

**THE FOUNDATION OF ARTS  
FOR NORTHEAST ARKANSAS, INC.**

**JONESBORO, ARKANSAS**

**FINANCIAL STATEMENTS**

**JULY 31, 2024 AND 2023**

**with**

**INDEPENDENT AUDITOR'S REPORT**



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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
The Foundation of Arts for Northeast Arkansas, Inc.  
Jonesboro, Arkansas

### **Opinion**

We have audited the accompanying financial statements of The Foundation of Arts for Northeast Arkansas, Inc. (a nonprofit organization), which comprise the statements of financial position as of July 31, 2024 and 2023, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Foundation of Arts for Northeast Arkansas, Inc. as of July 31, 2024 and 2023, and its activities and changes in net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent with The Foundation of Arts for Northeast Arkansas, Inc. and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Responsibilities of Management for the Financial Statements**

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 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Foundation of Arts for Northeast Arkansas, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation of Arts for Northeast Arkansas, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Foundation of Arts for Northeast Arkansas, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

HCI CPAs & Advisors, PLLC

Jonesboro, Arkansas  
January 20, 2025

## **FINANCIAL STATEMENTS**

**The Foundation of Arts for Northeast Arkansas, Inc.**  
**Statements of Financial Position**  
**As of July 31, 2024 and 2023**

	<b>2024</b>	<b>2023</b>
<b><u>ASSETS</u></b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 104,628	\$ 143,570
Employee retention credit receivable	86,760	86,760
Inventory	7,815	9,742
Grants receivable	47,530	30,030
Promises to give, net	120,832	-
Total Current Assets	367,565	270,102
<b>Long Term Promises to Give, Net of Discount of Approximately \$5,000 in 2024</b>	104,255	-
<b>Property and Equipment</b>		
Leasehold improvements	79,149	79,149
Furniture, fixtures, and equipment	205,575	173,942
	284,724	253,091
Less accumulated depreciation	165,928	147,395
	118,796	105,696
<b>Operating lease right of use asset, net</b>	41,477	84,536
<b>Total Assets</b>	\$ 632,093	\$ 460,334
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 37,363	\$ 17,528
Accrued liabilities	9,163	13,959
Current portion of finance lease obligations	11,074	10,752
Current portion of operating lease obligations	13,460	44,709
Total Current Liabilities	71,060	86,948
<b>Long-Term Liabilities</b>		
Finance lease obligation, less current maturities	12,367	23,441
Operating lease obligation, less current maturities	28,017	41,477
Total Long-Term Liabilities	40,384	64,918
<b>Net Assets</b>		
Net assets without donor restrictions	473,149	308,468
Net assets with donor restrictions	47,500	-
Total Net Assets	520,649	308,468
<b>Total Liabilities and Net Assets</b>	\$ 632,093	\$ 460,334

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

**The Foundation of Arts for Northeast Arkansas, Inc.**  
**Statements of Activities and Changes in Net Assets**  
**For the Years Ended July 31, 2024 and 2023**

	<b>2024</b>	<b>2023</b>
<b>Net Assets without Donor Restrictions</b>		
<b>Revenue and Other Support</b>		
Donated materials, services, and facilities	\$ 190,469	\$ 187,482
Education	229,085	224,702
Production	153,676	180,140
Grants and allocations	27,251	113,752
Donations	474,488	94,499
Fundraising	4,754	3,398
Concessions, costumes, and other sales	27,052	40,963
Outreach	35,995	15,534
Other income	427	15,792
Employee retention credit	-	86,760
Rent	2,191	4,957
	<u>1,145,388</u>	<u>967,979</u>
<b>Net Assets Released from Restrictions</b>	<u>47,500</u>	<u>-</u>
<b>Total Revenue and Other Support</b>	<u>1,192,888</u>	<u>967,979</u>
<b>Functional Expenses</b>		
Production costs	285,448	263,158
Educational costs	210,804	192,494
Outreach	47,163	29,847
General and administrative	446,152	481,539
Fundraising expenses	38,640	32,160
	<u>1,028,207</u>	<u>999,198</u>
<b>Total Functional Expenses</b>	<u>1,028,207</u>	<u>999,198</u>
<b>Change in Net Assets without Donor Restrictions</b>	<u>164,681</u>	<u>(31,219)</u>

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

**The Foundation of Arts for Northeast Arkansas, Inc.**  
**Statements of Activities and Changes in Net Assets**  
**For the Years Ended July 31, 2024 and 2023**

