

**CREATIVE ARTS WORKSHOPS FOR KIDS, INC.
DBA CREATIVE ART WORKS**

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT**

**FOR THE EIGHT MONTH PERIOD ENDED
AUGUST 31, 2015**



PADILLA & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS

**CREATIVE ARTS WORKSHOPS FOR KIDS, INC.
DBA CREATIVE ART WORKS**

TABLE OF CONTENTS

Independent Auditor's Report	1 - 2
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Cash Flows	5
Statement of Functional Expenses	6
Notes to Financial Statements	7 - 17



INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Creative Arts Workshops for Kids, Inc.
DBA Creative Art Works

We have audited the accompanying statement of financial position of Creative Arts Workshops for Kids, Inc. DBA Creative Art Works (a nonprofit organization) as of August 31, 2015 and the related statements of activities and changes in net assets, cash flows for the eight month period 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 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 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 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.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Creative Arts Workshops for Kids, Inc. DBA Creative Art Works as of August 31, 2015, and the related statements of activities and changes in net assets, cash flows for the eight month period then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statement of functional expenses on page 6 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 audit 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.

Padilla and Company, LLP

Jamaica, New York
December 8, 2015

CREATIVE ARTS WORKSHOPS FOR KIDS, INC.
DBA CREATIVE ART WORKS
Statement of Financial Position
As of August 31, 2015

ASSETS

	2015
Current Assets	
Cash and cash equivalents (Notes 2 and 4)	\$ 292,641
Accounts receivable (Notes 2 and 5)	93,149
Prepaid expense	5,251
Total current assets	391,041
Non-current Assets	
Fixed assets, net (Note 2 and 6)	26,507
Total Assets	\$ 417,548

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable and accrued expenses (Note 7)	\$ 33,127
Net Assets	
Unrestricted	351,921
Temporarily restricted (Note 8)	32,500
Total net assets	384,421
Total Liabilities and Net Assets	\$ 417,548

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

CREATIVE ARTS WORKSHOPS FOR KIDS, INC.
DBA CREATIVE ART WORKS
Statement of Activities and Changes in Net Assets
For the Eight Month Period ended August 31, 2015

	Unrestricted	Temporarily Restricted	Total
REVENUES			
Fundraising and special events	\$ 676,949	\$ -	\$ 676,949
In-kind contributions (Note 9)	292,775	-	292,775
Earned revenue (Note 10)	56,162	-	56,162
Contributions (Note 11)	37,921	10,000	47,921
Government grants (Note 12)	-	43,000	43,000
Interest	137	-	137
	<u>1,063,944</u>	<u>53,000</u>	<u>1,116,944</u>
Net assets released from restrictions:			
Satisfaction of program restrictions	63,864	(63,864)	-
Total Revenues	<u>1,127,808</u>	<u>(10,864)</u>	<u>1,116,944</u>
EXPENSES			
Program services	606,347	-	606,347
In-kind expense	292,775	-	292,775
Administration	95,686	-	95,686
Fundraising	106,594	-	106,594
Total Expenses	<u>1,101,402</u>	<u>-</u>	<u>1,101,402</u>
Change in Net Assets	26,406	(10,864)	15,542
Net assets at the beginning of year	<u>325,515</u>	<u>43,364</u>	<u>368,879</u>
Net assets at the end of the year	<u>\$ 351,921</u>	<u>\$ 32,500</u>	<u>\$ 384,421</u>

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

CREATIVE ARTS WORKSHOPS FOR KIDS, INC.
DBA CREATIVE ART WORKS
Statement of Cash Flows
For the Eight Month Period ended August 31, 2015

	2015
Cash flows from operating activities:	
Decrease in net assets	\$ 15,542
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation (Note 6)	9,467
Loss on sale of Fixed Assets	1,236
(Increase)/decrease in accounts receivables	12,601
(Increase)/decrease in prepaid expense	(2,645)
Increase/(decrease) in accounts payable and accrued expenses	17,463
Net cash provided by (used for) operating activities	53,664
 Cash flows from investing activities:	
Purchase of fixed assets (Note 6)	(21,416)
Sale of Fixed Assets	1,200
Net cash provided by (used for) investing activities	(20,216)
 Net increase (decrease) in cash and cash equivalents	33,448
Cash and cash equivalents at beginning of year	259,193
Cash and cash equivalents at end of eight month period	\$ 292,641

