ARTS FOR LEARNING CONNECTICUT

FINANCIAL STATEMENTS AND ADDITIONAL

FINANCIAL INFORMATION

JUNE 30, 2024 AND 2023

THE INNOVATIVE CPA GROUP

ARTS FOR LEARNING CONNECTICUT INC.

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JUNE 30, 2024 AND 2023

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the financial statements of Arts for Learning Connecticut Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2024 and 2023, 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 accompanying financial statements present fairly, in all material respects, the financial position of Arts for Learning Connecticut Inc. as of June 30, 2024 and 2023, 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 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 Arts for Learning Connecticut Inc.'s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

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

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

The Innovative CPA Group, LLC

THE INNOVATIVE CPA GROUP, LLC
Certified Public Accountants

January 5, 2025

ARTS FOR LEARNING CONNECTICUT INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2024 AND 2023

	2024	2023
ASSETS		
Cash and Cash Equivalents	$ 511,670	$ 586,252
Accounts Receivable	61,711	39,580
Grants Receivable	114,250	156,200
Grant Receivable - Employee Retention Tax Credit	28,000	28,000
Property and Equipment, Net	2,326	2,946
Operating Lease - Right-of-Use Asset	23,125	39,973
Other Assets	22,915	12,474
TOTAL ASSETS	$ 763,997	$ 865,425
LIABILITIES		
Accounts Payable and Accrued Expenses	$ 31,368	$ 27,881
Refundable Advances	125,000	100,000
Deposits for Future Programs	22,076	30,215
Operating Lease Liability	24,601	41,631
Total Liabilities	203,045	199,727
NET ASSETS		
Net Assets Without Donor Restrictions	374,725	440,760
Net Assets With Donor Restrictions	186,227	224,938
Total Net Assets	560,952	665,698
TOTAL LIABILITIES AND NET ASSETS	$ 763,997	$ 865,425

See notes to financial statements.

ARTS FOR LEARNING CONNECTICUT INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2024 AND 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES						
Program Revenue	$ 658,928	$ -	$ 658,928	$ 881,746	$ -	$ 881,746
Grant and Contribution Revenue	85,972	265,227	351,199	156,142	342,650	498,792
Government Grants	254,412	-	254,412	177,811	-	177,811
Other Income	18,802	-	18,802			
Special Events	10,850	-	10,850	-	-	-
Loss on Disposal of Equipment	-	-	-	(378)	-	(378)
Assets Released from Restriction	303,938	(303,938)	-	319,912	(319,912)	-
Total Revenues	1,332,902	(38,711)	1,294,191	1,535,233	22,738	1,557,971
EXPENSES						
Program Services	1,211,710	-	1,211,710	1,247,974	-	1,247,974
Management and General	131,774	-	131,774	59,545	-	59,545
Fundraising	55,453	-	55,453	36,445	-	36,445
Total Expenses	1,398,937	-	1,398,937	1,343,964	-	1,343,964
CHANGE IN NET ASSETS	(66,035)	(38,711)	(104,746)	191,269	22,738	214,007
NET ASSETS - BEGINNING OF YEAR	440,760	224,938	665,698	249,491	202,200	451,691
NET ASSETS - END OF YEAR	$ 374,725	$ 186,227	$ 560,952	$ 440,760	$ 224,938	$ 665,698

See notes to financial statements.

ARTS FOR LEARNING CONNECTICUT INC.

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2024 AND 2023

	2024				2023			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries	$ 366,058	$ 82,739	$ 42,343	$ 491,140	$ 284,562	$ 33,801	$ 27,933	$ 346,296
Payroll Taxes and Benefits	40,393	9,130	4,672	54,195	31,032	3,686	3,046	37,764
Total Salaries and Related Expenses	406,451	91,869	47,015	545,335	315,594	37,487	30,979	384,060
Artist Fees	701,121	-	-	701,121	846,110	-	-	846,110
Professional Fees	16,851	3,809	1,949	22,609	16,344	1,941	1,604	19,889
Conferences and Travel	16,208	3,663	1,875	21,746	6,643	789	652	8,084
Event Expense	18,962	-	-	18,962	9,682	-	-	9,682
Rent	13,343	3,016	1,543	17,902	14,679	1,744	1,441	17,864
Insurance	12,151	2,746	1,406	16,303	4,322	513	424	5,259
National Dues	-	14,352	-	14,352	-	10,283	-	10,283
Outside Services	12,238	1,759	-	13,997	20,891	1,457	-	22,348
Office Expense	9,055	2,047	1,048	12,150	9,069	1,027	890	10,986
Advertising and Marketing	-	3,725	-	3,725	-	2,678	-	2,678
Telephone	2,389	540	276	3,205	1,560	185	153	1,898
Staff Training	-	2,395	-	2,395	-	135	-	135
Equipment Rental	1,666	377	193	2,236	1,990	236	195	2,421
Postage	1,275	289	148	1,712	1,090	130	107	1,327
Depreciation Expense	-	620	-	620	-	729	-	729
Service Charges	-	567	-	567	-	161	-	161
Dues and Subscriptions	-	-	-	-	-	50	-	50
TOTAL	$ 1,211,710	$ 131,774	$ 55,453	$ 1,398,937	$ 1,247,974	$ 59,545	$ 36,445	$ 1,343,964

See notes to financial statements.

