

ARTS FOR LIFE

INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023



CERTIFIED PUBLIC ACCOUNTANTS

Arts For Life
Table of Contents
Year Ended December 31, 2023

Independent Auditors' Report.....	1 - 2
Financial Statements:	
<i>Statement of Financial Position</i>	3
<i>Statement of Activities</i>	4
<i>Statement of Functional Expenses</i>	5
<i>Statement of Cash Flows</i>	6
Disclosures to the Financial Statements	7 - 12



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Arts For Life
Asheville, North Carolina

Opinion

We have audited the accompanying financial statements of Arts For Life (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related disclosures 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 Life as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 Arts For Life and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Life'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, including omissions, 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 Arts For Life'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 Arts For Life'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.

Report on Summarized Comparative Information

We have previously audited Arts For Life's 2022 financial statements, and our report dated July 26, 2023, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Carliss & Solomon, PLLC

Asheville, North Carolina

July 15, 2024

Arts For Life
Statement of Financial Position

As of December 31, 2023

(With summarized comparative totals as of December 31, 2022)

	2023	2022
<u>Assets</u>		
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 547,304	\$ 633,862
Certificates of Deposit	152,608	-
Accounts Receivable	1,378	15,144
Contributions Receivable, Current Portion	4,083	20,137
Total Current Assets	705,373	669,143
<u>Long-Term Assets</u>		
Contributions Receivable, Long-Term Portion	1,000	2,500
Total Long-Term Assets	1,000	2,500
Total Assets	\$ 706,373	\$ 671,643
<u>Liabilities and Net Assets</u>		
<u>Current Liabilities</u>		
Accounts Payable	\$ 2,882	\$ 5,923
Accrued Salaries	7,994	13,221
Total Current Liabilities	10,876	19,144
<u>Net Assets</u>		
Without Donor Restrictions	688,134	646,499
With Donor Restrictions	7,363	6,000
Total Net Assets	695,497	652,499
Total Liabilities and Net Assets	\$ 706,373	\$ 671,643

The accompanying disclosures are an integral part of these financial statements.

Arts For Life

Statement of Activities

Year Ended December 31, 2023

(With summarized comparative totals for the prior year)

	Without Donor Restrictions	With Donor Restrictions	Total 2023	Total 2022
Support and Revenue				
Contributions	\$ 164,720	\$ 16,000	\$ 180,720	\$ 224,422
Grants	117,000	30,375	147,375	200,750
Program Service Revenue	122,300	-	122,300	121,300
Event Income	68,992	-	68,992	26,357
Interest Income	3,608	-	3,608	2,266
Endowment Distributions Received	9,724	-	9,724	9,640
In-Kind Contributions	79,764	-	79,764	32,937
Net Assets Released from Restrictions	45,012	(45,012)	-	-
Total Support and Revenue	611,120	1,363	612,483	617,672
Expenses				
Program Services	376,773	-	376,773	317,637
Management and General	93,205	-	93,205	88,446
Fundraising	99,507	-	99,507	97,303
Total Expenses	569,485	-	569,485	503,386
Change in Net Assets During Year	41,635	1,363	42,998	114,286
Net Assets, Beginning of Year	646,499	6,000	652,499	538,213
Net Assets, End of Year	\$ 688,134	\$ 7,363	\$ 695,497	\$ 652,499

The accompanying disclosures are an integral part of these financial statements.

Arts For Life
Statement of Functional Expenses

Year Ended December 31, 2023

(With summarized comparative totals for the prior year)

