

GREATER HARTFORD ARTS COUNCIL, INCORPORATED

**FINANCIAL STATEMENTS,
INDEPENDENT AUDITOR'S REPORT,
SUPPLEMENTARY INFORMATION AND
SUPPLEMENTAL REPORT**

YEARS ENDED DECEMBER 31, 2017 AND 2016

GREATER HARTFORD ARTS COUNCIL, INCORPORATED

FINANCIAL STATEMENTS,
INDEPENDENT AUDITOR'S REPORT,
SUPPLEMENTARY INFORMATION
AND SUPPLEMENTAL REPORT

DECEMBER 31, 2017 AND 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Greater Hartford Arts Council, Incorporated
Hartford, Connecticut

Report on the Financial Statements

We have audited the accompanying financial statements of the Greater Hartford Arts Council, Incorporated (the "Arts Council", a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and cash flows for the years 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 the 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 the Greater Hartford Arts Council, Incorporated as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Detailed Summary of United Arts Campaign Grants and Allocations is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated May 14, 2018, on our consideration of the Arts Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Arts Council's internal control over financial reporting and compliance.

Maloney Sabol & Company, LLP

Glastonbury, Connecticut
May 14, 2018

GREATER HARTFORD ARTS COUNCIL, INCORPORATED

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,145,004	\$ 1,270,889
Restricted cash and cash equivalents	151,712	55,000
Contributions receivable, net	322,529	325,224
Grants receivable	31,328	-
Prepaid expenses and other current assets	46,522	31,452
TOTAL CURRENT ASSETS	<u>1,697,095</u>	<u>1,682,565</u>
PROPERTY AND EQUIPMENT, NET	<u>29,774</u>	<u>30,707</u>
OTHER ASSETS:		
Endowment - cash and cash equivalents	67,563	67,563
Beneficial interest in assets held by community foundation	46,997	41,827
Security deposits	22,266	22,266
TOTAL OTHER ASSETS	<u>136,826</u>	<u>131,656</u>
TOTAL ASSETS	<u>\$ 1,863,695</u>	<u>\$ 1,844,928</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 25,036	\$ 40,629
Fiscal agent payable	151,712	55,000
Grants payable	458,234	498,005
Deferred revenue	11,193	37,443
TOTAL CURRENT LIABILITIES	<u>646,175</u>	<u>631,077</u>
ACCRUED RENT PAYABLE	<u>63,701</u>	<u>82,574</u>
TOTAL LIABILITIES	<u>709,876</u>	<u>713,651</u>
NET ASSETS:		
Unrestricted	1,074,652	871,142
Temporarily restricted	23,818	204,786
Permanently restricted	55,349	55,349
TOTAL NET ASSETS	<u>1,153,819</u>	<u>1,131,277</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,863,695</u>	<u>\$ 1,844,928</u>

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

GREATER HARTFORD ARTS COUNCIL, INCORPORATED

STATEMENT OF ACTIVITIES

DECEMBER 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE:				
United Arts Campaign:				
Campaign contributions	\$ 1,483,192	\$ 793,346	\$ -	\$ 2,276,538
Campaign contributions - goods and services	25,041	-	-	25,041
Government grants	96,263	-	-	96,263
	<u>1,604,496</u>	<u>793,346</u>	<u>-</u>	<u>2,397,842</u>
Other income	76,223	-	-	76,223
Net assets released from restrictions	974,314	(974,314)	-	-
TOTAL SUPPORT AND REVENUE	<u>2,655,033</u>	<u>(180,968)</u>	<u>-</u>	<u>2,474,065</u>
EXPENSES:				
Program services:				
United Arts Campaign grants:				
Operating grants	465,830	-	-	465,830
Other designated grants/commissions	554,140	-	-	554,140
Other grant related expenses	261,975	-	-	261,975
Total United Arts Campaign grants	<u>1,281,945</u>	<u>-</u>	<u>-</u>	<u>1,281,945</u>
Planning, Promoting, Community Service and Arts				
Education programs:				
Arts education	128,264	-	-	128,264
Arts and community promotion	447,745	-	-	447,745
Total program services	<u>1,857,954</u>	<u>-</u>	<u>-</u>	<u>1,857,954</u>
Supporting services:				
Fundraising	481,420	-	-	481,420
Management and general	112,149	-	-	112,149
TOTAL EXPENSES	<u>2,451,523</u>	<u>-</u>	<u>-</u>	<u>2,451,523</u>
CHANGE IN NET ASSETS	203,510	(180,968)	-	22,542
NET ASSETS, beginning of year	<u>871,142</u>	<u>204,786</u>	<u>55,349</u>	<u>1,131,277</u>
NET ASSETS, end of year	<u>\$ 1,074,652</u>	<u>\$ 23,818</u>	<u>\$ 55,349</u>	<u>\$ 1,153,819</u>

