

FREE ARTS FOR ABUSED CHILDREN OF ARIZONA
AND SUBSIDIARY

Consolidated Financial Statements and
Independent Auditors' Report

September 30, 2019

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Independent Auditors' Report

To the Board of Directors of
Free Arts for Abused Children of Arizona and Subsidiary
Phoenix, Arizona

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Free Arts for Abused Children of Arizona and Subsidiary (Free Arts, an Arizona nonprofit corporation), which comprise the consolidated statement of financial position as of September 30, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Free Arts for Abused Children of Arizona and Subsidiary as of September 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, in the year ended September 30, 2019, Free Arts for Abused Children of Arizona and Subsidiary adopted new accounting guidance Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*, which requires various presentation changes to not-for-profit financial statements. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The management's discussion and analysis on pages 3 and 4 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Fester & Chapman, PLLC

March 9, 2020

The purpose of this letter, the Management's Discussion and Analysis, is to give context to our financial statements and share additional information that will provide the full picture of how Free Arts for Abused Children of Arizona (Free Arts) performed in 2019. Further details can be found in our annual impact report posted on our website www.freeartsaz.org.



As directed by the Audit Committee of our Board of Directors, in 2019 Free Arts changed audit firms. The Audit Committee felt that a new firm could take a fresh look at our books and provide increased objectivity as we navigate a complex building renovation and capital campaign. One result of this change is audited financial statements for a single year rather than comparing the prior fiscal year to the current fiscal year.

Who is Free Arts?

Our Mission: Transforming children's trauma to resilience through the arts.

Our Vision: Every child who has experienced the trauma of abuse, neglect, and/or homelessness has access to resilience-building arts programs and caring adult volunteer mentors.

Our Values:

Resilience – Bravery – Connection – Creativity – Strength – Innovation

Over the past 25 years, Free Arts has proudly transformed the lives of more than 130,000 children in Maricopa County. From an initial volunteer base of 5 individuals serving 50 children, Free Arts now employs 16 staff members and has more than 800 volunteers who serve just under 7,000 children each year. Free Arts partners with 40 social service agencies at more than 100 locations throughout Maricopa County, Arizona to provide a unique combination of arts, a trauma-informed curriculum, and mentoring to children who are in out-of-home care.

What determines success?

Since our founding in 1993, we have maintained steady, controlled growth in direct response to increased demand for services. We balance the demand with available funding to meet those services. We track the number of children we serve, and the outcomes reported by the children receiving our services: increased safety, self-expression, skill building, self-efficacy, and resilience. To fund our programs, Free Arts raises revenue from private/family foundations; corporate, state and municipal grants; individual donors; agency-driven special events; and third-party beneficiary events.

Organizational Results

Transforming Children's Trauma to Resilience

In Fiscal Year 2019, Free Arts programs served 6,746 children and assessed the following outcomes:

- 88% of children reported that they felt safe and supported
- 92% of children felt free to express themselves when creating art with a volunteer mentor
- 92% of the children developed or improved important social skills like coping and communications
- 99% of children demonstrated an increase in self-efficacy

Building Hope Capital Purchase and Renovation Campaign

In 2017, Free Arts purchased a nondescript office building with a vision to transform the building into a center of art and transformation. This center will allow Free Arts to confidently expand programs to serve thousands of additional children and families. It will explore and establish best practices for using the arts and mentoring with children who have experienced trauma. It will showcase artwork and stories that will

foster a deeper understanding of children who have experienced the trauma of abuse or homelessness. We are excited to open the center and to be fully operational in 2020.

To kick-off this campaign in 2017, The Bob & Renee Parsons Foundation made a transformational investment in Free Arts that allowed us to purchase the building. At the beginning of this fiscal year, Mr. and Mrs. Parsons made an additional commitment of \$1,000,000 towards the renovation. For that reason and to honor them for their many years supporting Free Arts, the new building will be called: The Bob & Renee Parsons Place for Art and Transformation.

