

ARTS FOR LIFE
AND SUBSIDIARY ARTS FOR LIFE KITS, LLC
INDEPENDENT AUDITOR'S REPORT
AND CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020



CERTIFIED PUBLIC ACCOUNTANTS

Arts For Life
and Subsidiary Arts For Life Kits, LLC
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CORLISS &
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, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related financial statement disclosures.

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, 2020, 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 2019 consolidated financial statements of Arts For Life and its subsidiary Arts For Life Kits LLC, and our report dated June 16, 2020, 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, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Carliss & Solomon, PLLC

Asheville, North Carolina
July 8, 2021

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

As of December 31, 2020

(With summarized comparative totals as of December 31, 2019)

	2020	2019
<u>Assets</u>		
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 244,378	\$ 280,714
Contributions Receivable	56,800	26,928
Accounts Receivable	2,809	4,667
Prepaid Expenses	1,476	1,354
Other Assets	1,198	3,831
Total Current Assets	306,661	317,494
<u>Long-Term Assets</u>		
Long-Term Contributions Receivables	38,550	17,500
Total Long-Term Assets	38,550	17,500
Total Assets	\$ 345,211	\$ 334,994
<u>Liabilities and Net Assets</u>		
<u>Current Liabilities</u>		
Accounts Payable	\$ 5,297	\$ 4,514
Accrued Salary	19,359	19,093
Total Liabilities	24,656	23,607
<u>Net Assets</u>		
Without Donor Restrictions	316,151	213,466
With Donor Restrictions	4,404	97,921
Total Net Assets	320,555	311,387
Total Liabilities and Net Assets	\$ 345,211	\$ 334,994

The accompanying disclosures 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, 2020

(With summarized comparative totals for the prior year)

	Without Donor Restrictions	With Donor Restrictions	Total 2020	Total 2019
<u>Support and Revenue</u>				
Contributions	\$ 311,003	\$ 21,036	\$ 332,039	\$ 412,272
Grants	58,000	133,700	191,700	139,150
Fees for Services	161,300	-	161,300	160,299
Event Income	2,396	-	2,396	29,288
Interest Income	255	-	255	352
Endowment Distributions Received	7,360	-	7,360	9,154
Other Income	3,718	-	3,718	-
In-Kind Contributions	70,519	-	70,519	66,704
Net Assets Released from Restrictions	248,253	(248,253)	-	-
Total Support and Revenue	862,804	(93,517)	769,287	817,219
<u>Expenses</u>				
Program Services	608,293	-	608,293	493,877
Management and General	95,789	-	95,789	99,326
Fundraising	56,037	-	56,037	131,417
Total Expenses	760,119	-	760,119	724,620
Change in Net Assets During Year	102,685	(93,517)	9,168	92,599
Net Assets, Beginning of Year	213,466	97,921	311,387	218,788
Net Assets, End of Year	\$ 316,151	\$ 4,404	\$ 320,555	\$ 311,387

The accompanying disclosures 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, 2020

(With summarized comparative totals for the prior year)

	Program Services	Management and General	Fundraising	Total 2020	Total 2019
<u>Personnel</u>					
Salaries	\$ 368,502	\$ 60,678	\$ 32,314	\$ 461,494	\$ 427,819
Payroll Taxes	28,314	4,646	2,474	35,434	31,731
Employee Benefits	40,460	5,514	2,937	48,911	30,031
Subtotal Personnel	437,276	70,838	37,725	545,839	489,581
Bank Fees	268	3,950	-	4,218	2,205
Contract Labor	21,000	-	188	21,188	26,576
Equipment Repairs	309	59	32	400	189
Event Expenses	-	-	-	-	31,908
Fundraising Expenses	-	-	5,442	5,442	5,504
Insurance	2,797	360	192	3,349	4,514
Marketing	14,179	-	-	14,179	-
Office Expense	7,317	1,105	588	9,010	6,494
Postage and Delivery	6,226	519	2,593	9,338	6,175
Printing and Reproduction	2,166	542	2,708	5,416	6,793
Professional Fees	2,422	12,934	-	15,356	16,173
<u>Program Expenses</u>					
Art Supplies	23,792	-	-	23,792	17,378
Volunteer Costs	274	-	-	274	2,230
Rent	5,427	1,044	556	7,027	9,238
Staff Retreat and Meetings	4,881	354	354	5,589	3,348
Telephone	2,547	386	205	3,138	3,352
Travel	1,213	381	381	1,975	18,301
Other Expenses	5,679	3,317	5,073	14,069	7,957
Subtotal Expenses	537,773	95,789	56,037	689,599	657,916
In-Kind Donations Utilized	70,520	-	-	70,520	66,704
Total Expenses	\$ 608,293	\$ 95,789	\$ 56,037	\$ 760,119	\$ 724,620

The accompanying disclosures 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, 2020

(With summarized comparative totals for the prior year)

