

**ARTS FOR LIFE**  
AND SUBSIDIARY ARTS FOR LIFE KITS, LLC  
INDEPENDENT AUDITOR'S REPORT  
AND CONSOLIDATED FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2019



CORLISS &  
SOLOMON  
PLLC

CERTIFIED PUBLIC ACCOUNTANTS

**Arts For Life**  
and Subsidiary Arts For Life Kits, LLC  
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SOLOMON  
PLLC

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Arts For Life  
and Subsidiary Arts for Life Kits, LLC  
Asheville, North Carolina

We have audited the accompanying consolidated financial statements of Arts For Life and its subsidiary, Arts for Life Kits, LLC, which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditor's 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 Arts For Life and its subsidiary, Arts for Life Kits, LLC, as of December 31, 2019, 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.

**Report on Summarized Comparative Information**

We have previously audited the Arts for Life 2018 financial statements, and our report dated April 10, 2019, 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, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Carliss & Solomon, PLLC*

Asheville, North Carolina  
June 16, 2020

**Arts For Life**  
**and Subsidiary Arts For Life Kits, LLC**  
Consolidated Statement of Financial Position

As of December 31, 2019

(With summarized comparative totals as of December 31, 2018)

	<b>2019</b>	<b>2018</b>
<b><u>Assets</u></b>		
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 280,714	\$ 217,279
Contributions Receivable	26,928	3,561
Fees for Services Receivable	4,667	9,658
Prepaid Expenses	1,354	2,976
Other Assets	3,831	5,556
Total Current Assets	317,494	239,030
<u>Long-Term Assets</u>		
Long-Term Contributions Receivables	17,500	-
Total Long-Term Assets	17,500	-
<b>Total Assets</b>	<b>\$ 334,994</b>	<b>\$ 239,030</b>
<b><u>Liabilities and Net Assets</u></b>		
<u>Current Liabilities</u>		
Accounts Payable	\$ 4,514	\$ 3,500
Accrued Salary	19,093	16,742
Total Liabilities	23,607	20,242
<u>Net Assets</u>		
Without Donor Restrictions	213,466	96,535
With Donor Restrictions	97,921	122,253
Total Net Assets	311,387	218,788
<b>Total Liabilities and Net Assets</b>	<b>\$ 334,994</b>	<b>\$ 239,030</b>

*The accompanying notes are an integral part of these financial statements.*

**Arts For Life**  
**and Subsidiary Arts For Life Kits, LLC**  
Consolidated Statement of Activities

Year Ended December 31, 2019

(With summarized comparative totals for the prior year)

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total 2019</b>	<b>Total 2018</b>
<b>Support and Revenue</b>				
Contributions	\$ 358,062	\$ 54,210	\$ 412,272	\$ 256,427
Foundation Grants	42,200	96,950	139,150	207,328
Fees for Services	160,299	-	160,299	118,300
Event Income	29,288	-	29,288	27,337
Interest Income	352	-	352	80
Endowment Distributions Received	9,154	-	9,154	19,100
In-Kind Contributions	66,704	-	66,704	52,739
Net Assets Released from Restrictions	175,492	(175,492)	-	-
<b>Total Support and Revenue</b>	<b>841,551</b>	<b>(24,332)</b>	<b>817,219</b>	<b>681,311</b>
<b>Expenses</b>				
Program Services	493,877	-	493,877	495,042
Management and General	99,326	-	99,326	77,567
Fundraising	131,417	-	131,417	130,692
<b>Total Expenses</b>	<b>724,620</b>	<b>-</b>	<b>724,620</b>	<b>703,301</b>
Change in Net Assets During Year	116,931	(24,332)	92,599	(21,990)
Net Assets, Beginning of Year	96,535	122,253	218,788	240,778
<b>Net Assets, End of Year</b>	<b>\$ 213,466</b>	<b>\$ 97,921</b>	<b>\$ 311,387</b>	<b>\$ 218,788</b>

*The accompanying notes are an integral part of these financial statements.*

**Arts For Life**  
**and Subsidiary Arts For Life Kits, LLC**  
Consolidated Statement of Functional Expenses

Year Ended December 31, 2019

(With summarized comparative totals for the prior year)