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

GREATER HARTFORD ARTS COUNCIL, INCORPORATED

STATEMENT OF ACTIVITIES

DECEMBER 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE:				
United Arts Campaign:				
Campaign contributions	\$ 1,760,132	\$ 631,082	\$ -	\$ 2,391,214
Campaign contributions - goods and services	13,080	-	-	13,080
Government grants	99,400	-	-	99,400
	<u>1,872,612</u>	<u>631,082</u>	<u>-</u>	<u>2,503,694</u>
Other income	13,588	-	-	13,588
Net assets released from restrictions	674,371	(674,371)	-	-
TOTAL SUPPORT AND REVENUE	<u>2,560,571</u>	<u>(43,289)</u>	<u>-</u>	<u>2,517,282</u>
EXPENSES:				
Program services:				
United Arts Campaign grants:				
Operating grants	491,240	-	-	491,240
Other designated grants/commissions	504,500	-	-	504,500
Other grant related expenses	272,216	-	-	272,216
Total United Arts Campaign grants	<u>1,267,956</u>	<u>-</u>	<u>-</u>	<u>1,267,956</u>
Planning, Promoting, Community Service and Arts				
Education programs:				
Arts education	121,878	-	-	121,878
Arts and community promotion	407,739	-	-	407,739
Total program services	<u>1,797,573</u>	<u>-</u>	<u>-</u>	<u>1,797,573</u>
Supporting services:				
Fundraising	588,472	-	-	588,472
Management and general	110,091	-	-	110,091
TOTAL EXPENSES	<u>2,496,136</u>	<u>-</u>	<u>-</u>	<u>2,496,136</u>
CHANGE IN NET ASSETS	64,435	(43,289)	-	21,146
NET ASSETS, beginning of year	<u>806,707</u>	<u>248,075</u>	<u>55,349</u>	<u>1,110,131</u>
NET ASSETS, end of year	<u>\$ 871,142</u>	<u>\$ 204,786</u>	<u>\$ 55,349</u>	<u>\$ 1,131,277</u>

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

GREATER HARTFORD ARTS COUNCIL, INCORPORATED

STATEMENTS OF CASH FLOWS

DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 22,542	\$ 21,146
Adjustments to reconcile the change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	12,753	14,987
Provision for uncollectible contributions	50,000	100,100
Change in value of beneficial interest in assets held by community foundation	(6,860)	(2,748)
Decrease (increase) in:		
Contributions receivable	(47,305)	387,750
Grants receivable	(31,328)	57,965
Prepaid expenses and other current assets	(15,070)	19,714
Increase (decrease) in:		
Accounts payable and accrued expenses	(34,466)	(15,383)
Grants payable	(39,771)	(627,464)
Fiscal agent payable	96,712	55,000
Deferred revenue	(26,250)	26,250
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	<u>(19,043)</u>	<u>37,317</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(11,820)	(1,442)
Distribution from beneficial interest in assets held by community foundation	1,690	1,667
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	<u>(10,130)</u>	<u>225</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(29,173)	37,542
UNRESTRICTED AND RESTRICTED CASH AND CASH EQUIVALENTS, beginning of year	<u>1,393,452</u>	<u>1,355,910</u>
UNRESTRICTED AND RESTRICTED CASH AND CASH EQUIVALENTS, end of year	<u>\$ 1,364,279</u>	<u>\$ 1,393,452</u>

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

GREATER HARTFORD ARTS COUNCIL, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

NOTE 1 - NATURE OF OPERATIONS

The Greater Hartford Arts Council, Incorporated (the "Arts Council") is a nonprofit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Arts Council was organized to coordinate, promote, sponsor, encourage and develop cultural, artistic and educational activities in the Greater Hartford area. The Arts Council is supported primarily by individual, corporate and foundation contributions.

