

**ARTSCONNECTION, INC.**

**FINANCIAL STATEMENTS**

**AUGUST 31, 2021 AND 2020**



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
ArtsConnection, Inc.

We have audited the accompanying financial statements of ArtsConnection, Inc. (a nonprofit corporation), which comprise the statements of financial position as of August 31, 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.

### **Auditors' 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 auditors' 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 ArtsConnection, Inc. as of August 31, 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.

*Lotz + Carr, LLP*

New York, New York  
January 31, 2023

**ARTSCONNECTION, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**AUGUST 31, 2021 AND 2020**

	<b>2021</b>	<b>2020</b>
<b>Assets</b>		
Cash and cash equivalents (Notes 1b and 9a)	\$ 570,557	\$ 345,124
Unconditional promises to give (Notes 1c, 4a and 9b)		
Without donor restrictions	871,216	265,510
With donor restrictions	653,937	817,054
Accounts receivable	405,236	19,986
Prepaid expenses and other assets (Note 10b)	115,530	258,672
Property and equipment, at cost, net of accumulated depreciation and amortization (Notes 1d and 5)	49,960	34,092
Security deposit	36,900	36,900
<b>Total Assets</b>	<b>\$2,703,336</b>	<b>\$1,777,338</b>
<b>Liabilities and Net Assets</b>		
Liabilities		
Accounts payable and accrued expenses (Note 10b)	\$ 368,570	\$ 291,528
Loans payable (Note 6)	666,647	800,967
Deferred revenue (Note 1e)	176,772	140,060
Total Liabilities	1,211,989	1,232,555
Commitments and Contingencies (Notes 7 and 10)		
Net Assets		
Without Donor Restrictions		
Cash reserve (Note 3a)	255,569	255,449
Other (deficit)	(76,632)	(825,668)
Total Without Donor Restrictions	178,937	(570,219)
With Donor Restrictions		
Subject to time and purpose (Note 3b)	1,207,160	1,009,752
Perpetual in nature (Note 3c)	105,250	105,250
Total With Donor Restrictions	1,312,410	1,115,002
Total Net Assets	1,491,347	544,783
<b>Total Liabilities and Net Assets</b>	<b>\$2,703,336</b>	<b>\$1,777,338</b>

See notes to financial statements.

## ARTSCONNECTION, INC.

## STATEMENTS OF ACTIVITIES

YEARS ENDED AUGUST 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<b>Changes in Net Assets Without Donor Restrictions</b>		
Revenue, Gains and Other Support		
Contributions	\$1,687,328	\$1,926,786
Loan forgiveness - Paycheck Protection Program (Note 6c)	700,967	-
Benefit income	635,440	453,825
Less: Direct benefit expenses	(13,554)	-
Program fees	1,137,130	962,621
Ticket sales	-	25,249
Donated services and materials (Note 8)	13,554	381,936
Interest and other income	120	46
	<u>4,160,985</u>	<u>3,750,463</u>
Net assets released from restrictions		
Satisfaction of time and program restrictions	<u>613,937</u>	<u>645,024</u>
Total Revenue, Gains and Other Support	<u>4,774,922</u>	<u>4,395,487</u>
Expenses		
Program Services		
School and professional development	2,588,986	2,877,486
Teen programs	586,660	968,224
Total Program Services	<u>3,175,646</u>	<u>3,845,710</u>
Supporting Services		
Management and general	260,856	390,867
Fundraising	589,264	571,154
Total Supporting Services	<u>850,120</u>	<u>962,021</u>
Total Expenses	<u>4,025,766</u>	<u>4,807,731</u>
Increase (Decrease) in Net Assets Without Donor Restrictions	<u>749,156</u>	<u>(412,244)</u>
<b>Changes in Net Assets With Donor Restrictions</b>		
Contributions	811,345	949,329
Net assets released from restrictions	<u>(613,937)</u>	<u>(645,024)</u>
Increase in Net Assets With Donor Restrictions	<u>197,408</u>	<u>304,305</u>
Increase (decrease) in net assets	946,564	(107,939)
Net assets, beginning of year	<u>544,783</u>	<u>652,722</u>
<b>Net Assets, End of Year</b>	<u><u>\$1,491,347</u></u>	<u><u>\$ 544,783</u></u>

See notes to financial statements.