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

CREATIVE ARTS WORKSHOPS FOR KIDS, INC.
DBA CREATIVE ART WORKS
Statement of Functional Expenses
For the Eight Month Period Ended August 31, 2015

	Program Services	General & Administrative	Fundraising	Subtotal	In-Kind			Total In-Kind	Total
					Program Services	General & Administrative	Fundraising		
Personnel Services									
Salaries	\$ 435,243	\$ 41,293	\$ 57,256	\$ 533,792	\$ -	\$ -	\$ -	\$ -	\$ 533,792
Fringe benefits	69,523	9,208	9,483	88,214	-	-	-	-	88,214
Total Personnel Services	504,766	50,501	66,739	622,006	-	-	-	-	622,006
Other than Personnel Services (OTPS)									
Printing and office supplies	5,068	5,376	2,504	12,948	1,317	588	1,763	3,668	16,616
Professional fees	14,295	12,559	6,960	33,814	683	124	341	1,148	34,962
Rent and occupancy	2,387	225	-	2,612	46,390	3,736	3,736	53,862	56,474
Art supplies	27,676	-	-	27,676	-	-	-	-	27,676
Travel	12,173	1,360	2,680	16,213	-	-	-	-	16,213
Communications and IT	4,866	3,503	1,017	9,386	-	-	-	-	9,386
Special events - direct expenses	-	-	20,263	20,263	-	-	81,590	81,590	101,853
Insurance	3,384	3,207	199	6,790	-	-	-	-	6,790
Meetings and conferences	77	40	200	317	-	-	-	-	317
Bank and processing fees	-	7,558	43	7,601	-	-	-	-	7,601
Depreciation (Note 6)	7,006	852	1,609	9,467	-	-	-	-	9,467
Payroll service fees	14,808	1,405	1,948	18,161	-	-	-	-	18,161
Food supplies	5,120	1,827	71	7,018	-	-	-	-	7,018
Utilities	-	2,241	-	2,241	-	-	-	-	2,241
Equipment rental	619	1,159	-	1,778	-	-	-	-	1,778
Advertising	-	-	-	-	90,165	30,055	30,055	150,275	150,275
Other expenses	4,102	3,873	2,361	10,336	2,232	-	-	2,232	12,568
Total OTPS	101,581	45,185	39,855	186,621	140,787	34,503	117,485	292,775	479,395
Total Expenses	\$ 606,347	\$ 95,686	\$ 106,594	\$ 808,628	\$ 140,787	\$ 34,503	\$ 117,485	\$ 292,775	\$ 1,101,402

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

Creative Arts Workshops for Kids, Inc.
DBA Creative Art Works
Notes to Financial Statements
August 31, 2015

NOTE 1 ORGANIZATION AND NATURE OF BUSINESS

Creative Arts Workshops for Kids, Inc. DBA Creative Art Works (the "Organization" and "CAW") is a nonprofit corporation incorporated in the State of New York on November 14, 1991. CAW's mission is to improve the life of New York City youth through the visual and multimedia arts. CAW serves thousands of young people each year, primarily in Upper Manhattan, through in-school and out-of-school-time classes, community art-making events, and public art youth employment programs. CAW's programs build confidence, unlock a love of learning, and create profound connections between young people and their communities. Students are never charged for participation.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for NFPs. The significant accounting and reporting policies used by the Organization are described subsequently to enhance the usefulness and understandability of the financial statements.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the Organization's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Organization's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Creative Arts Workshops for Kids, Inc.
DBA Creative Art Works
Notes to Financial Statements
August 31, 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets

The financial statements report net assets and changes in net assets in three classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Unrestricted Net Assets

Unrestricted net assets are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Temporarily Restricted Net Assets

Temporarily restricted net assets are resources that are restricted by a donor for use for a particular purpose or in a particular future period. The Organization's unspent contributions are classified in this class if the donor limited their use.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from temporarily restricted to unrestricted net assets.

Permanently Restricted Net Assets

Permanently restricted net assets are resources whose use by the Organization is limited by donor-imposed restrictions that neither expire by being used in accordance with a donor's restriction nor by the passage of time.