PROGRAM AND SUPPORTING SERVICES

United Arts Campaign grants

The Arts Council awards grants to arts, cultural, community and other nonprofit institutions, and individual artist fellowships and commissions. Grant awards are made on the basis of recommendations by a volunteer review process with the ratification of the Board of Directors.

Planning, Promoting, Community Service and Arts Education programs

The Arts Council provides distinctive services and programs to art institutions and communities within the Greater Hartford region. Staff salaries and administrative overhead are allocated across the following programs:

Arts Education Programs - These programs increase access to the arts in schools and among students during the academic year, and provides jobs in the arts and career preparedness training for urban and suburban youth during the summer.

Arts and Community Promotion Programs - These programs include collaborative marketing that promote arts and entertainment; public relations for the Arts Council's programs and advocacy initiatives for the arts community; promotional projects; and public events that increase access to and availability of arts and entertainment.

Fundraising - United Arts Campaign

United Arts Campaign refers to the planning and administering of the annual fundraising drive on-behalf of multiple agencies and programs that enables grants and services. Costs include workplace campaign materials and special events for donors.

Management and General

Management and general include administrative expenses not allocable to program areas.

RECLASSIFICATIONS

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

GREATER HARTFORD ARTS COUNCIL, INCORPORATED

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2017 AND 2016

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

USE OF ESTIMATES

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

CASH EQUIVALENTS

For purposes of the statements of cash flows, the Arts Council considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

RESTRICTED CASH AND CASH EQUIVALENTS

Restricted cash and cash equivalents consist of funds received from organizations for which the Arts Council is acting as a fiscal agent. The amount of cash and cash equivalents to be distributed to or on-behalf of the organizations have been presented as restricted cash and cash equivalents with a corresponding fiscal agent payable in the accompanying statements of financial position as of December 31, 2017 and 2016.

PROPERTY AND EQUIPMENT

Acquisitions of property and equipment that individually exceed \$1,000 are capitalized at cost, or at fair market value if donated, and are depreciated on a straight-line basis over their estimated service lives or the remaining lease term, if shorter, as applicable. Repairs and maintenance are expensed as incurred.

NET ASSET CATEGORIES

To ensure observance of limitations and restrictions placed on the use of resources available to the Arts Council, the accounts of the Arts Council are maintained in the following net asset categories:

Unrestricted

Unrestricted net assets represent available resources other than donor-restricted contributions.

Temporarily Restricted

Temporarily restricted net assets represent contributions that are restricted by the donor either as to purpose or as to time of expenditure.

Permanently Restricted

Permanently restricted net assets represent contributions received with the donor stipulation that the principal be invested in perpetuity and that only the income earned thereon be available for use.

The Arts Council allocates income in accordance with donor restrictions and Connecticut law, which follows the provisions of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA").

GREATER HARTFORD ARTS COUNCIL, INCORPORATED

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2017 AND 2016

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

RECOGNITION OF SUPPORT AND REVENUE

Contributions

Contributions are defined as voluntary, nonreciprocal transfers.

Unrestricted and unconditional contributions are recognized as support when received or pledged. Contributions are reported as temporarily restricted support if they are received with donor stipulations that limit the use of such assets. 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.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discount on those amounts is computed using a rate reflecting the risk involved and is amortized based on the expected receipt date of the gift. Amortization of the discount is included in contribution support. Conditional promises to give are not recognized as support until the conditions are substantially met.

Contributed Assets

Contributed assets, including the usage of assets such as rent, are recognized at their estimated fair market value. In the absence of donor stipulations regarding how long contributed assets must be used, the Arts Council has adopted a policy of implying a time restriction on contributions of such assets that expires over the assets' useful lives. As a result, all contributions of property and equipment, and of assets contributed to acquire property and equipment, are recorded as temporarily restricted support.

Contributed Services

Contributed services are recognized at their estimated fair market value if they create or enhance nonfinancial assets or require specialized skills and would typically be purchased if not provided by donation. General volunteer services do not meet these criteria for recognition in the financial statements.

Grants

Grants are generally considered to be exchange transactions in which the grantor requires the performance of specified activities.