## ARTSCONNECTION, INC.

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED AUGUST 31, 2021 WITH COMPARATIVE TOTALS FOR 2020

	Program Services			Supporting Services			2021	2020
	School and Professional Development	Teen Programs	Total	Management and General	Fundraising	Total	Total Expenses	Total Expenses
Salaries, taxes, benefits and artists fees	\$ 2,019,634	\$330,232	\$2,349,866	\$ 205,651	\$ 379,394	\$585,045	\$2,934,911	\$3,468,476
Professional fees	282,397	117,420	399,817	16,819	39,997	56,816	456,633	303,443
Donated performance tickets and services	-	-	-	-	-	-	-	330,650
Occupancy	87,453	25,018	112,471	18,426	33,842	52,268	164,739	256,403
Telephone and internet	17,458	5,297	22,755	3,418	6,526	9,944	32,699	33,165
Equipment rental	18,079	2,435	20,514	1,793	3,293	5,086	25,600	21,002
Office supplies and expenses	26,245	7,278	33,523	2,698	9,951	12,649	46,172	44,916
Program supplies	75,457	36,367	111,824	-	78	78	111,902	84,145
Postage and messengers	851	2,042	2,893	150	1,832	1,982	4,875	5,593
Transportation	943	6	949	5	49	54	1,003	19,284
Meetings and conferences	935	871	1,806	45	82	127	1,933	46,294
Indirect benefit expenses	-	-	-	-	89,104	89,104	89,104	47,301
Printing and duplicating	873	-	873	-	359	359	1,232	7,513
Payroll, credit card and bank fees	34,828	9,963	44,791	7,338	13,497	20,835	65,626	30,761
Interest expense	456	130	586	97	176	273	859	37,955
Scholarships and awards	-	33,300	33,300	-	-	-	33,300	15,324
Miscellaneous	14,589	13,787	28,376	2,565	7,683	10,248	38,624	43,938
Total expenses before depreciation and amortization	2,580,198	584,146	3,164,344	259,005	585,863	844,868	4,009,212	4,796,163
Depreciation and amortization	8,788	2,514	11,302	1,851	3,401	5,252	16,554	11,568
Total Expenses, 2021	<u>\$ 2,588,986</u>	<u>\$586,660</u>	<u>\$3,175,646</u>	<u>\$ 260,856</u>	<u>\$ 589,264</u>	<u>\$850,120</u>	<u>\$4,025,766</u>	
Total Expenses, 2020	<u>\$ 2,877,486</u>	<u>\$968,224</u>	<u>\$3,845,710</u>	<u>\$ 390,867</u>	<u>\$ 571,154</u>	<u>\$962,021</u>		<u>\$4,807,731</u>

See notes to financial statements.

## ARTSCONNECTION, INC.

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED AUGUST 31, 2020

	Program Services			Supporting Services			Total Expenses
	School and Professional Development	Teen Programs	Total	Management and General	Fundraising	Total	
Salaries, taxes, benefits and artists fees	\$ 2,311,054	\$436,020	\$2,747,074	\$ 320,046	\$ 401,356	\$721,402	\$3,468,476
Professional fees	245,502	37,262	282,764	6,342	14,337	20,679	303,443
Donated performance tickets and services	-	320,655	320,655	-	9,995	9,995	330,650
Occupancy	130,597	45,905	176,502	35,447	44,454	79,901	256,403
Telephone and internet	14,997	8,877	23,874	4,122	5,169	9,291	33,165
Equipment rental	10,465	3,591	14,056	3,081	3,865	6,946	21,002
Office supplies and expenses	25,127	4,583	29,710	3,933	11,273	15,206	44,916
Program supplies	44,983	39,152	84,135	4	6	10	84,145
Postage and messengers	1,730	2,617	4,347	435	811	1,246	5,593
Transportation	11,276	3,017	14,293	1,773	3,218	4,991	19,284
Meetings and conferences	25,294	19,808	45,102	489	703	1,192	46,294
Indirect benefit expenses	-	-	-	-	47,301	47,301	47,301
Printing and duplicating	236	1,321	1,557	6	5,950	5,956	7,513
Payroll, credit card and bank fees	14,547	6,581	21,128	4,274	5,359	9,633	30,761
Interest expense	18,912	6,489	25,401	5,570	6,984	12,554	37,955
Scholarships and awards	2,158	13,166	15,324	-	-	-	15,324
Miscellaneous	14,844	17,202	32,046	3,648	8,244	11,892	43,938
Total expenses before depreciation and amortization	2,871,722	966,246	3,837,968	389,170	569,025	958,195	4,796,163
Depreciation and amortization	5,764	1,978	7,742	1,697	2,129	3,826	11,568
Total Expenses	<u>\$ 2,877,486</u>	<u>\$968,224</u>	<u>\$3,845,710</u>	<u>\$ 390,867</u>	<u>\$ 571,154</u>	<u>\$962,021</u>	<u>\$4,807,731</u>

See notes to financial statements.

