

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

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

**FOR THE YEAR ENDED
AUGUST 31, 2016**



PADILLA & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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

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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, 2016 and the related statement of activities and changes in net assets, cash flows for the year 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, 2016, and the related statements of activities and changes in net assets, cash flows for the year 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 7, 2016

CREATIVE ARTS WORKSHOPS FOR KIDS, INC.
DBA CREATIVE ART WORKS
Statement of Financial Position
As of August 31, 2016

ASSETS

	2016
Current Assets	
Cash and cash equivalents (Notes 2 and 4)	\$ 412,322
Accounts receivable (Notes 2 and 5)	208,293
Prepaid expense	8,242
Total current assets	628,857
Non-current Assets	
Investments in Ameritrade	15,148
Fixed assets, net (Note 2 and 6)	16,506
Total non-current assets	31,654
Total Assets	\$ 660,511

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable and accrued expenses (Note 7)	\$ 25,521
Deferred revenue (Note 8)	33,000
Total Current Liabilities	58,521
Net Assets	
Unrestricted	551,190
Temporarily restricted (Note 9)	50,800
Total net assets	601,990
Total Liabilities and Net Assets	\$ 660,511

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 Year ended August 31, 2016

	Unrestricted	Temporarily Restricted	Total
REVENUES			
Fundraising and special events	\$ 750,817	\$ -	\$ 750,817
In-kind contributions (Note 10)	419,910	-	419,910
Earned revenue (Note 11)	367,682	-	367,682
Contributions (Note 12)	215,002	5,000	220,002
Government grants (Note 13)	-	60,800	60,800
Interest Income/Investment Income/(Loss)	254	-	254
	<u>1,753,665</u>	<u>65,800</u>	<u>1,819,465</u>
Net assets released from restrictions:			
Satisfaction of program restrictions	47,500	(47,500)	-
Total Revenues	<u>1,801,165</u>	<u>18,300</u>	<u>1,819,465</u>
EXPENSES			
Program services	874,292	-	874,292
In-kind expense	419,910	-	419,910
Administration	154,746	-	154,746
Fundraising	152,948	-	152,948
Total Expenses	<u>1,601,896</u>	<u>-</u>	<u>1,601,896</u>
Change in Net Assets	199,269	18,300	217,569
Net assets at the beginning of year	351,921	32,500	384,421
Net assets at the end of the year	\$ 551,190	\$ 50,800	\$ 601,990

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 Year ended August 31, 2016

	2016
Cash flows from operating activities:	
Increase in net assets	\$ 217,569
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation (Note 6)	13,675
Doubtful Accounts Allowance (Note 5)	30,075
(Increase)/decrease in accounts receivables	(145,219)
(Increase)/decrease in prepaid expense	(2,991)
Increase/(decrease) in accounts payable and accrued expenses	25,394
Net cash provided by (used for) operating activities	138,503
 Cash flows from investing activities:	
Purchase of fixed assets (Note 6)	(3,674)
Investment in Ameritrade	(15,148)
Net cash provided by (used for) investing activities	(18,822)
 Net increase (decrease) in cash and cash equivalents	119,681
Cash and cash equivalents at beginning of year	292,641
Cash and cash equivalents at end of fiscal year	\$ 412,322

**Creative Arts Workshops for Kids
Statements of Functional Expenses
For the Year ended August 31, 2016**

					<u>In-Kind</u>				<u>Total 2016</u>
	<u>Program Services</u>	<u>General & Administrative</u>	<u>Fundraising</u>	<u>Total</u>	<u>Program Services</u>	<u>General & Administrative</u>	<u>Fundraising</u>	<u>Total</u>	
Personnel Services									
Salaries	\$ 609,614	\$ 47,058	\$ 82,751	\$ 739,423	\$ -	\$ -	\$ -	\$ -	\$ 739,423
Fringe benefits	82,033	19,668	14,807	116,508	-	-	-	-	116,508
Total Personnel Services	<u>691,647</u>	<u>66,726</u>	<u>97,558</u>	<u>855,931</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>855,931</u>
Other than Personnel Services (OTPS)									
Printing and office supplies	7,390	8,458	13,212	29,060	13,196	-	-	13,196	42,256
Professional fees	13,676	20,827	6,838	41,341	-	-	-	-	41,341
Rent and occupancy	5,677	796	-	6,473	62,170	6,646	6,646	75,463	81,936
Art supplies	33,794	-	-	33,794	51,164	-	-	51,164	84,958
Travel	15,817	1,889	3,619	21,325	-	-	-	-	21,325
Communications and IT	6,840	7,962	780	15,582	674	742	337	1,754	17,336
Special Events - Direct Expenses	-	-	16,802	16,802	-	-	92,429	92,429	109,231
Doubtful Accounts Allowance	-	30,075	-	30,075	-	-	-	-	30,075
Insurance	6,833	3,477	769	11,079	-	-	-	-	11,079
Meetings and conferences	405	5	571	981	-	-	-	-	981
Bank and processing fees	-	6,935	118	7,053	-	-	-	-	7,053
Depreciation (Note 6)	10,119	1,231	2,325	13,675	-	-	-	-	13,675
Payroll service fees	16,879	1,303	2,291	20,473	-	-	-	-	20,473
Food supplies	6,379	1,682	4,812	12,873	750	18	-	768	13,641
Utilities	4,516	515	515	5,546	-	-	-	-	5,546
Equipment	44,405	493	-	44,898	-	-	-	-	44,898
Advertising	3,332	476	1,430	5,238	92,636	46,250	46,250	185,136	190,374
Other expenses	6,583	1,896	1,308	9,787	-	-	-	-	9,787
Total OTPS	<u>182,645</u>	<u>88,020</u>	<u>55,390</u>	<u>326,055</u>	<u>220,591</u>	<u>53,656</u>	<u>145,663</u>	<u>419,910</u>	<u>745,965</u>
Total Expenses	<u>\$ 874,292</u>	<u>\$ 154,746</u>	<u>\$ 152,948</u>	<u>\$ 1,181,986</u>	<u>\$ 220,591</u>	<u>\$ 53,656</u>	<u>\$ 145,663</u>	<u>\$ 419,910</u>	<u>\$ 1,601,896</u>