Entitlement to cost reimbursement grants is based on the expenditure of funds in accordance with grant restrictions and, therefore, revenue is recognized to the extent of grant expenditures. Entitlement to performance based grants is based on the attainment of specific performance goals and, therefore, revenue is recognized to the extent of performance achieved. Grant receipts in excess of revenues recognized are presented as deferred revenue.

GREATER HARTFORD ARTS COUNCIL, INCORPORATED

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2017 AND 2016

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

PROGRAM SERVICES - GRANTS

The Arts Council records grants to beneficiary organizations or individuals upon approval of the grant by the Board of Directors or upon the issuance of commitment letters.

EXPENSES BY FUNCTION

The costs of providing the Arts Council's program services have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated between program services and supporting services.

ADVERTISING

The Arts Council's policy is to expense advertising costs when the advertising takes place. Advertising expense for the years ended December 31, 2017 and 2016 totaled \$17,844 and \$35,983, respectively. This amount includes non-cash contributions as disclosed in Note 11.

INCOME TAXES

The Arts Council is a nonprofit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Arts Council's federal informational returns generally remain open for the last three years.

NOTE 3 - CONCENTRATIONS

CONCENTRATIONS OF CREDIT RISK

The Arts Council's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents, contributions receivable and grants receivable.

Cash and cash equivalents - The Arts Council places its cash and cash equivalents in highly rated financial institutions, which are continually reviewed by management for financial stability. The Arts Council's cash and cash equivalents in deposit accounts may at times exceed federal depository insurance limits throughout the year. However, the Arts Council has not experienced any losses in such accounts and believes that its cash and cash equivalents are not exposed to significant credit risk.

GREATER HARTFORD ARTS COUNCIL, INCORPORATED

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2017 AND 2016

NOTE 3 - CONCENTRATIONS (Continued)

CONCENTRATIONS OF CREDIT RISK (Continued)

Contributions receivable - Contributions receivable are due primarily from individuals, corporations, foundations and governmental entities. Approximately 50% of contributions receivable is due from two contributors as of December 31, 2017. Approximately 12% of contributions receivable were due from one contributor as of December 31, 2016. Management has established an allowance for uncollectible contributions of \$95,000 and \$96,000 as of December 31, 2017 and 2016, respectively.

Grants receivable - Grants receivable represent amounts due from the State of Connecticut. Receivables due from the State of Connecticut are deemed to have negligible credit risk. Accordingly, management has not established an allowance for potential credit losses.

FUNDING SOURCE CONCENTRATIONS

The Arts Council receives a large number of contributions and grants each year, any one of which may not be received in subsequent years. As of December 31, 2017, 22% of the Arts Council's total support and revenue was provided by one contributor. As of December 31, 2016, 21% of the Arts Council's total support and revenue was provided by one contributor. Significant decreases in funding from this contributor could impact the Arts Council's financial position and its ability to deliver its program services.

NOTE 4 - FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, as of the measurement date. Authoritative guidance establishes a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (also referred to as observable inputs).

The following summarizes the fair value hierarchy:

Level 1. Quoted prices in active markets that are unadjusted and accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2. Quoted prices for identical assets and liabilities in markets that are not active, quoted prices for similar assets and liabilities in active markets or financial instruments for which significant observable inputs are available, either directly or indirectly such as interest rates and yield curves that are observable at commonly quoted intervals; and

Level 3. Prices or valuations that require inputs that are unobservable.

GREATER HARTFORD ARTS COUNCIL, INCORPORATED

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2017 AND 2016

NOTE 4 - FAIR VALUE MEASUREMENTS (Continued)

The fair value measurements of the Arts Council's beneficial interest in assets held by a community foundation as of December 31, 2017 and 2016 is categorized as a Level 3 measurement since the Arts Council's share in these assets do not have an active market. The Arts Council estimates the recurring fair value based on the Arts Council's share of the underlying investment portfolio.

The following is a summary of the change in fair value of the beneficial interest held by a community foundation using significant unobservable inputs for the year ended December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 41,827	\$ 40,745
Distributions	(1,690)	(1,667)
Investment earnings	6,860	2,749
Balance, end of year	<u>\$ 46,997</u>	<u>\$ 41,827</u>

NOTE 5 - CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following as of December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Contributions receivable	\$ 417,529	\$ 421,224
Less: allowance for uncollectible contributions	95,000	96,000
	<u>\$ 322,529</u>	<u>\$ 325,224</u>

All contributions receivable are due within one year.

