

ARTSCONNECTION, INC.

FINANCIAL STATEMENTS

AUGUST 31, 2025 AND 2024



LUTZ AND GARR
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
ArtsConnection, Inc.

Opinion

We have audited the accompanying financial statements of ArtsConnection, Inc., which comprise the statements of financial position as of August 31, 2025 and 2024, 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 ArtsConnection, Inc. as of August 31, 2025 and 2024, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of ArtsConnection, 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 ArtsConnection, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 judgment 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 ArtsConnection, 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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about ArtsConnection, 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.

Lutz + Carr, LLP

New York, New York
March 30, 2026

ARTSCONNECTION, INC.
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2025 AND 2024

	2025	2024
Assets		
Cash and cash equivalents	\$ 403,533	\$ 105,220
Unconditional promises to give		
Without donor restrictions	40,000	417,912
With donor restrictions	631,920	397,445
Accounts receivable	101,585	86,556
Prepaid expenses and other assets	58,737	108,796
Property and equipment, at cost, net of accumulated depreciation and amortization	10,290	63,127
Operating lease right-of-use asset	339,337	481,004
Security deposit	38,499	38,499
	\$1,623,901	\$1,698,559
Total Assets		
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 188,827	\$ 209,896
Loans payable	-	100,000
Deferred revenue	37,199	-
Operating lease liability	360,463	505,095
Total Liabilities	586,489	814,991
Contingency		
Net Assets		
Without Donor Restrictions		
Cash reserve	255,751	255,746
Other (deficit)	(192,446)	(163,060)
Total Without Donor Restrictions	63,305	92,686
With Donor Restrictions		
Subject to time and purpose	868,857	685,632
Perpetual in nature	105,250	105,250
Total With Donor Restrictions	974,107	790,882
Total Net Assets	1,037,412	883,568
	\$1,623,901	\$1,698,559
Total Liabilities and Net Assets		

See notes to financial statements.

ARTSCONNECTION, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED AUGUST 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
Changes in Net Assets Without Donor Restrictions		
Revenue, Gains and Other Support		
Contributions	\$1,611,146	\$1,042,567
Benefit income	125,806	818,216
Less: Direct benefit expenses	(28,346)	(96,606)
Program fees	1,422,469	1,214,042
Donated services	2,097	98,463
Other income	4,219	42,298
	<u>3,137,391</u>	<u>3,118,980</u>
Net assets released from restrictions		
Satisfaction of time and purpose restrictions	685,632	696,422
	<u>685,632</u>	<u>696,422</u>
Total Revenue, Gains and Other Support	<u>3,823,023</u>	<u>3,815,402</u>
Expenses		
Program Services		
School and professional development	2,110,111	2,242,117
Teen programs	823,584	1,053,858
Total Program Services	<u>2,933,695</u>	<u>3,295,975</u>
Supporting Services		
Management and general	403,235	336,049
Fundraising	515,474	682,223
Total Supporting Services	<u>918,709</u>	<u>1,018,272</u>
Total Expenses	<u>3,852,404</u>	<u>4,314,247</u>
Decrease in Net Assets Without Donor Restrictions	<u>(29,381)</u>	<u>(498,845)</u>
Changes in Net Assets With Donor Restrictions		
Contributions	868,857	554,132
Net assets released from restrictions	<u>(685,632)</u>	<u>(696,422)</u>
Increase (Decrease) in Net Assets With Donor Restrictions	<u>183,225</u>	<u>(142,290)</u>
Increase (decrease) in net assets	153,844	(641,135)
Net assets, beginning of year	<u>883,568</u>	<u>1,524,703</u>
Net Assets, End of Year	<u><u>\$1,037,412</u></u>	<u><u>\$ 883,568</u></u>

See notes to financial statements.