Realizing the Vision of our Founding Executive Director

Free Arts' founding executive director, Stephanie Small, shared with us that she remembers thinking she would know Free Arts was successful when one of the children participating in Free Arts programs came back as an adult to volunteer. In 2019, five Free Arts alumni volunteered in our programs because they wanted to support children currently experiencing the trauma of abuse or homelessness in the same way that a volunteer mentor supported them during that difficult time in their life. In addition, Free Arts contracted many alumni to serve in apprentice roles with artists and counselors as well as in administrative positions within our programs. We even have alumni working on our staff. We are proud that we could realize this vision that Stephanie set for Free Arts at the very beginning.

Financial Position

While we are in construction, our financial position reflects funds earmarked for investment in the building renovation. Free Arts continues to build our assets to support our 10-year vision and strategic plan. We ended the year with 11 months of cash reserves. We would like to highlight that even during a building renovation, our functional expenses allocated to our programs remains high. Our strategic initiatives will continue guiding our resource allocation. In this fiscal year, we received a significant donation from one donor which comprised 40% of our total support and revenue. However, the majority of this donation was directed to the building renovation and does not require Free Arts to create a sustainability plan for future operating expenses.

Organizational Stability

Free Arts celebrated our 25th anniversary in 2019. We are a long-standing community nonprofit that has demonstrated our value and enjoys consistent support from the community. In 2018, Free Arts set a 10-year vision with five major goals. We have four strategic initiatives underway to move our organization toward this vision. In 2019, progress on these strategic initiatives included:

Clarifying and Communicating Mission and Message

- Completing a comprehensive marketing plan including new donor and volunteer acquisition and promotion of our ability to accept donations that count toward the Arizona Qualifying Foster Care tax credit.
- Celebrating our 25th anniversary and reengaging volunteers and donors from throughout our history.

Optimizing Resources

- More effectively using volunteers and contractors to support our mission and programs.
- Creating standard operating procedures to streamline work and ensure consistency.

Expanding and Diversifying Funding Strategies

- Securing contributions that will allow Free Arts to pay for our renovation without a loan.
- Laying the groundwork for a planned giving program which will support our future.

Cultivating Research Strategies and Partners

- Overhauling our evaluation and assessment tools and systems.

- Securing Arizona State University School of Social & Family Dynamics as a research partner.

A significant component of our strategic initiatives in 2020 will determine how our renovated building will support our programs and services. We will develop a building use philosophy, define a new initiative related to program growth, and support the organization with a multi-year fundraising plan.

Our Impact

2019 will be remembered for its uniqueness – celebrating a big anniversary and renovating a building – things that you don't get to do every year. But we are equally as proud of our impact on the children we serve and the community members we engage.

"I see so much need in Phoenix, every single day. This is my way to make a difference, and with the training of Free Arts (especially Trauma-Informed Care and art), I know this is a method they (the children) can take with them for other life skills. Also, shoutout to the organizational skills of all the Free Arts staff, who make it so easy to sign up for mentoring and know about upcoming volunteer opportunities."

—Laura Higgs, volunteer mentor for 2 years

"I want you to know that I'm grateful to be able to use art in a new way that can help me distract myself in a healthy way when I'm upset."

—Jade, age 18

Thank you for your interest in and support of Free Arts for Abused Children of Arizona.

Sincerely,



Cathy Graham
President, Board of Directors



Alicia Sutton Campbell
Executive Director

FREE ARTS FOR ABUSED CHILDREN OF ARIZONA AND SUBSIDIARY

Consolidated Statement of Financial Position

September 30, 2019

ASSETS

Cash and cash equivalents	\$ 1,910,841
Contributions receivable, net	140,152
Prepaid expenses	18,200
Property and equipment, net	<u>3,688,607</u>
Total assets	<u>\$ 5,757,800</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 753
Accrued vacation	34,124
Construction contracts and retainage payable	819,067
Capital lease	<u>5,949</u>
Total liabilities	859,893

Net assets:

Without donor restrictions:

Undesignated	4,830,700
Board-designated	<u>32,124</u>
Total net assets without donor restrictions	4,862,824

With donor restrictions

Total net assets	<u>35,083</u>
	<u>4,897,907</u>

Total liabilities and net assets	<u>\$ 5,757,800</u>
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The accompanying notes are an integral part of these financial statements.