NOTE 6 - PROPERTY AND EQUIPMENT

A summary of property and equipment as of December 31, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Leasehold improvements	\$ 24,657	\$ 24,657
Office equipment	246,239	234,419
Furniture and fixtures	15,900	15,900
	286,796	274,976
Less: accumulated depreciation and amortization	257,022	244,269
	<u>\$ 29,774</u>	<u>\$ 30,707</u>

Depreciation and amortization expense totaled \$12,753 and \$14,987 for the years ended December 31, 2017 and 2016, respectively.

GREATER HARTFORD ARTS COUNCIL, INCORPORATED

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2017 AND 2016

NOTE 7 - REVOLVING LINE OF CREDIT

The Arts Council has available a \$350,000 revolving line of credit that is due on demand with an adjustable interest rate (4.0% as of December 31, 2017) equal to the bank's prime lending rate with a minimum interest rate of 4.0%. The revolving line of credit is secured by substantially all business assets of the Arts Council. The revolving line of credit is reviewed and approved for renewal annually by the bank. No amounts were outstanding under the revolving line of credit as of December 31, 2017 and 2016.

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted for the following purposes at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Grants	\$ 9,375	\$ 150,000
Future operating support	-	38,500
Contributed property and equipment	2,229	4,072
Other	12,214	12,214
	<u>\$ 23,818</u>	<u>\$ 204,786</u>

Temporarily restricted net assets were released from donor restrictions during the years ended December 31, 2017 and 2016, by satisfying purpose and timing restrictions.

NOTE 9 - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets as of December 31, 2017 and 2016 consist of contributions of \$33,000, the income from which is restricted to provide jazz scholarships for Hartford youths, and \$22,349, the income from which is restricted to support cultural clubs for local schools.

NOTE 10 - BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION

The Arts Council is the beneficiary of the Greater Hartford Arts Council Fund (the "Fund") maintained by the Hartford Foundation for Public Giving ("HFPG"). A summary of activity of the Fund for the years ended December 31, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 126,748	\$ 123,470
Distributions	(5,121)	(5,050)
Investment earnings	20,788	8,328
Balance, end of year	<u>\$ 142,415</u>	<u>\$ 126,748</u>

GREATER HARTFORD ARTS COUNCIL, INCORPORATED

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2017 AND 2016

NOTE 10 - BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION (Continued)

During 2001, a donor contributed \$50,002 to the Fund and the Arts Council's Board of Directors contributed an additional \$30,000 to the Fund. The Arts Council has recorded an asset equal to its beneficial interest in the portion of the Fund relating to the Arts Council's voluntary contribution and related earnings (losses) thereon. The Arts Council has not recognized a beneficial interest in the portion of the Fund relating to the contribution made by the donor since HFPG maintains variance power to redistribute the income from the Fund to another beneficiary. The Arts Council's beneficial interest in the Fund totaled \$46,997 and \$41,827 as of December 31, 2017 and 2016, respectively.

NOTE 11 - NON-CASH CONTRIBUTIONS

The Arts Council recognized non-cash contributions having an estimated value of \$25,041 and \$13,080 for donated supplies, advertising, rent and other services for the years ended December 31, 2017 and 2016, respectively.

NOTE 12 - COMMITMENTS

OPERATING LEASE

The Arts Council has entered into a ten year lease agreement for office space, which expires on August 31, 2020. The lease commenced on September 1, 2010 and provided the Arts Council with a base rent holiday through August 31, 2011. In addition to base rent, the Arts Council is subject to additional rent for its proportionate share of the operating costs of the office building.

Future minimum payments under the lease are as follows:

Year ending December 31,	
2018	\$ 149,796
2019	153,900
2020	<u>100,811</u>
	<u>\$ 404,507</u>

The Arts Council recognizes rent expense on a straight-line basis over the lease term. Accrued rent payable totaling \$63,701 and \$82,574 as of December 31, 2017 and 2016, respectively, represents the excess of rent expense determined on a straight-line basis over the amounts paid as of December 31, 2017 and 2016. Rent expense under lease arrangements totaled \$131,372 and \$131,630 for the years ended December 31, 2017 and 2016, respectively.