ARTSCONNECTION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED AUGUST 31, 2025 WITH COMPARATIVE TOTALS FOR 2024

	Program Services			Supporting Services			2025	2024
	School and Professional Development	Teen Programs	Total	Management and General	Fundraising	Total	Total Expenses	Total Expenses
Salaries, payroll taxes, benefits and artists fees	\$ 1,578,508	\$ 521,987	\$2,100,495	\$ 323,167	\$ 341,294	\$ 664,461	\$2,764,956	\$2,984,525
Professional fees	250,331	52,627	302,958	5,693	45,051	50,744	353,702	362,905
Occupancy	71,317	37,627	108,944	26,333	27,997	54,330	163,274	165,612
Telephone and internet	16,003	8,930	24,933	5,735	6,674	12,409	37,342	34,337
Equipment rental	2,583	1,363	3,946	954	1,014	1,968	5,914	5,644
Office supplies and expenses	11,097	5,862	16,959	4,098	15,111	19,209	36,168	33,568
Program supplies	36,040	61,580	97,620	78	1,032	1,110	98,730	96,849
Postage and messengers	86	3,727	3,813	32	2,142	2,174	5,987	4,228
Transportation	5,736	888	6,624	238	253	491	7,115	3,986
Meetings and conferences	31,635	13,017	44,652	1,202	3,668	4,870	49,522	35,912
Indirect benefit expenses	-	-	-	-	25,567	25,567	25,567	265,783
Printing and duplicating	1,218	1,534	2,752	-	18	18	2,770	3,397
Payroll, credit card and bank fees	16,853	8,891	25,744	6,222	6,616	12,838	38,582	45,857
Interest expense	12,039	6,352	18,391	4,444	4,726	9,170	27,561	30,685
Scholarships and awards	1,090	54,451	55,541	-	-	-	55,541	61,442
Miscellaneous	52,496	32,572	85,068	16,517	25,251	41,768	126,836	120,905
Total expenses before depreciation and amortization	2,087,032	811,408	2,898,440	394,713	506,414	901,127	3,799,567	4,255,635
Depreciation and amortization	23,079	12,176	35,255	8,522	9,060	17,582	52,837	58,612
Total Expenses, 2025	<u>\$ 2,110,111</u>	<u>\$ 823,584</u>	<u>\$2,933,695</u>	<u>\$ 403,235</u>	<u>\$ 515,474</u>	<u>\$ 918,709</u>	<u>\$3,852,404</u>	
Total Expenses, 2024	<u>\$ 2,242,117</u>	<u>\$1,053,858</u>	<u>\$3,295,975</u>	<u>\$ 336,049</u>	<u>\$ 682,223</u>	<u>\$1,018,272</u>		<u>\$4,314,247</u>

See notes to financial statements.

ARTSCONNECTION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED AUGUST 31, 2024

	Program Services			Supporting Services			Total Expenses
	School and Professional Development	Teen Programs	Total	Management and General	Fundraising	Total	
Salaries, payroll taxes, benefits and artists fees	\$ 1,826,557	\$ 672,319	\$2,498,876	\$ 264,043	\$ 221,606	\$ 485,649	\$2,984,525
Professional fees	134,844	100,748	235,592	16,226	111,087	127,313	362,905
Occupancy	79,951	47,631	127,582	20,573	17,457	38,030	165,612
Telephone and internet	16,458	10,154	26,612	4,172	3,553	7,725	34,337
Equipment rental	2,725	1,623	4,348	701	595	1,296	5,644
Office supplies and expenses	11,588	7,203	18,791	2,965	11,812	14,777	33,568
Program supplies	31,870	63,905	95,775	521	553	1,074	96,849
Postage and messengers	766	2,225	2,991	197	1,040	1,237	4,228
Transportation	2,885	772	3,657	98	231	329	3,986
Meetings and conferences	17,953	13,778	31,731	1,667	2,514	4,181	35,912
Indirect benefit expenses	-	-	-	-	265,783	265,783	265,783
Printing and duplicating	1,192	1,890	3,082	-	315	315	3,397
Payroll, credit card and bank fees	21,900	13,047	34,947	5,635	5,275	10,910	45,857
Interest expense	14,813	8,825	23,638	3,813	3,234	7,047	30,685
Scholarships and awards	1,940	59,502	61,442	-	-	-	61,442
Miscellaneous	48,380	33,379	81,759	8,156	30,990	39,146	120,905
Total expenses before depreciation and amortization	2,213,822	1,037,001	3,250,823	328,767	676,045	1,004,812	4,255,635
Depreciation and amortization	28,295	16,857	45,152	7,282	6,178	13,460	58,612
Total Expenses	<u>\$ 2,242,117</u>	<u>\$1,053,858</u>	<u>\$3,295,975</u>	<u>\$ 336,049</u>	<u>\$ 682,223</u>	<u>\$1,018,272</u>	<u>\$4,314,247</u>

See notes to financial statements.

ARTSCONNECTION, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED AUGUST 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$153,844	\$(641,135)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Non-cash operating lease expense	141,667	136,526
Depreciation and amortization	52,837	58,612
(Increase) decrease in:		
Unconditional promises to give	143,437	433,689
Accounts receivable	(15,029)	17,817
Prepaid expenses and other assets	50,059	(34,917)
Increase (decrease) in:		
Accounts payable and accrued expenses	(21,069)	(84,223)
Deferred revenue	37,199	-
Operating lease liability	(144,632)	(135,570)
Net Cash Provided (Used) By Operating Activities	<u>398,313</u>	<u>(249,201)</u>
Cash Flows From Investing Activities		
Acquisition of property and equipment	<u>-</u>	<u>(2,720)</u>
Cash Flows From Financing Activities		
Proceeds from loans payable and line of credit	362,640	668,832
Repayment of loans payable and line of credit	<u>(462,640)</u>	<u>(568,832)</u>
Net Cash Provided (Used) By Financing Activities	<u>(100,000)</u>	<u>100,000</u>
Net increase (decrease) in cash and cash equivalents	298,313	(151,921)
Cash and cash equivalents, beginning of year	<u>105,220</u>	<u>257,141</u>
Cash and Cash Equivalents, End of Year	<u><u>\$403,533</u></u>	<u><u>\$ 105,220</u></u>
Supplemental Disclosure		
Interest paid	<u><u>\$ 27,561</u></u>	<u><u>\$ 30,685</u></u>

See notes to financial statements.