	<b>2024</b>	<b>2023</b>
<b>Net Assets with Donor Restrictions</b>		
<b>Revenue and Other Support</b>		
Grants and allocations	\$ 95,000	\$ -
<b>Net Assets Released from Restrictions</b>	(47,500)	-
<b>Change in Net Assets with Donor Restrictions</b>	47,500	-
Change in Net Assets	212,181	(31,219)
Beginning Net Assets	308,468	339,687
Ending Net Assets	\$ 520,649	\$ 308,468

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

**The Foundation of Arts for Northeast Arkansas, Inc.**  
**Statement of Functional Expenses**  
**For the Year Ended July 31, 2024**

	<b>Production Costs</b>	<b>Educational Costs</b>	<b>Outreach</b>	<b>General &amp; Administration</b>	<b>Fundraising</b>	<b>Total</b>
Advertising and marketing	\$ -	\$ -	\$ -	\$ 9,124	\$ -	\$ 9,124
Banking and merchant fees	12,167	18,138	-	-	-	30,305
Continuing education	-	-	-	3,541	-	3,541
Contract labor	52,310	9,620	-	52,600	-	114,530
Cost of sales	-	24,393	-	-	-	24,393
Credit loss expense	-	-	-	-	26,753	26,753
Depreciation	1,854	1,854	-	12,974	1,854	18,536
Dues, memberships, and subscriptions	-	-	-	15,662	-	15,662
Education						
- Supplies	-	1,229	-	-	-	1,229
- Other	-	10,926	-	-	-	10,926
Facilities upkeep, taxes, and utilities	-	-	-	27,143	-	27,143
Fundraising	-	-	-	-	9,744	9,744
In-kind expenses						
- Advertising and marketing	58,314	14,579	-	-	-	72,893
- Lease	86,400	-	-	9,600	-	96,000
- Utilities and facilities maintenance	19,418	-	-	2,158	-	21,576
Insurance	-	-	-	16,665	-	16,665
Interest expense	289	289	-	289	289	1,156
Miscellaneous	-	-	-	21,744	-	21,744
Office supplies, equipment, and copier	-	-	-	16,396	-	16,396
Outreach	-	-	47,163	-	-	47,163
Production	54,695	-	-	-	-	54,695
Professional fees	-	-	-	22,345	-	22,345
Lease	-	32,625	-	12,750	-	45,375
Salaries, employee benefits, and employer expense	-	97,152	-	223,161	-	320,313
	<u>\$ 285,448</u>	<u>\$ 210,804</u>	<u>\$ 47,163</u>	<u>\$ 446,152</u>	<u>\$ 38,640</u>	<u>\$ 1,028,207</u>

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

**The Foundation of Arts for Northeast Arkansas, Inc.**  
**Statement of Functional Expenses**  
**For the Year Ended July 31, 2023**

	<b>Production Costs</b>	<b>Educational Costs</b>	<b>Outreach</b>	<b>General &amp; Administration</b>	<b>Fundraising</b>	<b>Total</b>
Advertising and marketing	\$ -	\$ -	\$ -	\$ 17,216	\$ -	\$ 17,216
Banking and merchant fees	7,490	9,342	-	-	-	16,832
Continuing education	-	-	-	51	-	51
Contract labor	37,965	7,230	-	19,875	-	65,070
Cost of sales	535	31,475	-	-	-	32,010
Depreciation	1,751	1,751	-	12,255	1,751	17,507
Dues, memberships, and subscriptions	-	-	-	12,268	-	12,268
Education						
- Supplies	-	1,236	-	-	-	1,236
- Other	-	11,584	-	-	-	11,584
Facilities upkeep, taxes, and utilities	-	-	-	33,662	-	33,662
Fundraising	-	-	-	-	12,541	12,541
In-kind expenses						
- Advertising and marketing	55,925	13,981	-	-	17,567	87,473
- Lease	86,400	-	-	9,600	-	96,000
- Utilities and facilities maintenance	19,574	-	-	2,175	-	21,749
Insurance	-	-	-	15,287	-	15,287
Interest expense	301	301	-	301	301	1,204
Miscellaneous	-	-	-	16,542	-	16,542
Office supplies, equipment, and copier	-	-	-	13,205	-	13,205
Outreach	-	-	29,847	-	-	29,847
Production	53,218	-	-	-	-	53,218
Professional fees	-	-	-	20,075	-	20,075
Lease	-	29,900	-	14,950	-	44,850
Salaries, employee benefits, and employer expense	-	85,694	-	294,077	-	379,771
	<u>\$ 263,158</u>	<u>\$ 192,494</u>	<u>\$ 29,847</u>	<u>\$ 481,539</u>	<u>\$ 32,160</u>	<u>\$ 999,198</u>