## ARTSCONNECTION, INC.

## STATEMENTS OF CASH FLOWS

YEARS ENDED AUGUST 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<b>Cash Flows From Operating Activities</b>		
Increase (decrease) in net assets	\$ 946,564	\$(107,939)
Adjustments to reconcile increase (decrease) in net assets to net cash used by operating activities:		
Depreciation and amortization	16,554	11,568
Forgiveness of loans and interest	(805,027)	(106,067)
(Increase) decrease in:		
Unconditional promises to give	(442,589)	(320,563)
Accounts receivable	(385,250)	282,144
Prepaid expenses and other assets	143,142	(34,952)
Increase (decrease) in:		
Accounts payable and accrued expenses	81,102	(109,569)
Deferred revenue	36,712	127,133
Net Cash Used By Operating Activities	<u>(408,792)</u>	<u>(258,245)</u>
<b>Cash Flows From Investing Activities</b>		
Acquisition of property and equipment	<u>(32,422)</u>	<u>(26,546)</u>
<b>Cash Flows From Financing Activities</b>		
Proceeds from loans payable and line of credit	666,647	700,967
Repayment of loans payable and line of credit	-	(300,000)
Net Cash Provided By Financing Activities	<u>666,647</u>	<u>400,967</u>
Net increase in cash and cash equivalents	225,433	116,176
Cash and cash equivalents, beginning of year	<u>345,124</u>	<u>228,948</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 570,557</u></u>	<u><u>\$ 345,124</u></u>
<b>Supplemental Disclosure</b>		
Interest paid	<u><u>\$ -</u></u>	<u><u>\$ 33,895</u></u>

See notes to financial statements.



**ARTSCONNECTION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2021 AND 2020**

**Note 1 - Organization and Summary of Significant Accounting Policies**

a - Organization

ArtsConnection, Inc. (the “Organization”) is a dedicated arts-in-education organization. For forty one 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, 2021 AND 2020**

**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.

In March 2020, the United States declared the global pandemic novel coronavirus COVID-19 outbreak a national emergency. As a result, Arts Connection Inc.'s staff - programmatic, administrative, and artistic, moved to a remote-work status. Our In-School Programs, within the NYC Department of Education (NYCDOE), were temporarily suspended by NYCDOE and then allowed to transition to virtual programming with synchronous and asynchronous residencies and family events. Our Teen Programs were also able to transition to virtual platforms, however the High 5 Ticketing Program was suspended pending the full re-opening of performance and exhibition venues and Teaching Artists' return to in-person instruction.

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 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.

**ARTSCONNECTION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2021 AND 2020**

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

c - Unconditional Promises to Give and Contributions

A portion of Organization's revenue is derived from federal grants, which are conditioned upon certain performance requirements 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.

e - Revenue Recognition

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. Ticket sales are recorded as income when the performances take place.

f - 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.

g - 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.

**ARTSCONNECTION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2021 AND 2020**

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

h - Subsequent Events

The Organization has evaluated subsequent events through January 31, 2023, the date that the financial statements are considered available to be issued.

i - 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.

j - 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.

k - New Accounting Pronouncement

In 2021, the Organization adopted Accounting Standards Update (ASU) No 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires entities to recognize revenue through the application of a five-step model, which includes identification of the contract, identification of the performance obligation(s), determination of the transaction price, allocation of the transaction price to the performance obligations, and recognition of revenue as the Organization satisfies the performance obligation. Adoption of this ASU had no impact on the Organization's financial statements.

**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**  
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**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, 2021 and 2020 and those available to meet cash needs for general expenditures within one year are summarized as follows:

	<u>2021</u>	<u>2020</u>
Financial Assets at Year End:		
Cash and cash equivalents	\$ 570,557	\$ 345,124
Unconditional promises to give	1,525,153	1,082,564
Accounts receivable	<u>405,236</u>	<u>19,986</u>
Total Financial Assets	2,500,946	1,447,674
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	(1,207,160)	(1,009,752)
Plus: Net assets with donor restrictions to be met in less than one year	1,075,160	647,054
Net assets with donor restrictions for permanent cash reserve	(105,250)	(105,250)
Board designated cash reserve	<u>(255,569)</u>	<u>(255,449)</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$2,008,127</u>	<u>\$ 724,277</u>

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 6a, available to meet short-term or unanticipated liquidity needs.

**ARTSCONNECTION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**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). During fiscal years 2006 and 2007, the Rockefeller Brothers Fund contributed \$150,000 towards the reserve. Income earned on these funds and the permanently restricted cash reserve funds are to be added to this cash reserve. The Organization does not have outstanding borrowings from the reserve at August 31, 2021.

b - Net Assets With Donor Restrictions - Subject to Time and Purpose Restrictions

Net assets restricted for time and purpose at August 31, 2021 and 2020 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 permanent 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 as follows:

	<u>2021</u>	<u>2020</u>
Due in less than one year	\$1,525,153	\$ 887,447
Due in one to three years	-	207,000
	1,525,153	1,094,447
Less: Discount to present value	-	(11,883)
	<u>\$1,525,153</u>	<u>\$1,082,564</u>

Uncollectible promises are expected to be insignificant. Unconditional promises to give for periods due after one year are discounted to net present value using a discount rate of 3%.