	Program Services	Management and General	Fundraising	Total 2023	Total 2022
<u>Personnel</u>					
Salaries	\$ 178,218	\$ 55,901	\$ 46,101	\$ 280,220	\$ 257,678
Payroll Taxes	14,051	4,414	3,633	22,098	19,616
Employee Benefits	20,893	6,562	5,403	32,858	30,613
Subtotal Personnel	213,162	66,877	55,137	335,176	307,907
Bank Fees	-	3,759	-	3,759	2,274
Contract Labor	23,500	-	-	23,500	23,650
Equipment Repairs	1,087	340	272	1,699	1,118
Fundraising Expenses	-	-	25,844	25,844	28,450
Insurance	2,217	693	555	3,465	3,908
Office Expense	5,005	1,564	1,252	7,821	6,256
Other Expenses	3,481	1,860	5,351	10,692	11,313
Postage and Delivery	1,274	319	1,593	3,186	3,365
Printing and Reproduction	2,314	771	4,627	7,712	6,662
Professional Fees	573	12,245	-	12,818	12,018
Program Art and Music Supplies	37,886	-	-	37,886	44,420
Rent	3,000	3,000	-	6,000	6,000
Staff Retreat and Meetings	3,682	260	276	4,218	4,078
Telephone	1,710	535	428	2,673	2,471
Travel	1,309	982	981	3,272	6,559
Subtotal Expenses	300,200	93,205	96,316	489,721	470,449
In-Kind Donations Utilized	76,573	-	3,191	79,764	32,937
Total Expenses	\$ 376,773	\$ 93,205	\$ 99,507	\$ 569,485	\$ 503,386

The accompanying disclosures are an integral part of these financial statements.

Arts For Life
Statement of Cash Flows
Year Ended December 31, 2023

(With summarized comparative totals for the prior year)

	2023	2022
<u>Cash Flows from Operating Activities</u>		
Change in Net Assets	\$ 42,998	\$ 114,286
Adjustments to reconcile change in net assets to net cash provided or used by operating activities:		
Interest Income Reinvested	(2,608)	-
(Increase)/Decrease in Operating Assets		
Accounts Receivable	13,766	(4,471)
Prepaid Expenses	-	1,533
Grants Receivable	-	162,033
Contributions Receivable	17,554	46,913
Increase/(Decrease) in Operating Liabilities		
Accounts Payable	(3,041)	1,987
Accrued Salaries	(5,227)	1,141
Net Cash Provided by Operating Activities	63,442	323,422
<u>Cash Flows from Investing Activities</u>		
Purchase of Certificates of Deposit	(150,000)	-
Net Cash Used by Investing Activities	(150,000)	-
Net Change in Cash and Cash Equivalents	(86,558)	323,422
Cash and Cash Equivalents, Beginning of Year	633,862	310,440
Cash and Cash Equivalents, End of Year	\$ 547,304	\$ 633,862

The accompanying disclosures are an integral part of these financial statements.

Arts For Life

Disclosures to the Financial Statements

Year Ended December 31, 2023

1. **Description of the Organization, Corporate and Tax-Exempt Status**

Arts For Life is a nonprofit organization dedicated to supporting pediatric patients and families through arts education and engagement. By providing educational art programs, we enrich patients' lives, nurture their minds and spirits, and encourage positive healthcare experiences for children and their families. In 2023, Arts For Life supported children in three chapter communities across North Carolina, serving more than 10,000 patients and family members statewide. Arts For Life provides specially designed art and music sessions for pediatric patients, including individual, group and remote programming.

Arts For Life was established in 2001 as a nonprofit corporation under the laws of the State of North Carolina. It qualifies for exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue code. In addition, it has been classified as a publicly supported organization under Section 509(a)(1). The organization receives its support principally through contributions and grants.

2. **Summary of Significant Accounting Policies**

Basis of Accounting

The financial statements have been prepared on an accrual basis of accounting and conform to accounting principles generally accepted in the United States of America (U.S. GAAP), as applicable to not-for-profit organizations.

Financial Statement Presentation

The classification of the organization's net assets, and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of two classes of net assets – without donor restrictions and with donor restrictions – be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

The classes of net assets are defined as follows:

Net Assets Without Donor Restrictions – Includes net assets that are not subject to donor-imposed restrictions and that 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 - Includes net assets that are subject to restrictions imposed by donors or grantors. Some donor and grantor restrictions are temporary in nature, such as those with a specified purpose or a timeframe for expenditure established by the donor or grantor. Other donor-imposed restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Cash and Cash Equivalents

The organization's cash consists of cash on deposit with banks. Cash equivalents represent money market funds or short-term investments with original maturities of three months or less from the date of purchase, except for those amounts held in the investment portfolio that are invested for long-term purposes.