All revenues and net gains are reported as increases in unrestricted net assets in the statement of activities unless the use of the related resources is subject to temporary or permanent donor restrictions. All expenses and net losses other than losses on endowment investments are reported as decreases in unrestricted net assets.

Cash and Cash Equivalents

Cash equivalents are short term, interest bearing, highly liquid investments with original maturities of three months or less, unless the investments are held for meeting restrictions of a capital or endowment nature.

Creative Arts Workshops for Kids, Inc.
DBA Creative Art Works
Notes to Financial Statements
August 31, 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Receivables

Receivables are stated at the amounts the Organization expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts.

Fixed Assets

Fixed Assets are reported in the statement of financial position at cost, if purchased, and at fair value at the date of donation, if donated. Computer, equipment, and software are capitalized if it has a cost of \$500 or more and a useful life when acquired of more than 1 year. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as follows:

Computer and Equipment	3 years
Software	3 years

Fair Market Valuation

The Organization reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

- Level 1. Quoted prices for identical assets or liabilities in active markets to which the Organization has access at the measurement date.

- Level 2. Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include
 - quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets in markets that are not active;
 - observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
 - inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

- Level 3. Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

Creative Arts Workshops for Kids, Inc.
DBA Creative Art Works
Notes to Financial Statements
August 31, 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at August 31, 2015.

- Cash and Cash equivalents. The carrying amount reported in the balance sheet for cash and cash equivalents approximates its fair value.
- Accounts Receivable and Accounts Payable. The carrying amount of accounts receivable and accounts payable in the balance sheet approximates fair value.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values.

Accounting for Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in unrestricted net assets unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in either temporarily restricted or permanently restricted net assets, consistent with the nature of the restriction. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as temporarily restricted until the payment is due unless the contribution is clearly intended to support activities of the current fiscal year or is received with permanent restrictions. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Gifts-in Kind Contributions

The Organization receives contributions in a form other than cash. Donated use of facilities is reported as contributions and as expenses at the estimated fair value of similar space for rent under similar conditions. Donated advertising time is reported as contribution and as expenses at the estimated fair value as specified by the donor. Donated supplies are recorded as contributions at the date of gift and as expenses when the donated items are placed into service or distributed.

Grant Awards

Grant awards received for a specific purpose are recognized as support to the extent of the related expenses incurred in compliance with the specific restrictions.

Creative Arts Workshops for Kids, Inc.
DBA Creative Art Works
Notes to Financial Statements
August 31, 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expense Recognition and Allocation

The cost of providing the Organization's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization. Fundraising costs are expensed as incurred, even though they may result in contributions received in future years.

Tax Status

The Organization is incorporated exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code (IRC) though it would be subject to tax on income unrelated to its exempt purposes (unless that income is otherwise excluded by the IRC). The tax years ending 2012, 2013, and 2014 are still open to audit for both federal and state purposes. Contributions to the Organization are tax deductible to donors under Section 170 of the IRC. The Organization is not classified as a private foundation.

NOTE 3 CONCENTRATION OF CREDIT RISKS

Financial instruments that potentially subject the Organization to concentration of credit risk consist principally of cash accounts in a financial institution which at times exceed the federal depository insurance coverage limit of \$250,000. However, the Organization has not experienced any losses.

Creative Arts Workshops for Kids, Inc.
DBA Creative Art Works
Notes to Financial Statements
August 31, 2015

NOTE 4 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of demand deposits, savings accounts, and cash on hand. Cash equivalents are defined as short-term highly liquid investments that are readily convertible to known amounts of cash and include investments with original maturities of three months or less.

Cash and cash equivalents as of August 31, 2015 consist of:

	<u>2015</u>
Cash in Bank:	
Chase High Yield Savings	\$ 220,116
Chase Business Classic	<u>71,409</u>
Total Cash in Bank	291,525
Petty Cash	<u>1,116</u>
Total	<u><u>\$ 292,641</u></u>

The maximum FDIC insurance is \$250,000 per insured bank.