**ARTSCONNECTION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**Note 4 - Promises to Give (continued)**

b - Conditional Promises to Give

The Organization has received a four-year grant from a Federal agency totaling \$2,500,000. \$950,600 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 \$950,600 over the next two years.

**Note 5 - Property and Equipment**

Property and equipment consist of the following at August 31:

	<u>Life</u>	<u>2021</u>	<u>2020</u>
Furniture and equipment	3-5 years	\$181,013	\$172,941
Website	3 years	64,350	40,000
Leasehold improvements	10 years	<u>44,622</u>	<u>44,622</u>
		289,985	257,563
Less: Accumulated depreciation and amortization		<u>(240,025)</u>	<u>(223,471)</u>
		<u>\$ 49,960</u>	<u>\$ 34,092</u>

**Note 6 - Loans Payable**

- 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, 2021 and 2020.
- b - The Organization had a loan outstanding with a Board member due on January 31, 2021 that bears interest at 1.97% per annum. During the year ended August 31, 2020, \$100,000 of the loan balance plus accrued interest was forgiven by the Board member. As of August 31, 2020, the Organization has a balance due of \$100,000. The remaining balance of the loan plus accrued interest was forgiven by the board member during the year ended August 31, 2021.

**ARTSCONNECTION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**Note 6 - Loans Payable (continued)**

- c - On April 10, 2020, the Organization received a loan totaling \$700,967 under the Paycheck Protection Program administered by the U.S. Small Business Administration. In June of 2021, the full amount of the loan was forgiven.
- d - On March 13, 2021, the Organization received a loan totaling \$666,647 under the Paycheck Protection Program administered by the U.S. Small Business Administration. In July of 2022, the full amount of the loan was forgiven.

**Note 7 - Commitments and Contingency**

- a - The Organization occupied office space under a sublease through November 30, 2022. In November 2022, the Organization entered into a new lease for office space that expires November 2027. The lease provides for base rent, annual increases and additional rent based on increases in real estate taxes. The lease, including rent reductions, provides for minimum annual payments as follows:

<u>Year Ending August 31,</u>	
2022	\$228,888
2023	141,113
2024	156,888
2025	160,810
2026	164,830
Thereafter, through November 30, 2027	211,447

Rent expense for the years ended August 31, 2021 and 2020 was \$109,003 and \$177,754, respectively.

- b - Government supported projects are subject to audit by the granting agency.
- c - In July, 2009, High 5 Tickets to the Arts, Inc. (acquired by the Organization) entered into an agreement with Ticketmaster Entertainment, Inc. ("Ticketmaster") to provide to High 5 the service of processing the online sale of tickets for High 5's programs through Ticketmaster's website. The initial term of the agreement is forty-eight months and can be renewed for two successive one-year terms. For every ticket sold through the website during the term of the agreement, Ticketmaster is authorized to collect and retain 4% of the amount collected from each buyer as a service fee. The agreement may be terminated by the Organization for any reason upon forty-five days written notice to Ticketmaster.



**ARTSCONNECTION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2021 AND 2020**

**Note 8 - Donated Services and Materials**

The Organization received donated services and materials in connection with its program and supporting services as follows:

	<u>2021</u>	<u>2020</u>
Gala costs	\$13,554	\$ -
Theatre tickets	-	320,417
Supplies	-	10,233
Artwork	<u>-</u>	<u>51,286</u>
Total	<u>\$13,554</u>	<u>\$381,936</u>

**Note 9 - 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, 2021 74% of the unconditional promises to give is from one government agency and one nonprofit organization. At August 31, 2020, 99% of the unconditional promises to give is from three government agencies and two foundations.

**Note 10 - Retirement Plans**

- a - The Organization has a 403(b) retirement plan for all eligible employees who may elect to make voluntary contributions. The Organization does not contribute to the plan.
- b - A deferred compensation (Sec. 457(b)) plan has been established for an officer of the Organization. The assets of this plan remain the property of the Organization until distributed to the officer or the officer's beneficiary at retirement or severance from employment. At August 31, 2020, \$143,553 in deferred compensation is included in other assets and accrued expenses in the accompanying statement of financial position. The officer retired as of August 31, 2020 and the funds were transferred to the officer during the year ended August 31, 2021.