GREATER HARTFORD ARTS COUNCIL, INCORPORATED

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 2017 AND 2016

NOTE 12 - COMMITMENTS (Continued)

RETIREMENT PLAN

A defined contribution plan, structured to qualify under Internal Revenue Code Section 401(k), was established effective January 1, 1985. Under the latest amendment of the plan, all employees age twenty-one and older with three months of service are eligible to participate. Employee contributions are voluntary and the Arts Council may make discretionary contributions up to 3% of an employee's compensation. The Arts Council made no contributions to the plan for the years ended December 31, 2017 and 2016.

NOTE 13 - UNITED ARTS CAMPAIGN GRANTS AND ALLOCATIONS

The Arts Council conducts a United Arts Campaign for the purpose of raising funds to support cultural organizations and individual artists as well as for cultural promotions, education and advocacy services.

The Arts Council expensed commitments for grants to agencies for basic operating and special project grants in the amount of \$1,019,970 and \$995,740 for the years ended December 31, 2017 and 2016, respectively.

NOTE 14 - SUBSEQUENT EVENTS

Subsequent events were evaluated by management through May 14, 2018, which is the date the financial statements were available to be issued.

GREATER HARTFORD ARTS COUNCIL, INCORPORATED

SUPPLEMENTARY INFORMATION

DETAILED SUMMARY OF UNITED ARTS GRANTS AND ALLOCATIONS

DECEMBER 31, 2017 AND 2016

Operating grants	2017	2016
The Amistad Center for Art & Culture	\$ 13,977	\$ 14,000
Artists Collective, Inc.	-	33,434
Ballet Theater Company	7,814	6,000
The Bushnell Center for the Performing Arts	43,760	37,042
Charter Oak Cultural Center	20,792	26,146
CONCORA	7,500	9,000
Connecticut Landmarks Society	8,000	8,184
Harriet Beecher Stowe Center	12,880	12,879
HartBeat Ensemble	9,947	8,000
Hartford Chorale	7,080	6,000
Hartford Stage Company	53,999	57,521
Hartford Symphony Orchestra	50,930	51,383
Hill-Stead Museum	20,599	16,159
Judy Dworin Performance Project	13,016	14,750
Little Theatre of Manchester/Cheney Hall	7,993	7,500
The Mark Twain House and Museum	28,589	24,704
New Britain Museum of American Art	31,504	29,774
Noah Webster House & West Hartford Historical Center	14,750	14,750
Real Art Ways, Inc.	32,000	34,654
TheaterWorks	27,374	23,184
Wadsworth Athenaeum Museum of Art	53,326	56,176
Total Operating grants	465,830	491,240

Other Designated Grants/Commissions:

Neighborhood Arts and Heritage grants

Autorino Center for the Arts, USJ	-	3,500
Bushnell Park Carousel, The (N.E. Carousel Mus.)	-	2,000
CCARC, Inc.	-	2,000
Cedar Hill Cemetery Foundation	-	2,000
Children's Museum, Inc., The	-	3,000
City Singers of Hartford	-	2,000
CPA Prison Arts Program	-	2,500
Connecticut Historical Society	-	3,000
Farmington Valley Chorale, Inc.	-	1,000
Hartford Artisans Weaving Center	-	1,500
Hartford City Ballet	-	4,500
Hartford Independent Chamber Orchestra	-	1,500
Main Street Singers	-	1,000

Continued

GREATER HARTFORD ARTS COUNCIL, INCORPORATED

SUPPLEMENTARY INFORMATION

DETAILED SUMMARY OF UNITED ARTS GRANTS AND ALLOCATIONS (Continued)

DECEMBER 31, 2017 AND 2016

Other Designated Grants/Commissions (Continued) :

Neighborhood Arts and Heritage grants (Continued)

	<u>2017</u>	<u>2016</u>
Manchester Symphony Orchestra and Chorale	\$ -	\$ 5,000
Music Series at South Church	-	2,500
New Britain Youth Museum	-	1,000
New Britain Youth Theater, Inc.	-	2,500
Nutmeg Symphony Orchestra	-	3,000
SHIFT Scoliosis & Orthopedics	-	5,000
Sonia Plumb Dance Company	-	2,000
Unified Theater	-	5,000
Total Neighborhood Arts and Heritage grants	<u>-</u>	<u>55,500</u>