Concentration of Credit Risk

Financial instruments that potentially subject the organization to concentrations of credit risk consist principally of cash and cash equivalents and investments. The organization maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. The organization's cash and cash equivalent accounts have been placed with high credit quality financial institutions. The organization has not experienced, nor does it anticipate, any losses with respect to such accounts.

Investments

The organization records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income and realized and unrealized capital gains and losses, net of investment expenses.

Accounts Receivable

Accounts receivable consist of amounts billed and recognized as program income. Accounts receivable are presented net of an allowance for credit losses, which is an estimate of amounts that may not be collectible. The Organization separates accounts receivable into risk pools to help determine the amount of the allowance as of the balance sheet date. This loss rate is based on management's historical collection experience, adjusted for management's expectations about current and future economic conditions.

Contributions and Grants Receivable

Contributions and grants receivable, without conditions, and expected to be collected within one year are recorded at net realizable value; those expected to be collected in more than one year are recorded at the present value of their future cash flows, using a risk adjusted interest rate. Any provision for uncollectible receivables is estimated by management based on historical collection experience.

Property and Equipment

Property and equipment purchases are capitalized at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. The capitalization threshold is \$5,000 per item. The organization did not have any property and equipment as of December 31, 2023.

Contributions and Grants

Contributions and grants are recognized in support: (1) when the organization receives cash, securities or other assets from a donor or grantor, (2) when a donor conveys a promise to make a donation in the future, on an unconditional basis, and (3) when a grantor awards a grant to be paid in the future, on an unconditional basis. Contributions and grants with conditions, such as performance requirements, are not recognized until the conditions on which they depend have been substantially met. Under this standard, the timing of recognition for a contribution received depends on whether the contribution is conditional or not. If the contribution is conditional, it is not recognized until the conditions are substantially met or explicitly waived.

Program Service Revenue

In accordance with U.S. GAAP, the organization follows ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), which requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. Arts For Life's program services support pediatric patients and families through arts education and engagement. Arts For Life works with participating North Carolina hospitals under one-year contracts. Services are billed to the hospitals monthly or quarterly as rendered. These contracts have a single performance obligation, met as the organization completes services for each period. Program service revenue is then recognized upon the completion of the month or quarter.

In-Kind Contributions

The organization recognizes contributed goods and the use of facilities at estimated fair value on the date of receipt. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased. When recognized, contributed services are reported at fair value.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Certain categories of expenses that are attributable to more than one program or supporting function require management's allocation on a reasonable basis that is consistently applied. The primary allocation basis used by management for personnel expenses and applicable overhead expenses is estimated based on employee time and effort.

Income Taxes/Uncertain Tax Positions

Arts For Life is exempt from federal income taxes under 501(c)(3) of the Internal Revenue Code. Under the Code, however, income from certain activities not related to the organization's tax-exempt purpose may be subject to taxation as unrelated business income. The organization had no income from unrelated business activities in 2023 and was, therefore, not required to file Federal Form 990-T (Exempt Organization Business Income Tax Return). The organization believes that it has appropriate support for all tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Summarized Comparative Data

The financial statements include certain prior-year summarized comparative information. Such information needs to include more detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the organization's audited financial statements for the year ended December 31, 2022, from which the summarized information was derived. Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation.

3. Liquidity and Availability

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are comprised of the following:

<u>As of December 31:</u>	<u>2023</u>	<u>2022</u>
Financial Assets at year end:		
Cash and Cash Equivalents	\$ 547,304	\$ 633,862
Certificates of Deposit	152,608	-
Accounts Receivable	1,378	15,144
Contributions Receivable	5,083	22,637
Total Financial Assets	<u>706,373</u>	<u>671,643</u>
Less amounts not available to be used in one year:		
Board Designated Funds	118,000	40,000
Contributions Receivable, Long-Term Portion	1,000	2,500
Total not available to be used in one year	<u>119,000</u>	<u>42,500</u>
Financial assets available to meet general expenditures over the following year	<u>\$ 587,373</u>	<u>\$ 629,143</u>

Arts For Life's goal is generally to maintain financial assets to meet a minimum of 90 days of operating expenses. Excess cash is invested in money market accounts as part of its liquidity plan.