FREE ARTS FOR ABUSED CHILDREN OF ARIZONA AND SUBSIDIARY

Consolidated Statement of Activities

Year Ended September 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue:			
Contributions	\$ 1,195,986	\$ 1,105,300	\$ 2,301,286
Government grants	189,717		189,717
Special event revenue, net of \$10,640 direct donor benefits	144,750		144,750
In-kind contributions	95,618		95,618
Other revenue	12,002		12,002
Net assets released from restriction	<u>1,607,646</u>	<u>(1,607,646)</u>	
Total public support and revenue	3,245,719	(502,346)	2,743,373
Expenses:			
Program services - arts and mentoring	1,272,837		1,272,837
Management and general	155,477		155,477
Fundraising	<u>169,806</u>		<u>169,806</u>
Total expenses	<u>1,598,120</u>		<u>1,598,120</u>
Change in net assets before loss	1,647,599	(502,346)	1,145,253
Loss on disposal of assets	<u>(64,959)</u>		<u>(64,959)</u>
Change in net assets	1,582,640	(502,346)	1,080,294
Net assets, beginning of year	<u>3,280,184</u>	<u>537,429</u>	<u>3,817,613</u>
Net assets, end of year	<u>\$ 4,862,824</u>	<u>\$ 35,083</u>	<u>\$ 4,897,907</u>

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

FREE ARTS FOR ABUSED CHILDREN OF ARIZONA AND SUBSIDIARY

Consolidated Statement of Functional Expenses

Year Ended September 30, 2019

	Program Services - Arts and Mentoring	Supporting Services		Total
		Management and General	Fundraising	
Staff salaries	\$ 517,646	\$ 128,896	\$ 119,806	\$ 766,348
Payroll taxes and fees	54,007	6,245	5,329	65,581
Employee benefits	59,727	6,907	5,893	72,527
Contract and intern employees	66,897	1,605	935	69,437
Other professional fees	15,489	1,416	500	17,405
Professional artists' fees	65,350			65,350
Art and office supplies	24,430	159	317	24,906
Printing and postage	14,606	424	6,217	21,247
Operating costs	202,205	5,172	15,141	222,518
Professional development	3,782	475	181	4,438
Property repair and management fees	17,924	771	579	19,274
Director and officers liability insurance	7,455	321	240	8,016
Equipment rental and maintenance	15,975	411	328	16,714
Marketing and promotion	40,450	1,011	12,202	53,663
Travel	3,459	174	1,070	4,703
Telephone	4,475	193	144	4,812
In-kind	94,274	767	577	95,618
Interest	862	37	28	927
Depreciation and amortization	63,824	493	319	64,636
Total expenses	<u>\$ 1,272,837</u>	<u>\$ 155,477</u>	<u>\$ 169,806</u>	<u>\$ 1,598,120</u>

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

FREE ARTS FOR ABUSED CHILDREN OF ARIZONA AND SUBSIDIARY

Consolidated Statement of Cash Flows

Year Ended September 30, 2019

Cash flows from operating activities:	
Change in net assets	\$ 1,080,294
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:	
Depreciation and amortization	64,636
Loss on disposal of assets	64,959
Change in discount to present value for contributions receivable	2,475
Contributions restricted for building construction costs	(1,255,700)
Changes in:	
Contributions receivable, net	51,090
Prepaid expenses and deposits	(8,669)
Accounts payable	(7,789)
Accrued vacation	<u>18,063</u>
Net cash and cash equivalents provided by operating activities	9,359
 Cash flows from investing activities:	
Purchases of property and equipment	<u>(1,145,939)</u>
Net cash and cash equivalents used by investing activities	(1,145,939)
 Cash flows from financing activities:	
Proceeds from contributions restricted for building construction costs	1,255,700
Principal payments on capital lease	<u>(23,070)</u>
Net cash and cash equivalents provided by financing activities	<u>1,232,630</u>
 Change in cash and cash equivalents	96,050
Cash and cash equivalents, beginning of year	<u>1,814,791</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,910,841</u></u>
 <u>Supplemental disclosures:</u>	
Cash paid during the year for interest	<u><u>\$ 927</u></u>