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, 2016

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 empower young people through the visual and multimedia arts. CAW serves thousands of young people each year throughout New York City (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 equip children, teens and young adults with essential tools and skills; connect them with community, academic success and career opportunities; and inspire them to reach for new possibilities. 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 year 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, 2016

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 year. 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, 2016

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, 2016

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, 2016.

- 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.

The following table present our assets measured at fair value on a recurring basis. Included in the tables are Brokerage Account/Money Market held at TD Ameritrade. Such investments are mainly investment grade level 1.

Investment at Fair Value as of August 31, 2016			
Level 1	Level 2	Level 3	Total
\$ 15,148	\$ -	\$ -	\$ 15,148

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 years 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.

Creative Arts Workshops for Kids, Inc.
DBA Creative Art Works
Notes to Financial Statements
August 31, 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, 2016

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, 2016 consist of:

Cash in Bank:	
Chase High Yield Savings	\$ 220,252
Chase Business Classic	191,589
Total Cash in Bank	<u>411,841</u>
Petty Cash	481
Total	<u><u>\$ 412,322</u></u>

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

NOTE 5 ACCOUNTS RECEIVABLE

Accounts receivable as of August 31, 2016 consists of:

NYC Administration for Children Services	\$ 168,295
Department of Cultural Affairs	27,300
Renaissance School of the Arts	14,698
NYC Council Member Ydanis Rodriguez	7,000
NYC Council Member Melissa Mark Viverito	6,500
Global Community Charter School	5,000
NYC Council Member Mark Levine	5,000
Goldman Sachs	2,000
Others	2,575
Subtotal	<u>238,368</u>
Less: Allowance for Doubtful Accounts	<u>(30,075)</u>
Total	<u><u>\$ 208,293</u></u>

As of audit report date, \$44,989 of the total accounts receivable was collected.

Creative Arts Workshops for Kids, Inc.
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Notes to Financial Statements
August 31, 2016

NOTE 6 FIXED ASSETS

Fixed Assets as of August 31, 2016 consist of:

	<u>Software</u>	<u>Computer & Equipment</u>	<u>Total</u>
Cost			
At August 31, 2015.	\$ 12,399	\$ 60,202	\$ 72,601
Additions	-	3,674	3,674
Disposals	-	-	-
At August 31, 2016	<u>12,399</u>	<u>63,876</u>	<u>76,275</u>
Accumulated depreciation			
At August 31, 2015.	12,399	33,695	46,094
Depreciation	-	13,675	13,675
Disposals	-	-	-
At August 31, 2016	<u>12,399</u>	<u>47,370</u>	<u>59,769</u>
Net book value			
At August 31, 2015.	<u>-</u>	<u>26,507</u>	<u>26,507</u>
At August 31, 2016	<u>\$ -</u>	<u>\$ 16,506</u>	<u>\$ 16,506</u>

NOTE 7 ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses as of August 31, 2016 consist of:

Professional Fees	\$ 11,796
American Express	11,762
Others	<u>1,962</u>
Total	<u>\$ 25,521</u>

As of audit report date, a total of \$19,021 was paid.

Creative Arts Workshops for Kids, Inc.
DBA Creative Art Works
Notes to Financial Statements
August 31, 2016

NOTE 8 DEFERRED REVENUE

Deferred revenue represents revenues collected but not yet earned as of August 31, 2016. These revenues are intended for services to be rendered in the fiscal year 2017.

NOTE 9 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net asset consist of:

Department of Cultural Affairs	\$ 27,300
The Bay and Paul Foundations	5,000
NYC Council Member Ydanis Rodriguez	7,000
NYC Council Member Mark Levine	5,000
NYC Council Member Mark Viverito	<u>6,500</u>
Total	<u><u>\$ 50,800</u></u>

NOTE 10 IN-KIND CONTRIBUTIONS

In-kind contributions consist of:

Donated Services	\$ 218,540
Donated Use of Faacilities	125,463
Others	<u>75,907</u>
Total	<u><u>\$ 419,910</u></u>

NOTE 11 EARNED REVENUE

Earned revenue consists of:

Program Service Fees	\$ 315,793
Sale of Art	17,250
Others	<u>34,639</u>
Total	<u><u>\$ 367,682</u></u>

Creative Arts Workshops for Kids, Inc.
DBA Creative Art Works
Notes to Financial Statements
August 31, 2016

NOTE 12 CONTRIBUTIONS

Contributions consist of:

Foundations	\$ 77,500
Board Members	27,536
Individuals	49,862
Corporations	<u>65,104</u>
Total	<u><u>\$ 220,002</u></u>

NOTE 13 GOVERNMENT GRANTS

Government grants consist of:

NYC Department of Cultural Affairs	\$ 27,300
The New York City Council	33,500
Total	<u><u>\$ 60,800</u></u>

NOTE 14 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 15 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, 2016

NOTE 16 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 year covers September 1, 2015 through August 31, 2016.

NOTE 17 SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 7, 2016, 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.