4. Cash and Cash Equivalents

The cash and cash equivalents balance consists of the following:

<u>As of December 31:</u>	<u>2023</u>	<u>2022</u>
Checking Account	\$ 46,895	\$ 69,597
Money Market Funds	500,309	564,165
Petty Cash	100	100
Total Cash and Cash Equivalents	<u>\$ 547,304</u>	<u>\$ 633,862</u>

The organization utilizes two commercial banks in the United States. As of December 31, 2023, the organization's cash balances exceeded the FDIC coverage amount by \$52,080. Management believes the organization is not exposed to any significant credit risk on its cash balances.

5. Certificates of Deposit

Arts For Life purchased three short-term certificates of deposit ranging from three to six months with rates 5.2% - 5.35%. Activity during the year consist of the following:

As of December 31, 2022	\$ -
Purchases	150,000
Interest Income	2,608
As of December 31, 2023	<u>\$ 152,608</u>

6. Contributions Receivable

Contributions receivable totaled \$5,083 and \$22,637 as of December 31, 2023 and 2022, respectively. All receivable balances are expected to be collected in the following year. An additional allowance for doubtful accounts was not considered necessary.

7. Net Assets Without Donor Restrictions and Board Designated Net Assets

Net assets without donor restrictions totaled \$688,134 and \$646,499 as of December 31, 2023 and 2022, respectively. Arts For Life has established Board Designated Funds to help ensure the organization's long term financial stability totaling \$118,000 and 40,000 as of December 31, 2023, and 2022, respectively. The designated funds are held in a money market account at a financial institution.

8. Net Assets With Donor Restrictions

Arts For Life had a balance in net assets with donor restrictions of \$7,363 as of December 31, 2023. Of the \$7,363, approximately \$6,750 was restricted to the Asheville Chapter, and \$613 was restricted to the Winston-Salem Chapter. Net assets with donor restrictions for use by the Asheville Chapter totaled \$6,000 as of December 31, 2022.

9. In-Kind Contributions

Arts For Life recognizes in-kind contribution revenue for donated goods and services related to its programs and operations. A Charlotte area hospital supports Arts For Life by providing direct employment to two Arts For Life staff members; the hospital also provides a portion of the total cost of their employment. Arts For Life participates in the hiring, scheduling, and support of the employee and recognizes the in-kind donated services as revenue and expense on the statement of activities using the actual amounts paid by the hospital. In-kind contributions consists of the following:

<u>For the Year Ending December 31:</u>	<u>2023</u>	<u>2022</u>
Art Supplies and Goods	\$ 5,835	\$ 5,767
Facilities	1,500	-
Personnel Costs and Services	72,429	27,170
Total In-Kind Contributions	<u>\$ 79,764</u>	<u>\$ 32,937</u>

Arts For Life makes extensive use of volunteers to carry out its programs. For the year ended December 31, 2023, volunteers contributed 3,693 hours, with a total value of \$123,679 based on a rate of \$33.49 per hour a rate provided annually by the organization Independent Sector. The services contributed by volunteers did not meet the requirements of U.S. GAAP for recognition in the financial statements.

10. Community Foundation Funds Benefiting Arts For Life

Arts For Life is the income beneficiary of four funds held by others. These funds are not assets of Arts For Life and are, therefore, not reflected on the accompanying statement of financial position of the organization. Provided below is a list of those funds.

- The "Arts For Life Endowment Fund" was established by the organization at the Community Foundation of Western North Carolina as an endowment to benefit the Asheville chapter of Arts For Life.
- The "Dickson Art Fellowship Fund" was established by the organization at the Community Foundation of Western North Carolina as an endowment to benefit the Asheville chapter of Arts For Life.
- The "Forrest and Gene Vogler Arts Endowment" was established by the organization at the Winston-Salem Foundation as an endowment to benefit the Winston-Salem chapter of Arts For Life.

- The “Arts For Life Endowment” was established by the organization at the Winston-Salem Foundation as an endowment to benefit the Winston-Salem chapter of Arts For Life.

Arts For Life received distributions from these funds totaling \$9,724 and \$9,640 in 2023 and 2022, respectively.

11. *Subsequent Events*

Subsequent events have been evaluated through July 15, 2024, which is the date the financial statements were available to be issued.