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

FREE ARTS FOR ABUSED CHILDREN OF ARIZONA AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: Free Arts for Abused Children of Arizona as incorporated under the laws of the state of Arizona on October 9, 1993. Free Arts for Abused Children of Arizona is a nonprofit organization that transforms children's trauma to resilience through the arts. Over the past twenty-five years, the Organization has proudly served more than 125,000 children in Maricopa County. The Organization has 15 staff members and 900 volunteer mentors who serve nearly 8,000 children each year. The Organization partners with 40 individual social service agencies at 100+ sites to provide a unique combination of arts, a trauma informed curriculum, and mentoring, to children who are in out-of-home care. The Organization uses the arts to build resilience in children who have experienced the trauma of abuse, neglect, or homelessness. Volunteer mentors and professional teaching artists create a safe environment where children can express themselves, learn new skills, build self-efficacy, and begin to heal.

Free Arts Building Hope, LLC, (Building Hope) was incorporated in the state of Arizona in 2017 and is 100% owned by Free Arts for Abused Children of Arizona. Free Arts Building Hope, LLC is a single member LLC established to hold title to the building and all building related activities.

Basis of Presentation: Free Arts follows the recommendations of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) topic of *Not-for-Profit Entities*, requiring Free Arts to report information regarding its financial position and activities according into two classes of net assets: without donor restrictions and with donor restrictions.

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the restricted stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of Estimates: In preparing financial statements in conformity with generally accepted accounting principles (GAAP), management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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.

Consolidated Financial Statements: In accordance with the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC)'s topic of *Consolidation*, the consolidated financial statements include the accounts of Free Arts for Abused Children of Arizona and Free Arts Building Hope, LLC (collectively referred to as Free Arts). All significant interorganization transactions and accounts have been eliminated.

Cash and Cash Equivalents: For purposes of the statement of cash flows, Free Arts considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

FREE ARTS FOR ABUSED CHILDREN OF ARIZONA AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Contributions Receivable, Net: Contributions receivable expected to be collected within one year are recorded at net realizable value. Contributions receivable expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discount is included in contribution revenue in the consolidated statement of activities. Management determines the allowance for contributions receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Contributions receivable are considered by management to be fully collectible and accordingly, an allowance for doubtful accounts was not provided at September 30, 2019.

Property and Equipment: Purchased property and equipment of \$10,000 or greater are recorded at cost, or if donated, at estimated fair value at the date of gift. Depreciation is computed using the straight-line method based on estimated useful lives of the assets as follows:

Building	30 years
Furniture, fixtures, and equipment	3 - 7 years

Contributions: Contributions are reported in accordance with the FASB ASC subtopic of *Revenue Recognition for Not-for-Profit Entities*. Contributions received are recorded as net assets without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions. All donor restricted support is reported as an increase in net assets with donor restrictions depending on the nature of the restriction. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Donated goods and services are recorded as contributions at their estimated fair value at the date of donation, and shown as revenues and expenses in the financial statements. Donated services are recorded when the following criteria are met:

- i) The services require specialized skills, the services are provided by individuals possessing those skills, and the services would typically need to be purchased if not donated; or
- ii) The services enhance or create an asset.

Functional Expenses: The costs of providing various program and supporting services have been presented on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on estimates of facility usage and the estimated percentage of payroll costs benefiting the program or supporting services.

FREE ARTS FOR ABUSED CHILDREN OF ARIZONA AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Income Taxes: Free Arts is exempt from federal and state income taxes as an organization other than a private foundation under Section 501(c)(3) of the Internal Revenue Code and similar state provisions. Free Arts Building Hope, LLC is considered a disregarded entity as a wholly-owned limited liability corporation.

Subsequent Events: Free Arts has evaluated subsequent events through March 9, 2020, the date which the financial statements were available to be issued, and has concluded that no events have occurred since September 30, 2019, that would require an adjustment to, or disclosure in, the financial statements.

Change in Accounting Principle: On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classifications, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment returns. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions. A footnote on liquidity has also been added (See Note 2).