Hartford Events grants

Albert Schweitzer Organ Festival	-	1,000
Artist Collective, Inc.	2,500	3,450
Artists in Real Time, Inc.	5,000	-
Ballet Theatre Company	1,000	-
Bushnell Center for the Performing Arts	2,100	1,000
Bushnell Park Carousel, The (N.E. Carousel Mus.)	1,400	2,500
CAYASCO, Inc.	5,000	3,000
Charter Oak Cultural Center	-	3,900
City Singers of Hartford, Inc.	-	1,000
Community Renewal Team, Inc.	-	3,500
CONCORA	5,000	3,000
Connecticut Blues Society	5,000	4,000
Connecticut Chopin Foundation	5,000	-
Connecticut Dance Alliance	-	5,000
Connecticut Guitar Society	2,500	1,000
Connecticut Historical Society	3,000	-
Connecticut Landmarks	1,000	1,000
Connecticut Public Affairs Network/Old State House	2,500	2,000
Connecticut Virtuosi Chamber Orchestra	2,500	2,000
Cuatro Puntos	5,000	4,500
Ebony Horsewomen, Inc.	3,500	-
Elizabeth Park Conservancy	1,500	-
Friends of Keney Park	2,500	-
First Night Hartford	20,000	20,000
Greater Hartford Festival of Jazz	5,000	-
HARC, Inc.	-	2,500

Continued

GREATER HARTFORD ARTS COUNCIL, INCORPORATED

SUPPLEMENTARY INFORMATION

DETAILED SUMMARY OF UNITED ARTS GRANTS AND ALLOCATIONS (Continued)

DECEMBER 31, 2017 AND 2016

Other Designated Grants/Commissions (Continued) :

Hartford Events grants (Continued)	2017	2016
Harriet Beecher Stowe Center	\$ 3,000	\$ 2,500
HartBeat Ensemble	5,000	3,500
Hartford Business Improvement District	3,000	-
Hartford Chorale, Inc.	1,000	5,000
Hartford City Ballet	-	1,000
Hartford Jazz Society, Inc.	5,000	5,000
Hartford Marathon Foundation	5,000	5,000
Hartford Opera Theater, Inc.	3,400	3,000
Hartford Stage Company	1,500	2,000
Hartford Symphony Orchestra, Inc	5,000	-
International Hartford, Ltd.	2,000	2,500
iQuilt Partnership, Inc.	2,000	2,000
Journey Writers	-	1,500
Knox Parks Foundation	1,500	1,700
Leslie Manselle Arts	-	1,000
Latino Community Services, Inc.	4,000	-
The Many Colors of a Woman, Inc.	-	1,000
The Mark Twain House and Museum	3,000	4,000
New England Carousel Museum	1,000	-
Night Fall, Inc.	5,000	5,000
Out Film CT, Inc.	4,500	2,500
Parkville Senior Center	5,000	3,500
Queen Ann Nzinga Center, Inc.	2,500	1,500
Reel Youth Hartford	-	1,000
Riverfront Recapture	30,000	30,000
Sankofa Kuumba Cultural Arts Consortium	-	3,450
Spectrum in Motion Dance Theater Ensemble, Inc.	2,100	1,500
Trinity College	5,000	-
Wadsworth Athenaeum Museum of Art	2,500	1,000
West Indian Foundation, Inc.	-	2,000
Women Composer's Festival of Hartford	1,500	-
Works, Inc.	3,000	3,500
Total Hartford Events grants	187,500	160,000
Hartford Community Access Grants		
Journey Writers	515	-

Continued

GREATER HARTFORD ARTS COUNCIL, INCORPORATED

SUPPLEMENTARY INFORMATION

DETAILED SUMMARY OF UNITED ARTS GRANTS AND ALLOCATIONS (Continued)

DECEMBER 31, 2017 AND 2016

Other Designated Grants/Commissions (Continued) :