Creative Arts Workshops for Kids, Inc.
DBA Creative Art Works
Notes to Financial Statements
August 31, 2015

NOTE 5 ACCOUNTS RECEIVABLE

Accounts receivable as of August 31, 2015 consists of:

	<u>2015</u>
NYC Department of Cultural Affairs	\$ 25,000
The New York City Council	16,500
Rockefeller	10,000
Equity Office Properties	10,000
Oxford	5,000
Pritchard Industries	5,000
Renaissance School of the Arts	4,999
West Harlem Local Development Corporation	3,750
CLIMB	3,000
Others	9,900
Total	<u>\$ 93,149</u>

As of audit report date, \$50,675 of the total accounts receivable was collected.

Creative Arts Workshops for Kids, Inc.
DBA Creative Art Works
Notes to Financial Statements
August 31, 2015

NOTE 6 FIXED ASSETS

Fixed Assets as of August 31, 2015 consist of:

	Software	Computer & Equipment	Total
Cost			
At January 1, 2015	\$ 12,399	\$ 42,084	\$ 54,483
Additions	-	21,416	21,416
Disposals	-	(3,298)	(3,298)
At August 31, 2015	<u>12,399</u>	<u>60,202</u>	<u>72,601</u>
Accumulated depreciation			
At January 1, 2015	12,399	25,090	37,489
Depreciation	-	9,467	9,467
Disposals	-	(862)	(862)
At August 31, 2015	<u>12,399</u>	<u>33,695</u>	<u>46,094</u>
Net book value			
At December 31, 2014	<u>-</u>	<u>16,994</u>	<u>16,994</u>
At August 31, 2015	<u>\$ -</u>	<u>\$ 26,507</u>	<u>\$ 26,507</u>

NOTE 7 ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses as of August 31, 2015 consist of:

	2015
Professional Fees	\$ 8,168
American Express	6,819
Others	18,140
Total	<u>\$ 33,127</u>

As of audit report date, a total of \$26,279 was paid.

Creative Arts Workshops for Kids, Inc.
DBA Creative Art Works
Notes to Financial Statements
August 31, 2015

NOTE 8 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of:

	2015
Department of Cultural Affairs	\$ 12,500
The Bay and Paul Foundations	10,000
NYC Council Member Ydanis Rodriguez	5,000
NYC Council Member Mark Levine	5,000
Total	\$ 32,500

NOTE 9 IN-KIND CONTRIBUTIONS

In-kind contributions consist of:

	2015
Donated Advertising	\$ 171,429
Donated Use of Facilities	103,862
Food Supplies	7,800
Printing and Supplies	3,668
Professional Services	1,148
Others	4,868
Total	\$ 292,775

\$81,590 of the \$292,775 in-kind contributions received was for the Organization's annual benefit event.

NOTE 10 EARNED REVENUE

Earned revenue consists of:

	2015
Program Service Fees	\$ 31,712
Sale of Art	9,500
Others	14,950
Total	\$ 56,162

Creative Arts Workshops for Kids, Inc.
DBA Creative Art Works
Notes to Financial Statements
August 31, 2015

NOTE 11 CONTRIBUTIONS

Contributions consist of:

	2015
Foundations	\$ 21,000
Board Members	13,626
Individuals	9,563
Corporations	3,732
Total	\$ 47,921

NOTE 12 GOVERNMENT GRANTS

Government grants consist of:

	2015
NYC Department of Cultural Affairs	\$ 25,000
The New York City Council	16,500
NYC Department of Education	1,500
Total	\$ 43,000

NOTE 13 CONTINGENCY

The Organization is party to an ongoing litigation and is represented by the insurance carrier's counsel and directly overseen by another counsel engaged by them. The Organization does not expect the lawsuit to have a material adverse effect on the financial statements.

NOTE 14 FUTURE PROGRAM AUDITS

Reimbursements from grant related expenses and overhead applicable to programs conducted under contract with the city, state, and federal government are subject to audit which may result in adjustments for disallowances. The amount of the disallowance, if any, cannot be determined. Therefore, no provision is made for these potential liabilities.

Creative Arts Workshops for Kids, Inc.
DBA Creative Art Works
Notes to Financial Statements
August 31, 2015

NOTE 15 CHANGE OF FINANCIAL YEAR END

The Board of Directors of the Organization approved the change in fiscal year end from December 31 to August 31. The financial statements for the current financial period are made up from January 1, 2015 to August 31, 2015.

NOTE 16 SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 8, 2015, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

Friday, January 08, 2016