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THE ART CONNECTION, INC.  
REPORT ON REVIEW OF FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2011 AND 2010

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YEARS ENDED JUNE 30, 2011 AND 2010

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TIMOTHY M. CRAVEN

Certified Public Accountant

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors of  
The Art Connection, Inc.  
Boston, Massachusetts

I have reviewed the accompanying statements financial position of the Art Connection, Inc., as of June 30, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, I do not express such an opinion.

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 designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

My responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require me to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. I believe that the results of my procedures provide a reasonable basis for my report.

Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

*Timothy M. Craven CPA*

January 16, 2012

THE ART CONNECTION, INC.  
(A NOT-FOR-PROFIT ORGANIZATION)  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2011 AND 2010

2011-06-30

ASSETS

	<u>2011</u>	<u>2010</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 195,521	\$ 265,404
Prepays	<u>6,405</u>	<u>727</u>
Total current assets	<u>201,926</u>	<u>266,131</u>
<b>PROPERTY &amp; EQUIPMENT, at cost:</b>		
Equipment	14,201	14,201
Less: Accumulated depreciation	<u>(13,583)</u>	<u>(13,336)</u>
Net property and equipment	<u>618</u>	<u>865</u>
	<u>\$ 202,544</u>	<u>\$ 266,996</u>

LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 4,466	\$ 2,400
Total liabilities	4,466	2,400
<b>NET ASSETS</b>		
Unrestricted	198,078	264,596
Temporarily restricted	<u>          </u>	<u>          </u>
Total net assets	<u>198,078</u>	<u>264,596</u>
	<u>\$ 202,544</u>	<u>\$ 266,996</u>

See accompanying notes to financial statements.

THE ART CONNECTION, INC.  
(A NOT-FOR-PROFIT ORGANIZATION)  
STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2011 AND 2010

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	<u>2011</u>	<u>2010</u>
<b>UNRESTRICTED NET ASSETS</b>		
Support		
Contributions	\$ 156,920	\$ 92,302
Gain/(loss) on sale of investments	(83)	(112)
Grants	19,940	4,060
Investment earnings	218	735
	176,995	96,985
Net assets released from restrictions		
Restrictions satisfied by payments	0	0
	0	0
	176,995	96,985
<b>EXPENSES:</b>		
Programs	138,585	150,715
General and administrative	74,330	69,369
Fundraising	30,598	27,078
TOTAL EXPENSES	243,513	247,162
	(66,518)	(150,177)
<b>TEMPORARILY RESTRICTED NET ASSETS</b>		
Contributions		
Net assets released from restrictions		
	0	0
	(66,518)	(150,177)
	264,596	414,773
	\$ 198,078	\$ 264,596

See accompanying notes to financial statements.

THE ART CONNECTION, INC.  
(A NOT-FOR-PROFIT ORGANIZATION)  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ (66,518)	\$ (150,177)
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	247	611
Non-cash contribution		
(Increase) Decrease in assets:		
Investments		
Prepays	(5,678)	
Increase (Decrease) in liabilities:		
Accounts payable	<u>2,066</u>	<u>(5,242)</u>
NET CASH & CASH EQUIVALENTS USED BY OPERATIONS	(69,883)	(154,808)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of fixed assets	<u>          </u>	<u>          </u>
NET CASH & CASH EQUIVALENTS USED BY INVESTING ACTIVITIES	<u>0</u>	<u>-</u>
DECREASE IN CASH & CASH EQUIVALENTS	(69,883)	(154,808)
CASH & CASH EQUIVALENTS, BEGINNING OF YEAR	<u>265,404</u>	<u>420,212</u>
CASH & CASH EQUIVALENTS, END OF YEAR	<u>\$ 195,521</u>	<u>\$ 265,404</u>

See accompanying notes to financial statements.

THE ART CONNECTION, INC.  
(A NOT-FOR-PROFIT ORGANIZATION)  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2011 AND 2010

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1. Organization:

The Art Connection, Inc. (the "Organization") was founded in 1995 to promote and achieve the placement of art works in social service and other non-profit organizations, principally in eastern Massachusetts.

2. Significant accounting policies:

Method of accounting:

The accompanying financial statements are prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of presentation:

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Tax status:

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is reflected in the accompanying financial statements.

Revenue recognition:

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted net assets whose restrictions are completely met within the year of receipt are recognized as unrestricted support.

Cash and cash equivalents:

The Organization considers all short-term investments with an original maturity of three months or less to be cash equivalents. During the year, the Organization's cash in bank balances exceeded the federally insured limits. At June 30, 2011 and June 30, 2010, the Organization had no uninsured cash balances.

Contributed services:

The organization receives a substantial amount of services donated by Board and other volunteers. No amounts have been reflected in these financial statements for those services since they do not meet the criteria for recognition under SFAS No. 116, Accounting for Contributions Received and Contributions Made.

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2. Significant accounting policies - continued:

Investment securities:

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from the estimates.

Functional allocation of expenses:

The costs of providing various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Depreciation:

Furniture and fixtures are recorded at cost and depreciation is provided over estimated useful lives of five and seven years on a straight-line basis.

3. Temporarily restricted net assets:

At June 30 2011 and June 30, 2010, there were no temporarily restricted net assets.