Hartford Arts & Heritage Jobs grants	2017	2016
Connecticut Historical Society	\$ 15,000	\$ -
CTLCV Education Fund	6,000	-
Cultura Mosaica	15,000	-
Hartford Artisans Weaving Center	4,112	-
Hartford Performs	13,832	-
Hartford Symphony Orchestra	8,060	-
Sonia Plumb Dance Company	14,996	-
TheaterWorks	15,000	-
Total Hartford Arts & Heritage Jobs grants	92,000	-

Jazz and Dance grants

Hartford Jazz Society, Inc.	10,000	10,000
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Ignition Grants

Albert Schweitzer Organ Festival	-	7,000
Artists Collective	10,000	-
CICD - Puerto Rican Day Parade	7,000	-
Cinstudio, Inc.	-	20,000
Community Partners in Action	10,000	-
Connecticut Ballet	-	10,000
Connecticut Dance Alliance	7,000	-
CREC, Center for Creative Youth	-	7,000
Cuatro Puntos	3,125	-
Cultura Mosaica	-	1,500
HartBeat Ensemble	10,000	-
Hartford Chorale	6,500	-
Hartford Independent Chamber Orchestra	-	10,000
Hartford Performs	4,000	-
Manchester Pipe Band	3,000	-
New England Jazz Ensemble	3,500	-
Noah Webster House	10,000	-
Parkville Senior Center	10,000	-
Playhouse Theatre Group	-	19,000
Simsbury Performing Arts Center	10,000	-
Sonia Plumb Dance Company	-	11,000
West Hartford Symphony Orchestra	10,000	-
Wethersfield Academy for the Arts	-	16,500
Women Composers Festival of Hartford	-	7,000
Total Ignition Grants	104,125	109,000

Continued

GREATER HARTFORD ARTS COUNCIL, INCORPORATED

SUPPLEMENTARY INFORMATION

DETAILED SUMMARY OF UNITED ARTS GRANTS AND ALLOCATIONS (Continued)

DECEMBER 31, 2017 AND 2016

Other Designated Grants/Commissions (Continued):

	<u>2017</u>	<u>2016</u>
Neighborhood Studio Grants		
Amistad Center for Art & Culture	\$ 20,000	\$ 20,000
Artists Collective	20,000	15,000
Hartford Stage	20,000	15,000
Knox, Inc.	-	20,000
Mark Twain House & Museum	20,000	20,000
Real Arts Ways	20,000	20,000
TheaterWorks, Inc.	20,000	20,000
Total Neighborhood Studio Grants	<u>120,000</u>	<u>130,000</u>
 Community Art Center Catalyst Grant		
Art League of New Britain	7,500	-
Farmington Valley Arts Center	7,500	-
Southington Community Cultural Arts	7,500	-
Windsor Art Center	7,500	-
Total Community Art Center Catalyst Grants	<u>30,000</u>	<u>-</u>
 Arts & Wellness Grants		
Charter Oak Cultural Center	-	2,500
Easter Seals Camp Hemlocks	2,500	2,500
Farmington Valley Arts Center	-	2,500
Harc, Inc.	-	2,500
Hartford Artisans Weaving Center	2,500	-
Nourish My Soul	2,500	-
Queen Ann Nzinga Center	2,500	-
Total Arts & Wellness Grants	<u>10,000</u>	<u>10,000</u>
 Regional Initiative Grants		
Connecticut Summer Fest, Inc.	-	3,725
Daniel Morel	-	4,000
Farmington Valley Arts Center	-	4,000
Hartford Opera Theater	-	3,725
Noah Webster House & West Hartford Historical Society	-	3,725
Ruth Lewis	-	4,000
Spectrum in Motion Dance Theater Ensemble	-	2,825
Toots and Sliders Musical Tales	-	4,000
Total Regional Initiative Grants	<u>-</u>	<u>30,000</u>
Total Other Designated Grants/Commissions	<u>554,140</u>	<u>504,500</u>
Total United Arts Campaign grants	<u>\$ 1,019,970</u>	<u>\$ 995,740</u>

Concluded

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of the
Greater Hartford Arts Council, Incorporated
Hartford, Connecticut

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Greater Hartford Arts Council, Incorporated (the "Arts Council"), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 14, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Arts Council's internal control over financial reporting ("internal control") to design audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express an opinion on the effectiveness of the Arts Council's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in the Arts Council's internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Arts Council's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Arts Council's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Arts Council's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Glastonbury, Connecticut
May 14, 2018