NOTE 2 - LIQUIDITY AND AVAILABILITY

Free Arts monitors its liquidity so that it is able to meet its operating needs and other contractual commitments. Free Arts has the following financial assets that could readily be made available within one year of each fiscal year end to fund expenses without limitations:

Financial assets:	
Cash and cash equivalents	\$ 1,910,841
Contributions receivable, net	<u>140,152</u>
Total financial assets	<u>2,050,993</u>
Less amounts unavailable for general expenditure within one year:	
Board-designated net assets	(32,124)
Net assets with donor restrictions	(35,083)
Contributions receivable, noncurrent portion, net	<u>(38,018)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,983,786</u>

In addition to financial assets available to meet general expenditures over the year, Free Arts operates with a balanced budget and anticipates covering its general expenditures by collecting contributions, grants, and other revenues.

FREE ARTS FOR ABUSED CHILDREN OF ARIZONA AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

NOTE 3 - CONTRIBUTIONS RECEIVABLE, NET

Free Arts's contributions receivable consisted of the following at September 30:

Due within one year	\$ 102,134
Due within two to five years	42,433
	<u>144,567</u>
Discount to adjust to net present value	(4,415)
Total pledges receivable, net	<u><u>\$ 140,152</u></u>

Contributions receivable due in more than one year are discounted at 3.5% in the year that the unconditional promise to give is made to Free Arts. At September 30, 2019, 43% of Free Arts' contributions receivable was due from three contributors.

NOTE 4 - PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following at September 30:

Land	\$ 167,500
Building	1,507,500
Furniture, fixtures, and equipment	127,053
Construction in progress	<u>2,061,035</u>
	3,863,088
Less accumulated depreciation	<u>(174,481)</u>
Total property and equipment, net	<u><u>\$ 3,688,607</u></u>

Free Arts had a commitment related to a building renovation project at September 30, 2019. The remaining contractual commitment with a contractor was approximately \$270,000 at September 30, 2019.

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at September 30, 2019, totaled \$35,083 and were restricted for the Parsons Foundation Building Renovation program.

Net assets with donor restrictions released from restrictions during the year ended September 30, 2019 consisted of the following:

Parsons Foundation Building Renovation	\$ 1,334,776
Professional Artist Series	150,000
Board Renovation Campaign	105,300
VOCA Mentor Program	<u>17,570</u>
	<u><u>\$ 1,607,646</u></u>

FREE ARTS FOR ABUSED CHILDREN OF ARIZONA AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

NOTE 6 - CAPITAL LEASE

In 2016, Free Arts entered into a capital lease agreement expiring in December 2020 for the purchase of equipment. The cost of equipment acquired was \$66,721, and accumulated amortization totaled \$26,212 at September 30, 2019.

Future minimum payments under the capital lease arrangement are as follows:

Year ending September 30, 2020	\$ 5,999
Less amount representing interest	<u>(50)</u>
Total minimum lease payments	<u><u>\$ 5,949</u></u>

NOTE 7 - IN-KIND CONTRIBUTIONS AND EXPENSES

Free Arts records various types of in-kind support, including the skilled labor of numerous volunteers and supplies for use by its programs. Contributed in-kind support is recognized in accordance with accounting principles generally accepted in the United States of America. This requires recognition of certain services received if those services (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

In-kind support for Free Arts programs is summarized as follows for the year ended September 30, 2019:

Art supplies	\$ 25,917
Tickets/vouchers	15,641
Space rental	51,815
Other	<u>2,245</u>
Total reported in-kind contributions and expenses	<u><u>\$ 95,618</u></u>

In addition, the following summarizes the estimated value of other services that have been donated to support Free Arts' programs that do not meet the criteria for recognition in the consolidated financial statements for the year ended September 30, 2019:

<u>Donated Services Not Reported:</u>	
Unskilled services provided to Free Arts programs	\$ 271,732
Other	<u>17,306</u>
Total unreported donated assets and services	<u><u>\$ 289,038</u></u>

NOTE 8 - CONCENTRATION

During the year ended September 30, 2019, contributions totaling \$1,100,000 were received from one donor and comprised 40% of total public support and revenue.

FREE ARTS FOR ABUSED CHILDREN OF ARIZONA AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS

September 30, 2019

NOTE 9 - RELATED PARTY TRANSACTIONS

Members who are able to directly influence decisions made by the Board of Directors are considered to be related parties. During the year ended September 30, 2019, Free Arts received cash and in-kind donations from related parties totaling \$76,485.