3,524	1,750	351	288	2,389
Advertising and Marketing	-	2,643	-	2,643	-	7,008	-	7,008
Staff Training	-	2,053	-	2,053	-	100	-	100
Equipment Rental	1,475	209	171	1,855	2,055	413	338	2,806
Telephone	1,387	196	161	1,744	1,732	347	285	2,364
Postage	1,385	195	161	1,741	489	99	80	668
Depreciation Expense	-	1,012	-	1,012	-	702	-	702
Service Charges	-	246	-	246	-	231	-	231
Printing	-	-	219	219	-	-	860	860
Dues and Subscriptions	-	50	-	50	-	1,686	-	1,686
<b>TOTAL</b>	<b>\$ 915,334</b>	<b>\$ 52,003</b>	<b>\$ 28,989</b>	<b>\$ 996,326</b>	<b>\$ 482,153</b>	<b>\$ 52,414</b>	<b>\$ 28,714</b>	<b>\$ 563,281</b>

See notes to financial statements.

**ARTS FOR LEARNING CONNECTICUT**

**STATEMENTS OF CASH FLOWS**

**YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>AS RESTATED</u> <u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
CHANGE IN NET ASSETS	\$ 312,634	\$ 23,867
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Depreciation	1,012	702
Realized Gain on Sale of Investments	-	(158)
Payroll Protection Program Loan Forgiveness	(35,869)	(32,462)
(Increase) Decrease In:		
Accounts Receivable	20,973	(25,463)
Grants Receivable	(44,410)	12,847
Grant Receivable - Employee Retention Tax Credit	(28,000)	-
Other Current Assets	5,705	-
Increase (Decrease) In:		
Accounts Payable and Accrued Expenses	13,668	548
Refundable Advances	13,832	93,000
Deposits for Future Programs	(17,188)	(31,156)
Net Cash Provided by Operating Activities	<u>242,357</u>	<u>41,725</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Sale of Investments	-	419
Purchase of Property and Equipment	(1,104)	(3,234)
Net Cash Used in Investing Activities	<u>(1,104)</u>	<u>(2,815)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Payroll Protection Program Note Payable	-	35,869
Net Cash Provided by Financing Activities	<u>-</u>	<u>35,869</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	241,253	74,779
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>278,247</u>	<u>203,469</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 519,499</u>	<u>\$ 278,247</u>



## ARTS FOR LEARNING CONNECTICUT

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

#### 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 Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting 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 two classes of net assets:

**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 subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the fund be maintained in perpetuity.

##### Cash and Cash Equivalents

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 equivalents.

##### 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. As of June 30, 2022 and 2021, management has determined, based on historical experience, that all amounts are fully collectible and no allowance for doubtful accounts is necessary.

##### Contributions

Contributions are defined as voluntary, nonreciprocal transfers. The Organization recognizes contributions when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions are recorded as increases in net assets without donor restriction or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed 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 accompanying Statements of Activities as net assets released from restrictions. Conditional promises to give (that is, those with measurable performance or other barriers and a right of return) are not recognized until the conditions on which they depend have been met.

**ARTS FOR LEARNING CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2022 AND 2021**

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

Contributions (continued)

A portion of the Organization's revenue is derived from conditional federal loan and credit programs which are conditioned upon certain performance requirements relating to allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific federal program provisions. The Organization's conditional federal loans and credits have been recognized as income in the accompanying Statements of Activities for the years ended June 30, 2022 and 2021 since the conditions have been fully satisfied (Note 7).

Revenues

Revenues are generally recognized when the promised services are provided to the customer, either at a point in time or over time, in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those services reduced by estimates for return allowances and discounts. The Organization's contracts with customers typically contain only one performance obligation and as such, the full transaction price is allocated to that obligation. The Organization's contracts do not include variable consideration.

Deferred Grants

The Organization is the recipient of grants that require expenditure for specified activities before the Organization is reimbursed by the grantor for the costs incurred. Documentation showing actual costs expended is included when submitting a monthly or quarterly report for reimbursement. Certain grantors pay in advance of incurring the specified costs; in those cases, the amount received in excess of amounts spent on reimbursable costs is reported as deferred grants.

Grants Receivable – Employee Retention Tax Credit

Grants Receivable – Employee Retention Tax Credit represents tax refunds which the Organization applied for and expects to receive from the Employee Retention Tax Credit program under the CARES Act. (See Note 7)

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 \$1,012 and \$702 for the years ended June 30, 2022 and 2021, 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.

**ARTS FOR LEARNING CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2022 AND 2021**

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

Income Taxes

The Organization is exempt from income taxes under Internal Revenue Code (IRC) Section 501(c)(3). However, income from certain activities not directly related to the Organization's tax-exempt purpose would be subject to taxation as unrelated business income. The Organization evaluates, on an annual basis, the effect of any uncertain tax positions on its financial statements. As of June 30, 2022 and 2021, the Organization has not engaged in any unrelated business activities and has not identified or provided for any uncertain tax positions.

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.

Subsequent Events

The Organization evaluated events and transactions through January 10, 2023, which is the date the financial statements were available to be issued, and determined that there were no additional matters requiring disclosure.

**NOTE 3 – PROGRAM REVENUE**

The Organization derives program revenue principally from artistic presentations and creative classes for its customers where the customer contracts the Organization to provide the presentation or class.