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total 2019</b>	<b>Total 2018</b>
<u>Personnel</u>					
Salaries	\$ 309,535	\$ 63,732	\$ 54,552	\$ 427,819	\$ 396,070
Payroll Taxes	23,021	4,693	4,017	31,731	32,172
Employee Benefits	23,959	4,886	4,181	33,026	29,939
Subtotal Personnel	356,515	73,311	62,750	492,576	458,181
Bank Fees	-	2,205	-	2,205	3,308
Contract Labor	26,023	-	553	26,576	39,179
Equipment Repairs	137	28	24	189	2,546
Event Expenses	-	-	31,908	31,908	32,071
Fundraising Expenses	-	-	5,504	5,504	6,648
Insurance	1,102	225	192	1,519	1,587
Office Expense	4,711	961	822	6,494	5,425
Postage and Delivery	2,470	618	3,087	6,175	4,544
Printing and Reproduction	2,717	679	3,397	6,793	6,729
Professional Fees	5,388	10,785	-	16,173	10,265
Program Expenses					
Art Supplies	17,378	-	-	17,378	27,350
Volunteer Costs	2,230	-	-	2,230	3,471
Rent	6,702	1,366	1,170	9,238	10,820
Staff Retreat and Meetings	2,378	485	485	3,348	11,115
Telephone	2,432	496	424	3,352	2,968
Travel	9,151	4,575	4,575	18,301	18,638
Other Expenses	1,180	3,592	3,185	7,957	5,717
Subtotal Expenses	440,514	99,326	118,076	657,916	650,562
In-Kind Donations Utilized	53,363	-	13,341	66,704	52,739
<b>Total Expenses</b>	<b>\$ 493,877</b>	<b>\$ 99,326</b>	<b>\$ 131,417</b>	<b>\$ 724,620</b>	<b>\$ 703,301</b>

*The accompanying notes are an integral part of these financial statements.*

**Arts For Life**  
**and Subsidiary Arts For Life Kits, LLC**  
Statement of Cash Flows

Year Ended December 31, 2019

(With summarized comparative totals for the prior year)

	<b>2019</b>	<b>2018</b>
<b>Cash Flows from Operating Activities</b>		
Change in Net Assets	\$ 92,599	\$ (21,990)
Adjustments to reconcile change in net assets to net cash provided or used by operating activities:		
(Increase)/Decrease in Operating Assets		
Grants Receivable	-	21,375
Fees for Services Receivable	4,991	6,367
Contributions Receivable	(40,867)	2,914
Prepaid Expenses	1,622	(349)
Other Assets	1,725	(3,539)
Increase/(Decrease) in Operating Liabilities		
Accounts Payable	1,014	(3,587)
Accrued Salary	2,351	3,315
Deferred Revenue	-	(1,000)
Net Cash Provided by Operating Activities	63,435	3,506
Net Change in Cash	63,435	3,506
Cash and Cash Equivalents, Beginning of Year	217,279	213,773
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 280,714</b>	<b>\$ 217,279</b>

*The accompanying notes are an integral part of these financial statements.*



**Arts For Life**  
**and Subsidiary Arts For Life Kits, LLC**  
Notes to Financial Statements  
For the Year Ended December 31, 2019

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. Arts for Life helps children in four cities across North Carolina, and in 2019, supported 14,844 patients and family members statewide.

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).

Arts For Life Kits, LLC Subsidiary

In September 2017, Arts For Life established a subsidiary entity, Arts For Life Kits, LLC, to manage selling art kit subscriptions to hospitals and clinics. Arts For Life Kits is a single-member, member-managed LLC, organized in the state of North Carolina, with Arts for Life being the sole member. It is treated as a disregarded entity for income tax purposes.

2. **Summary of Significant Accounting Policies**

Basis of Presentation

The consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require an organization to report information regarding its financial position and activities according to the following net asset classifications:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

*Net Assets With Donor Restrictions* - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor- imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Funding

Arts For Life is funded primarily by program service fees, foundation grants, and support from the public.

Cash and Cash Equivalents

For purposes of reporting on the statement of cash flows, the organization considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents.

### 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.

### 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.

### Fair Value Measurements

In accordance with U.S. GAAP, Arts For Life follows "Fair Value Measurements." This standard establishes a single definition of fair value and a framework for measuring fair value in financial statements under U.S. GAAP. Fair value is defined as "the price that would be received to sell an asset in an orderly transaction between market participants at an agreed upon measurement date. That is, fair value is based on an exit price, which may differ from the price paid to acquire the asset. If there is a principal market for the asset, fair value represents the price in that market." The organization does not have any financial assets that it carries at fair value on a recurring basis.

### Revenue and Revenue Recognition

Revenue is recognized when earned. Program services fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, and unconditional promises to give, or notification or beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

### Contributions

Contributions received are recorded as without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions. As restrictions expire, net assets are reclassified to net assets without donor restrictions and are reported on the statement of activities as "Net Assets Released from Restrictions."

### In-Kind Contributions

The organization recognizes contributed goods and the use of facilities at estimated fair value on the date of receipt. Contributed services are recognized in the financial statements if they require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. When recognized, contributed services are reported at fair value.

### Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 managements 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 2019 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.

### New Accounting Pronouncement

In May 2014, the Financial Accounting Standards Board (FASB) issued amended guidance to clarify the principles for recognizing revenue from contracts with customers (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606). The guidance 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. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers, as well as other disclosures. The standard is effective for annual reporting periods beginning after December 15, 2018. The organization has adopted the new standard for calendar 2019 with modified prospective application to 2019. Accordingly, the summarized prior period comparative statements for 2018 have not been adjusted. Impacts to the 2018 financial statements from the revenue recognition standards are not considered significant.

