

THE ART CONNECTION, INC.
REPORT ON REVIEW OF FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2014 AND 2013

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TIMOTHY M. CRAVEN

Certified Public Accountant

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, 2014 and 2013, 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

August 19, 2014

THE ART CONNECTION, INC.
(A NOT-FOR-PROFIT ORGANIZATION)
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2014 AND 2013

ASSETS

	<u>2014</u>	<u>2013</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 171,015	\$ 169,266
Accounts receivable	1,325	3,000
Prepays	<u>727</u>	<u>727</u>
Total current assets	<u>173,067</u>	<u>172,993</u>
PROPERTY & EQUIPMENT, at cost:		
Equipment	14,201	14,201
Less: Accumulated depreciation	<u>(14,051)</u>	<u>(13,875)</u>
Net property and equipment	<u>150</u>	<u>326</u>
	<u>\$ 173,217</u>	<u>\$ 173,319</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable	\$ 1,418	\$ 2,155
Total liabilities	1,418	2,155
NET ASSETS		
Unrestricted	171,799	171,164
Temporarily restricted	<u> </u>	<u> </u>
Total net assets	<u>171,799</u>	<u>171,164</u>
	<u>\$ 173,217</u>	<u>\$ 173,319</u>

See accompanying notes to financial statements.

THE ART CONNECTION, INC.
(A NOT-FOR-PROFIT ORGANIZATION)
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
UNRESTRICTED NET ASSETS		
Support		
Contributions	\$ 194,876	\$ 125,792
Gain/(loss) on sale of investments	17	256
Grants	54,400	120,500
Investment earnings	50	190
	<hr/>	<hr/>
TOTAL UNRESTRICTED SUPPORT	249,343	246,738
Net assets released from restrictions		
Restrictions satisfied by payments	0	0
	<hr/>	<hr/>
TOTAL UNRESTRICTED SUPPORT AND RECLASSIFICATIONS	249,343	246,738
 EXPENSES:		
Programs	154,999	151,666
General and administrative	69,359	68,639
Fundraising	24,350	25,240
TOTAL EXPENSES	<hr/>	<hr/>
	248,708	245,545
	<hr/>	<hr/>
INCREASE/(DECREASE) IN UNRESTRICTED NET ASSETS	635	1,193
 TEMPORARILY RESTRICTED NET ASSETS		
Contributions		
Net assets released from restrictions		
	<hr/>	<hr/>
DECREASE IN TEMPORARILY RESTRICTED NET ASSETS	0	0
	<hr/>	<hr/>
INCREASE/(DECREASE) IN NET ASSETS	635	1,193
NET ASSETS, BEGINNING OF YEAR	<hr/>	<hr/>
	171,164	169,971
NET ASSETS, END OF YEAR	<hr/>	<hr/>
	\$ 171,799	\$ 171,164
	<hr/>	<hr/>

See accompanying notes to financial statements.

THE ART CONNECTION, INC.
(A NOT-FOR-PROFIT ORGANIZATION)
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ 635	\$ 1,193
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	176	176
Non-cash contribution		
(Increase) Decrease in assets:		
Investments		
Accounts receivable	1,675	2,500
Prepays		
Increase (Decrease) in liabilities:		
Accounts payable	<u>(737)</u>	<u>1,160</u>
NET CASH & CASH EQUIVALENTS USED BY OPERATIONS	1,749	5,029
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	1,749	5,029
CASH & CASH EQUIVALENTS, BEGINNING OF YEAR	<u>169,266</u>	<u>164,237</u>
CASH & CASH EQUIVALENTS, END OF YEAR	<u>\$ 171,015</u>	<u>\$ 169,266</u>

See accompanying notes to financial statements.

THE ART CONNECTION, INC.
(A NOT-FOR-PROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2014 AND 2013

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, 2014 and June 30, 2013, 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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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2014 AND 2013

2. Significant accounting policies - continued:

Uncertainty in income taxes:

The organization adopted the new standards for *Accounting for Uncertainty in Income Taxes*, which require the organization to report any uncertain tax positions and to adjust the financial statements for the impact thereof. As of June 30, 2014, the organization determined that it had no tax positions that did not meet the “more likely than not” threshold of being sustained by the applicable tax authority. The organization files information returns in the United States federal and Massachusetts state jurisdictions. These returns are generally subject to examination by tax authorities for the last three years.

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.

Concentration of risk:

Financial investments that potentially subject the organization to concentration of risk consist primarily of cash on deposit. The organization places its cash on deposit with one financial institution. Accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. At no time during the years did the organization’s cash balances exceed the federally insured limits.

3. Temporarily restricted net assets:

At June 30 2014 and June 30, 2013, there were no temporarily restricted net assets.

4. Fair value:

The organization reports its qualifying assets and liabilities in accordance with the *Fair Value Measurements and Disclosure Standards* of US GAAP. These standards define fair value, establish a framework for measuring fair value and expand disclosures about fair value measurements. This policy establishes a fair value framework that prioritizes the inputs and assumptions used to measure fair value.

The three levels of the fair value framework are as follows:

Level – 1 Inputs reflect unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2014 AND 2013

4. Fair Value - continued:

Level – 2 Inputs other than quoted prices in active markets that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level – 3 Inputs that are unobservable.

A qualifying asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. The organization's qualifying assets or liabilities are recorded at fair value using Level 1 inputs.

5. Subsequent events:

Subsequent events have been evaluated through August 18, 2014 which is the date the financial statements were available to be issued for events requiring recording or disclosure in the financial statements for the years ended June 30, 2014 and June 30, 2013. No events occurred which would have a material effect on the financial statements as of that date.