The Organization's revenues do not include variable consideration or a significant financing component. The Organization's payment comes in accordance with the terms outlined in each contract, but often comes in advance of the conveyance of services. The Organization's contracts with customers do not result in significant obligations associated with returns, refunds or warranties.

The Organization's revenues related to the presentations and classes are recorded when the performance obligations are satisfied. The Organization does not typically have an contracts greater than one year with transaction price allocated to remaining performance obligations.

**ARTS FOR LEARNING CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2022 AND 2021**

**NOTE 3 – PROGRAM REVENUE (CONTINUED)**

The Organization records deposits for future programs (also referred to as contract liabilities under Topic 606) when cash payments are received in advance of the Organization’s program. The deposits for future programs balance primarily relates programs which are paid in advance and for which performance obligations have yet to be satisfied. The Organization’s deposits for future programs as of June 30, 2022 and 2021 were \$16,538 and \$33,726, respectively.

**NOTE 4 – LIQUIDITY AND AVAILABILITY**

The following represents the Organization’s financial assets available for general expenditures over the next twelve months at June 30:

	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 519,499	\$278,247
Accounts Receivable	5,980	26,953
Grants Receivable	49,700	5,290
Grant Receivable – Employee Retention Tax Credit	<u>28,000</u>	<u>-</u>
Total Financial Assets	603,179	310,490
Less:		
Net Assets With Donor Restrictions	202,200	84,578
Less: Net assets with purpose and time restrictions to be met in less than One year	<u>(202,200)</u>	<u>( 84,578)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 603,179</u>	<u>\$ 310,490</u>

The Organization has no formal policy regarding liquidity.

**NOTE 5 – PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Furniture and Fixtures	\$ 6,691	\$ 5,587
Less: Accumulated Depreciation	<u>( 2,638)</u>	<u>( 1,626)</u>
Property and Equipment, Net	<u>\$ 4,053</u>	<u>\$ 3,961</u>

**ARTS FOR LEARNING CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2022 AND 2021**

**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 \$14,640 and \$11,440 for the years ended June 30, 2022 and 2021, respectively.

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

Year Ending June 30:	
2023	\$ 17,740
2024	<u>6,180</u>
Total	<u>\$ 23,920</u>

**NOTE 7 – GOVERNMENT GRANTS**

Pursuant to the CARES Act, the Organization obtained a \$32,462 and \$35,869 Small Business Association (“SBA”) Paycheck Protection Program loans through Liberty Bank on April 17, 2020 and February 1, 2021, respectively. The loans, or portions thereof, are forgiven by the SBA 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 has met the conditions for full forgiveness. The first loan in the amount of \$32,462 was fully forgiven on December 22, 2020 and was recognized as income in the June 30, 2021 fiscal year. The second loan in the amount of \$35,869 was fully forgiven on October 28, 2021 and is recognized as income in the June 30, 2022 fiscal year.

The CARES Act also provides for an Employee Retention Tax Credit (“ERTC”) which is a refundable tax credit against certain payroll taxes available to qualifying businesses conditioned on quarterly declines in revenues and support up to a defined limit per employee. During the year ended June 30, 2022, the Organization qualified for the ERTC program by meeting the specified conditions and applied for a \$48,461 refundable tax credit which is included in Government Grants on the accompanying statement of activities. The Organization received \$20,461 in June 2022 and expects to receive the additional \$28,000 during the year ending June 30, 2023.

**NOTE 8 – 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 \$4,631 and \$2,715 for the years ended June 30, 2022 and 2021, respectively.

**NOTE 9 – 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, 2022 and 2021 was \$0.

**ARTS FOR LEARNING CONNECTICUT**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2022 AND 2021**

**NOTE 10 – NET ASSETS**

As of June 30, 2022 and 2021, the Organization's net assets without donor restrictions and net assets with donor restrictions consisted of the following:

	<u>2022</u>	<u>2021</u>
<b>Without Donor Restrictions</b>		
Undesignated	\$ 249,491	\$ 54,479
Net Assets Without Donor Restrictions	<u>\$ 249,491</u>	<u>\$ 54,479</u>
<b>With Donor Restrictions</b>		
Restricted for Higher Order Thinking (HOT) School Initiative	\$137,700	\$ 28,000
Restricted for Other Specified Programs	<u>64,500</u>	<u>56,578</u>
Net Assets with Donor Restrictions	<u>\$202,200</u>	<u>\$ 84,578</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>2022</u>	<u>2021</u>
Restricted for Specified Programs	<u>\$133,078</u>	<u>\$225,935</u>

**NOTE 11 – RESTATEMENT**

The statement of financial position as of June 30, 2021 and the statement of activities for the year ended June 30, 2021 have been restated to correct the reporting of governmental grant income and program service revenue. The Organization has determined that a government grant received as of June 30, 2021, but not spent should have been recorded as a refundable advance. Also, the Organization has determined that a contract for program services entered into as of June 30, 2021, should not have been recorded as revenue in the year ended June 30, 2021 since the services had not yet been provided. The effect of these corrections decreased total net assets by \$249,907 as of June 30, 2021 and decreased the total change in net assets by \$242,907 for the year ended June 30, 2021. The correction in reporting government grants also decreased net assets as of June 30, 2020 by \$7,000.