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

**The Foundation of Arts for Northeast Arkansas, Inc.**  
**Statements of Cash Flows**  
**For the Years Ended July 31, 2024 and 2023**

	<b>2024</b>	<b>2023</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Change in net assets</b>	\$ 212,181	\$ (31,219)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	18,536	17,507
Amortization of operating lease right-of-use assets	43,059	41,863
Credit loss expense	(26,753)	-
Changes in operating assets and liabilities		
Promises to give	(198,334)	-
Grants receivable	(17,500)	12,470
Inventory	1,927	(5,572)
Employee retention credit receivable	-	(86,760)
Accounts payable	19,835	4,811
Accrued expenses	(4,796)	1,866
Operating lease liability	(44,709)	(40,213)
Net cash provided by (used for) operating activities	3,446	(85,247)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for the purchase of property	(31,636)	(28,145)
Payments on finance lease	(10,752)	(10,440)
Net cash used for investing activities	(42,388)	(38,585)
 <b>NET DECREASE IN CASH</b>	(38,942)	(123,832)
Beginning cash	143,570	267,402
Ending Cash	\$ 104,628	\$ 143,570
 <b>Supplemental Disclosures for Cash Flows</b>		
<b><i>Non-cash activities:</i></b>		
Advertising and marketing contributions	\$ 72,893	\$ 87,473
Lease expense contributions	\$ 96,000	\$ 96,000
Utilities and facilities maintenance contributions	\$ 21,576	\$ 21,749

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

# The Foundation of Arts for Northeast Arkansas, Inc.

## Notes to the Financial Statements

### **Note 1: Nature of Business**

#### **Nature of Operations**

The Foundation of Arts for Northeast Arkansas, Inc. (the “FOA”) is a nonprofit corporation that offers community enrichment through arts education, community theatre, and mission outreach. The FOA has been serving Jonesboro, Arkansas and surrounding communities since 1986.

### **Note 2: Significant Accounting Policies**

#### **Advertising and Marketing**

The FOA expenses advertising and marketing costs as incurred. Advertising expense, including donated advertising, for the years ended July 31, 2024 and 2023, was \$82,017 and \$104,689, respectively.

#### **Basis of Accounting**

The financial statements of the FOA are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this method of accounting, revenue is recognized when earned and when the amount and timing of the revenue can be reasonably estimated. Expenses are recognized as incurred.

#### **Basis of Presentation**

Financial statement presentation follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-210, Presentation of Statements of Not-For-Profit Entities. Under FASB ASC 958-210, the FOA is required to report information regarding its financial position and activities according to the following net asset classifications:

*Net assets without donor restrictions:* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the FOA. These net assets may be used at the discretion of the FOA’s management and the board of directors.

*Net assets with donor restrictions:* Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the FOA or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

The FOA’s primary revenue sources include donations, in-kind contributions, production income, education income, and grant income. The below summarizes when revenue is recognized.

#### **Revenue Recognition**

The FOA recognizes revenue for education income when it satisfies a performance obligation by performing a service for a customer. The amount of revenue recognized reflects the consideration the FOA expects to receive in exchange for satisfying distinct performance obligations. Performance obligations are satisfied over time and the related revenue is recognized as services are rendered.

Revenue for production income is generally recognized when production has been completed.

In-kind contributions from radio stations, city government, magazines, etc. to pay for advertising, utilities, and leases are recognized once the related expense is incurred.

# **The Foundation of Arts for Northeast Arkansas, Inc.**

## **Notes to the Financial Statements**

### **Donations and Promises to Give**

Donations are recognized when the donor makes a promise to give to the FOA that is, in substance, unconditional. Donations received are recorded as without donor restriction or with donor restriction support depending on the existence and/or nature of any donor restrictions. Donations that are restricted by the donor are reported as increases in net assets without donor restriction if the restrictions expire in the fiscal year in which the donations are recognized. All other donor-restricted donations are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Unconditional promises to give, if any, that have not yet been collected are reflected on the statement of financial position as promises to give. Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor. Amounts received from donors before any donor-imposed conditions are met are reported as deferred revenue until substantially all conditions are met. There were no conditional pledges as of July 31, 2024 and 2023.