### Summarized Comparative Data

The financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's audited financial statements for the year ended December 31, 2018, 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

The organization's liquidity management plan is to invest cash in excess of daily requirements in a money market account.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, are comprised of the following (see next page):

<u>As of December 31:</u>	<u>2019</u>	<u>2018</u>
Cash and Cash Equivalents	\$ 280,714	\$ 217,279
Grants and Contributions Receivable	26,928	3,561
Fees for Services Receivable	4,667	9,658
Total Financial Assets Available for General Expenditure	<u>\$ 312,309</u>	<u>\$ 230,498</u>

The total net assets with donor restrictions detailed in Note 8 are projected to be satisfied in the coming year through achievement of program objectives and operating expenditures.

Arts For Life's goal is generally to maintain financial assets to meet a minimum of 90 days of operating expenses (approximately \$170,000). As part of its liquidity plan, excess cash is invested in money market accounts.

#### 4. **Cash and Cash Equivalents**

The cash and cash equivalents balance consist of the following as of December 31:

<u>As of December 31:</u>	<u>2019</u>	<u>2018</u>
Checking Account	\$ 116,679	\$ 78,164
Money Market Funds	137,211	128,472
Undeposited Funds	26,724	10,443
Petty Cash	100	200
Total Cash and Cash Equivalents	<u>\$ 280,714</u>	<u>\$ 217,279</u>

#### 5. **Contributions Receivable**

Contributions receivable totaled \$44,428 and \$3,561 for the years ended December 31, 2019 and 2018, respectively. Management believes all receivables are fully collectible and no allowance for doubtful accounts is considered necessary. Collections by year are as follows:

<u>For the year ended December 31:</u>	
2020	\$ 26,928
2021	17,500
Total Contributions Receivable	<u>\$ 44,428</u>

#### 6. **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 one of their employees. 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. In-kind contributions for the years ended December 31, 2019 and 2018 consist of the following:

<u>As of December 31:</u>	<u>2019</u>	<u>2018</u>
Art Supplies and Goods	\$ 13,446	\$ 3,422
Fundraising Event	10,733	-
Personnel Costs and Services	42,525	49,317
Total In-Kind Contributions	<u>\$ 66,704</u>	<u>\$ 52,739</u>

Arts For Life makes extensive use of volunteers to carry out its programs. For the year ended December 31, 2019, volunteers contributed 11,592 hours providing direct services in the hospital. The services contributed by volunteers did not meet the requirements of U.S. GAAP for recognition in the financial statements.

#### 7. **Fundraising Events**

Arts For Life holds several events throughout the year. Income and expenses for the years ending December 31, 2019 and 2018 are summarized as follows:

<u>As of December 31:</u>	<u>2019</u>	<u>2018</u>
Event Income	\$ 29,288	\$ 27,337
Less: Direct Event Expenses	(5,504)	(6,378)
Net Fundraising Event Income	<u>\$ 23,784</u>	<u>\$ 20,959</u>

#### 8. **Net Assets With Donor Restrictions**

Net assets with donor restrictions were as follows as of December 31, 2019 and 2018:

<u>As of December 31:</u>	<u>2019</u>	<u>2018</u>
Restricted to Asheville Chapter	\$ 756	\$ 23,328
Arts For Life Kits Project	97,165	98,925
Total Net Assets with Donor Restrictions	<u>\$ 97,921</u>	<u>\$ 122,253</u>

#### 9. **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” was established by the organization at the Community Foundation of Western North Carolina as an endowment to benefit Arts For Life.
- The “John Dickson Art 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 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 Winston-Salem 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 \$9,154 and \$19,100 in 2019 and 2018, respectively.

#### 10. **Lease Commitments**

Arts For Life renewed a one-year lease for office space located in Asheville, NC. The organization also has a month to month lease for its Durham, NC location. Total rent expense for the year ended December 31, 2019 and 2018 was \$9,238 and \$10,820, respectively. Future minimum lease obligations consist of \$3,792 to be paid in 2020.

**11. Arts For Life Kits, LLC.**

Arts For Life Kits, LLC financial assets consist of one bank account totaling \$96,355 as of December 31, 2019, and during 2019 recorded expenses of \$810. These assets and expenses are reflected in the financial statements presented.

**12. Subsequent Events**

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of the geographical area in which the organization operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the organization, to date, the organization is expecting a decline in revenue through the remainder of 2020. The potential for subsequent decline in contributions and foundation grants make it reasonably possible that Arts For Life may face the risk of a subsequent impact.

On May 1, 2020, Arts For Life received a Paycheck Protection Program loan in the amount of \$91,700. This loan is potentially forgivable if the organization meets certain criteria. The loan has an interest rate of 1% and is due two years from the date of origination. There is no collateral or personal guarantees associated with this loan.

Subsequent events have been evaluated through June 16, 2020, which is the date the financial statements were available to be issued.