ARTS FOR LEARNING CONNECTICUT INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
CHANGE IN NET ASSETS	$ (104,746)	$ 214,007
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Depreciation	620	729
Deferred Lease Liability	(182)	1,658
Loss on Disposal of Equipment	-	378
(Increase) Decrease In:		
Accounts Receivable	(22,131)	(33,600)
Grants Receivable	41,950	(106,500)
Other Current Assets	(10,441)	(10,780)
Increase (Decrease) In:		
Accounts Payable and Accrued Expenses	3,488	1,017
Refundable Advances	25,000	-
Deposits for Future Programs	(8,139)	(155)
Net Cash Provided By (Used In) Operating Activities	(74,581)	66,754
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(74,581)	66,754
h		
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	586,252	519,499
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 511,670	$ 586,252

	2024	2023
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Non-Cash Investing and Financing Activities:		
Recognition of Right-of-Use Asset	$ -	$ 39,973
Establishment of Operating Lease Liabilities	$ -	$ 41,631

See notes to financial statements.

NOTE 1 – NATURE OF ACTIVITIES

Arts for Learning Connecticut Inc. (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 Inc. 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

<u>Basis of Presentation</u>

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.

<u>Cash and Cash Equivalents</u>

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.

<u>Accounts Receivable</u>

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, 2024 and 2023, management has determined, based on historical experience, that all amounts are fully collectible and no allowance for doubtful accounts is necessary.

<u>Contributions</u>

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Refundable Advances

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 a tax refund 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 value at the date of the donation. Purchased equipment is recorded at cost.

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.

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. As of June 30, 2024 and 2023, the Organization has not engaged in any unrelated business activities.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Uncertain Tax Positions

Management has determined that the Organization does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures. Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Organization's tax returns will not be challenged by the taxing authorities and that the Organization will not be subject to additional tax, penalties, and interest as a result of such challenge. As of June 30, 2024, the Organization's tax returns generally remain subject to examination by major tax jurisdictions for the last three years.

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.

Leases

The Organization calculated operating lease liability using the appropriate risk-free rate effective at the date of lease inception.

Adoption of New Accounting Standards

In June 2016, the FASB issued guidance (FASB ASC 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Organization that are subject to the guidance in FASB ASC 326 are trade accounts receivable. The Organization adopted the standard effective July 1,2023. The impact of the adoption was not considered material to the financial statements.

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.

Reclassifications

Certain items from the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year.

Subsequent Events

The Organization evaluated events and transactions through February 5, 2025, 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 contracts greater than one year with transaction price allocated to remaining performance obligations.

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 to 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, 2024 and 2023 were $22,076 and $30,215, 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:

	2024	2023
Cash and Cash Equivalents	$511,670	$586,252
Accounts Receivable	61,711	39,580
Grants Receivable	114,250	156,200
Grant Receivable – Employee Retention Tax Credit	28,000	28,000
Total Financial Assets	715,631	810,032
Less Amounts not Available to be Used Within One Year:		
Net Assets With Donor Restrictions	186,227	224,938
Less Net Assets With Purpose and Time Restrictions to be Met in Less Than One Year	(186,227)	(224,938)
Financial Assets Available To Meet General Expenditures Over The Next Twelve Months	$715,631	$810,032

The Organization has no formal policy regarding liquidity.

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2024 and 2023:

	2024	2023
Furniture and Fixtures	$ 5,431	$ 5,431
Less: Accumulated Depreciation	(3,105)	(2,485)
Property and Equipment, Net	$ 2,326	$ 2,946

Depreciation expense was $620 and $729 for the years ended June 30, 2024 and 2023, respectively. Repairs and maintenance are charged as expenses as incurred.

NOTE 6 – OPERATING LEASES

The Organization maintains an operating lease for the office.

The components of lease costs under the office lease included in functional expenses for the year ended June 30, 2024 and 2023 were $17,658 with total cash outflows of $17,840 and $16,000, respectively. All lease costs under this lease were fixed costs with no significant variable lease costs. Lease payments are due in twelve monthly installments each year beginning in July.

The Organization reported the following amounts on the statement of financial position as of June 30, 2024 and 2023:

	2024	2023
Operating Lease – Right-of-Use Asset	$ 23,125	$ 39,973
Operating Lease Liability – Current Portion	$ 18,332	$ 17,030
Operating Lease Liability – Long-Term Portion	6,269	24,601
Total	$ 24,601	$ 41,631

The remaining lease term for the operating lease at June 30, 2024 was 1.33 years.

The risk-free rate used in determining the lease asset and liability was 2.38% at July 1, 2023.

Amounts disclosed for right-of-use (ROU) assets obtained in exchange for lease obligations and reductions to ROU assets resulting from reductions to lease obligations include amounts added to or reduced from the carrying amount of ROU assets resulting from new leases, lease modifications or reassessments.

Future minimum rental payments due under non-cancelable operating leases having remaining terms in excess of one year as of June 30, 2024 were as follows:

Year Ending June 30:	
2025	$ 18,720
2026	6,300
Total Undiscounted Lease Payments	25,020
Less: Imputed Interest	(419)
Total Lease Liability	$ 24,601

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 2.5% (2% through June 30, 2023) nonelective contribution. The Organization contributed $12,164 and $7,040 for the years ended June 30, 2024 and 2023, respectively.

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, 2024 and 2023 was $0.

NOTE 9 – NET ASSETS

As of June 30, 2024 and 2023, the Organization's net assets without donor restrictions and net assets with donor restrictions consisted of the following:

	2024	2023
Without Donor Restrictions		
Undesignated	$374,725	$440,760
Net Assets Without Donor Restrictions	$374,725	$440,760
With Donor Restrictions		
Restricted for Higher Order Thinking (HOT) School Initiative	$ 67,500	$ 68,750
Restricted for Other Specified Programs	118,727	156,188
Net Assets with Donor Restrictions	$186,227	$224,938

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:

	2024	2023
Restricted for Specified Programs	$303,938	$319,912