### **Subsequent Events**

The FOA has evaluated events and transactions for potential recognition or disclosure in the financial statements through January 20, 2025, the date the financial statements were available to be issued.

### **Donated Non-Cash Assets, Donated Facilities, and Donated Services**

Donated noncash assets and donated facilities are recorded at their fair values in the period received. The FOA recognizes the fair value of contributed services it receives if such services create or enhance nonfinancial assets or require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. The FOA also receives a significant amount of donated services from unpaid volunteers who assist in various programs and fundraising which do not meet the criteria for financial statement recognition in accordance with FASB ASC 958-605 *Not-for-Profit Entities Revenue Recognition*. Refer to Note 6 for further disclosure.

### **Income Taxes**

The FOA is exempt from federal income tax under the provisions of Internal Revenue Code Section 501(c)(3). Therefore, no provision for federal or state income taxes has been made.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the FOA and recognize a tax liability (or asset) if the FOA has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The FOA has analyzed all tax positions and does not feel any meet the requirements for reporting under the standard. The FOA is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

### **Impairment of Long-Lived Assets**

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. During the years ended July 31, 2024 and 2023, there were not any impairment losses recognized for long-lived assets.

# The Foundation of Arts for Northeast Arkansas, Inc.

## Notes to the Financial Statements

### Inventory

Inventory consists of dance attire and is stated at the lower of cost or market. Cost is determined using the first-in, first-out method.

### Liquidity

Assets are presented in the accompanying statements of financial position according to their nearness of conversion to cash and liabilities according to the nearness of their maturity and resulting use of cash.

### Leases

The FOA determines if an arrangement is a lease at inception. Operating leases are included in operating lease right of use asset, net, short-term operating lease liability, and long-term operating lease liability in the statements of financial position. Finance leases are included in furniture, fixtures, and equipment, current portion of finance lease obligations, and finance lease obligation, less current maturities.

Right-of-use assets represent the FOA's right to use an underlying asset for the lease term, and lease liabilities represent the FOA's obligation to make lease payments arising from the lease. The lease liability is measured as the present value of the unpaid lease payments, and the right-of-use asset value is derived from the calculation of the lease liability. Lease payments include fixed and in-substance fixed payments. The FOA uses a risk-free rate, which is derived from information available at the lease commencement date, in determining the present value of lease payments, since the FOA does not know the actual implicit rates in its leases. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The FOA's lease term includes any option to extend the lease when it is reasonably certain to be exercised based on considering all relevant economic factors.

### Property and Equipment

Property and equipment are stated at cost or, if donated, at the approximate fair value at the date of donation and are depreciated using the straight-line method over estimated lives as follows:

Leasehold improvements	10 – 40 years
Furniture, fixtures, and equipment	3 – 10 years

Depreciation expense was \$18,535 and \$17,507 for the years ended July 31, 2024 and 2023, respectively. Additions that extend the lives of the assets are capitalized while repairs and maintenance costs are expensed as incurred. When property and equipment are retired, the related cost and accumulated depreciation is removed from the statement of financial position and the resultant gain or loss is recorded.

### Recently Adopted Accounting Standards

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments – Credit Losses (Topic 326). The ASU introduces a new credit loss methodology, Current Expected Credit Losses (CECL), which requires earlier recognition of credit losses, while also providing additional transparency about credit risk. Since its original issuance in 2016, the FASB has issued several updates to and deferral of the original ASU. ASU 2016-13 became effective for private entities and nonprofit organizations for periods beginning after December 15, 2022.

The CECL methodology utilizes a lifetime “expected credit loss” measurement objective for the recognition of credit losses for loans, held-to-maturity securities and other receivables at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. The methodology replaces the multiple existing impairment methods in current GAAP, which generally require that a loss be incurred before it is recognized. For available-for-sale securities where fair value is less than cost, credit-related impairment, if any, is recognized through an allowance for credit losses and adjusted each period for changes in credit risk.

# The Foundation of Arts for Northeast Arkansas, Inc.

## Notes to the Financial Statements

On August 1, 2023, the FOA adopted the guidance; the adoption of this standard did not have a material impact on our financial statements and related disclosures.

### Accounts Receivables

The FOA considers all grants applied for, but not received as a receivable. Tuition receivable is reported at the amount the FOA expects to collect on balances outstanding at year end. If necessary, the FOA provides for an allowance for credit losses. Accounts are written off against the allowance when deemed to be uncollectible. There were no known uncollectible accounts receivable as of the end of the year.

### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets, 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 reporting period. Actual results could differ from those estimates.

The significant accounting estimates that require subjective judgements include estimates used in the valuation of right of use assets and liabilities in accordance with FASB ASC 842, allowance for doubtful accounts and promises to give, allocation of functional expenses, and depreciable lives of fixed assets. It is at least reasonably possible that a change could occur in the near term.

### Note 3: Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among program and supporting services benefited, based upon various subjective factors including, but not limited to, an estimate of employees' time dedicated to program services and physical location space utilized.

### Note 4: Operating Leases

The Organization leases buildings used in operations under lease agreements.

Future minimum maturities of lease liabilities are as follows at July 31, 2024:

2025	\$	14,400
2026		14,400
2027		14,400
Total lease payments		<u>43,200</u>
Less imputed interest		<u>(1,723)</u>
Total lease obligations		<u>41,477</u>
Less current operating lease liability		<u>(13,460)</u>
Operating lease liability, less current portion	\$	<u><u>28,017</u></u>

Total lease expense was \$46,500 and \$44,850, including monthly lease installments and maintenance, for the years ended July 31, 2024 and 2023, respectively, and is included as lease expense on the accompanying statements of functional expenses.

# The Foundation of Arts for Northeast Arkansas, Inc.

## Notes to the Financial Statements

Average operating lease term and discount rate on July 31, 2024 was as follows:

	<u>2024</u>	<u>2023</u>
Remaining lease term	3.00	2.90
Discount rate	2.66%	2.90%

The following summarizes non-cash information as of July 31:

	<u>2024</u>	<u>2023</u>
Right-of-use assets obtained in exchanged for operating lease obligations	\$ -	\$ 126,399

### **Note 5: Finance Leases**

The Company leases a piece of equipment under a finance lease agreement running through 2027. The asset and liability under the finance lease is recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The asset is amortized over the lower of the related lease terms or its estimated productive life. Amortization of the asset under the finance lease is included in depreciation expense for 2024.

Following is a summary of property held under a finance lease:

Equipment	\$ 44,632
Accumulated Depreciation	(12,752)
	<u>\$ 31,880</u>

Minimum future lease payments under the finance lease as of July 31, 2024 are as follows:

2025	\$ 11,619
2026	11,619
2027	967
Total minimum future lease payments	<u>24,205</u>
Less: amount representing interest	(764)
Present value of net minimum lease payments	<u>23,441</u>
Less: current financing lease liability	(11,074)
	<u>\$ 12,367</u>

### **Note 6: Donated Services and Facilities**

Donated services and facilities have been included in the financial statements at fair market value and are reflected as production, general and administrative, or fundraising expenses as applicable in the schedule of functional expenses.

# The Foundation of Arts for Northeast Arkansas, Inc.

## Notes to the Financial Statements

The following table summarizes the donated services and facilities for the years ended July 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Advertising and marketing	\$ 72,893	\$ 87,473
Lease expense contributions	96,000	96,000
Utilities	21,576	21,749
	<u>\$ 190,469</u>	<u>\$ 205,222</u>

### **Note 7: Availability and Liquidity**

The following represents the FOA's financial assets as of July 31:

Financial assets at year-end:	<u>2024</u>	<u>2023</u>
Cash	\$ 104,628	\$ 143,570
Employee retention credit receivable	86,760	86,760
Promises to give	120,832	-
Grants receivable	47,530	30,030
Financial assets available to meet general expenditures over the next twelve months:	<u>\$ 359,750</u>	<u>\$ 260,360</u>

The FOA's goal is to generally maintain enough cash to cover approximately 60 days of functional expenses (approximately \$160,000) at any given time.

### **Note 8: Employee Retention Credit Receivable**

During the year ended July 31, 2023, the FOA applied for the Employee Retention Credit ("ERC"). The ERC was established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act in March of 2020. It was intended to help businesses retain their workforces and avoid layoffs during the coronavirus pandemic. The ERC provides a per employee credit to eligible businesses based on a percentage of qualified wages and health insurance benefits paid to employees. It works as a refundable payroll tax credit claimed quarterly, and it can provide reductions to payroll taxes or cash refunds. The total ERC applied for during the year ended July 31, 2023 and 2024, was \$86,760 and \$0, respectively.

### **Note 9: Concentration**

The FOA has three donors with greater than 10% of the total promises to give balance. These three donors make up 71% of the total.