ARTSCONNECTION, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024

Note 1 - Organization and Summary of Significant Accounting Policies

a - Organization

ArtsConnection, Inc. (the "Organization") is a dedicated arts-in-education organization. For forty-five 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 is 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, 2025 AND 2024

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.

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 records fundraising benefit revenue received as refundable advances until the event takes place.

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.

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

ARTSCONNECTION, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024

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

d - Current Expected Credit Loss

Accounts receivable are presented net of an allowance for credit losses, if any, which is an estimate of amounts that may not be collectible. The Organization separates accounts receivable into risk pools based on their aging. In determining the amount of the allowance as of the statement of financial position date, the Organization develops a loss rate for each risk pool. The loss rate is based on management's historical collection experience, adjusted for management's expectations about current and future economic conditions. The allowance for credit losses is insignificant at August 31, 2025 and 2024.

e - 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.

f - Operating Lease Right-of-Use Asset and Operating Lease Liability

For leases with an initial term greater than twelve months, the Organization's operating lease liability is initially recorded at the present value of the unpaid lease payments. The Organization's operating lease right-of-use asset is initially recorded at the carrying amount of the lease liability adjusted for initial direct costs, accruals, deferred rent liability and lease incentives, if any. Operating lease cost is recognized on a straight-line basis over the lease term.

g - Deferred Revenue

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. Rental income is recognized in the period in which the rental takes place.

h - Revenue Recognition

The Organization has multiple revenue streams that are accounted for as exchange transactions including program fees. Program fee revenue is recorded over the period during which the educational program takes place. Payments received in advance of performances or education program services provided is deferred until the program takes place.

ARTSCONNECTION, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024

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

i - Financial Statement Presentation

The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. 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 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.

j - Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

k - Subsequent Events

The Organization has evaluated subsequent events through March 30, 2026, the date that the financial statements are considered available to be issued.

l - 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.

m - 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.

ARTSCONNECTION, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024

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.

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, 2025 and 2024 available to meet cash needs for general expenditures within one year are summarized as follows:

	<u>2025</u>	<u>2024</u>
Financial Assets at Year End:		
Cash and cash equivalents	\$ 403,533	\$ 105,220
Unconditional promises to give	671,920	815,357
Accounts receivable	<u>101,585</u>	<u>86,556</u>
Total Financial Assets	1,177,038	1,007,133
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	(868,857)	(685,632)
Plus: Net assets with donor restrictions to be met in less than one year	713,857	685,632
Net assets with donor restrictions for permanent cash reserve	(105,250)	(105,250)
Board designated cash reserve	<u>(255,751)</u>	<u>(255,746)</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$ 661,037</u>	<u>\$ 646,137</u>

ARTSCONNECTION, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024

Note 2 - Information Regarding Liquidity and Availability (continued)

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

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). In addition, the Rockefeller Brothers Fund contributed \$150,000 towards the reserve. Income earned on these funds is also restricted and added to the cash reserve. The reserve fund was fully borrowed at August 31, 2025 and August 31, 2024.

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

Net assets restricted for time and purpose at August 31, 2025 and 2024 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 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 - Unconditional Promises to Give

Unconditional promises to give are due within one year. Uncollectible promises to give are expected to be insignificant.

ARTSCONNECTION, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024

Note 5 - Property and Equipment

Property and equipment consist of the following at August 31:

	<u>Life</u>	<u>2025</u>	<u>2024</u>
Furniture and equipment	3-5 years	\$ 71,866	\$ 71,866
Website	3 years	<u>95,238</u>	<u>95,238</u>
		167,104	167,104
Less: Accumulated depreciation and amortization		<u>(156,814)</u>	<u>(103,977)</u>
		<u>\$ 10,290</u>	<u>\$ 63,127</u>

During the year ended August 31, 2024, the Organization wrote off \$257,563 of fully depreciated property and equipment.

Note 6 - Line of Credit

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, 2025. There were outstanding borrowings at August 31, 2024 of \$100,000.

Note 7 - Government Supported Projects

Government supported projects are subject to audit by the granting agency.

Note 8 - Operating Lease Liability

The Organization occupies office space under an operating lease agreement expiring November 30, 2027.

ARTSCONNECTION, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2025 AND 2024

Note 8 - Operating Lease Liability (continued)

Operating lease expense for the years ended August 31, 2025 and 2024 was \$158,036 and \$157,878, respectively. There were no variable lease costs incurred. As of August 31, 2025, the remaining term of the Organization's operating lease is twenty-seven months, and the discount rate is 3.68%.

Maturities of the Organization's operating lease liability as of August 31, 2025 are as follows:

<u>Year Ending August 31,</u>	
2026	\$164,830
2027	168,951
Thereafter, through November 30, 2027	<u>42,497</u>
	376,278
Less: Amount attributable to interest	<u>(15,815)</u>
	<u>\$360,463</u>

Note 9 - Donated Services

The Organization received donated event services utilized in connection with its fundraising activities for the years ended August 31, 2025 and 2024. The services are valued by the provider based on current market rates charged for similar services.

Note 10 - 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, 2025, 77% of the unconditional promises to give is from one government agency and two foundations. At August 31, 2024, 82% of the unconditional promises to give is from two government agencies.