	2020	2019
<u>Cash Flows from Operating Activities</u>		
Change in Net Assets	\$ 9,168	\$ 92,599
Adjustments to reconcile change in net assets to net cash provided or used by operating activities:		
(Increase)/Decrease in Operating Assets		
Accounts Receivable	1,858	4,991
Contributions Receivable	(50,922)	(40,867)
Prepaid Expenses	(122)	1,622
Other Assets	2,633	1,725
Increase/(Decrease) in Operating Liabilities		
Accounts Payable	783	1,014
Accrued Salary	266	2,351
Net Cash Provided/(Used) by Operating Activities	(36,336)	63,435
Net Change in Cash and Cash Equivalents	(36,336)	63,435
Cash and Cash Equivalents, Beginning of Year	280,714	217,279
Cash and Cash Equivalents, End of Year	\$ 244,378	\$ 280,714

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

Arts For Life
and Subsidiary Arts For Life Kits, LLC
Financial Statement Disclosures
For the Year Ended December 31, 2020

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 2020, supported 7,215 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 2019, 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. Effective December 31, 2020, Arts For Life merged its subsidiary, Arts For Life Kits, LLC, into the Arts For Life entity, with the intent of bringing all future kit-related operations back under the purview of Arts For Life. It dissolved Arts for Life Kits, LLC on January 1, 2021.

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. 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 Recognition

Fee for service 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

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." 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. A not-for-profit entity may account for PPP loans in accordance with FASB ASC 958-605, Not-for-Profit Entities-Revenue Recognition, as a conditional contribution. Under FASB ASC 958-605, 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.

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 2020 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 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, 2019, 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 financial statement date, are comprised of the following:

<u>As of December 31:</u>	<u>2020</u>	<u>2019</u>
Financial Assets at year end:		
Cash and Cash Equivalents	\$ 244,378	\$ 280,714
Contributions Receivable	95,350	44,428
Accounts Receivable	2,809	4,667
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 342,537</u>	<u>\$ 329,809</u>

The total net assets with donor restrictions detailed in Disclosure 6 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. 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>2020</u>	<u>2019</u>
Checking Account	\$ 53,340	\$ 116,679
Money Market Funds	166,334	137,211
Undeposited Funds	24,604	26,724
Petty Cash	100	100
Total Cash and Cash Equivalents	<u>\$ 244,378</u>	<u>\$ 280,714</u>

5. Contributions Receivable

Contributions receivable totaled \$95,350 and \$44,428 for the years ended December 31, 2020 and 2019, 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>		
2021	\$	56,800
2022		38,550
Total Contributions Receivable	<u>\$</u>	<u>95,350</u>

6. Net Assets With Donor Restrictions

Net assets with donor restrictions were as follows as of December 31, 2020 and 2019:

<u>As of December 31:</u>	<u>2020</u>	<u>2019</u>
Restricted to Asheville Chapter	\$ 4,404	\$ 756
Arts For Life Kits Project	-	97,165
Total Net Assets with Donor Restrictions	<u>\$ 4,404</u>	<u>\$ 97,921</u>

7. PPP Conditional Grant Award

On May 1, 2020, the organization received a Paycheck Protection Program loan in the amount of \$91,700. The loan is potentially forgivable if the organization meets certain criteria and can be recognized as income when those conditions are substantially met. During the audit year, conditions were substantially met through December 31, 2020, and \$91,700 of the loan was recognized as grant revenue during the audit year.

8. 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, 2020 and 2019 consist of the following:

<u>As of December 31:</u>	<u>2020</u>	<u>2019</u>
Art Supplies and Goods	\$ 3,024	\$ 13,446
Fundraising Event	-	10,733
Personnel Costs and Services	67,496	42,525
Total In-Kind Contributions	<u>\$ 70,520</u>	<u>\$ 66,704</u>

Arts For Life makes extensive use of volunteers to carry out its programs. For the year ended December 31, 2020, volunteers contributed 1,787 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.

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 Fund” was established by the organization at the Community Foundation of Western North Carolina as an endowment to benefit 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 \$7,360 and \$9,154 in 2020 and 2019, respectively.

10. Lease Commitments

Arts For Life is party to a 15-month lease which expires on December 31, 2021 for office space located in Asheville, NC. Total rent expense for the year ended December 31, 2020 and 2019 was \$7,027 and \$9,238, respectively. Future minimum lease obligations consist of \$6,000 to be paid in 2021.

11. Risk and Uncertainties

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus (the COVID-19 outbreak) and the risks to the international community as the virus spreads globally. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the organization’s financial condition, liquidity, and future results of operations. Management is actively monitoring the effects of the global situation on the organization’s financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the organization is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial conditions, or liquidity for the fiscal year 2021.

12. Subsequent Events

As of January 1, 2021, Arts For Life Kits, LLC was legally dissolved.

Subsequent events have been evaluated through July 8, 2021, which is the date the financial statements were available to be issued.