

CREATIVE ARTS WORKSHOPS FOR KIDS, INC.

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2013 and 2012**



PADILLA & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS

CREATIVE ARTS WORKSHOPS FOR KIDS, INC.

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of financial position of Creative Arts Workshops for Kids, Inc. (a nonprofit organization) as of December 31, 2013, and the related statements of activities and changes in net assets, cash flows for the years then ended , and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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. as of December 31, 2013, and the related statements of activities and changes in net assets, cash flows for the years 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.

Report on Summarized Comparative Information

We have previously audited the Creative Arts Workshops for Kids, Inc.'s 2012 financial statements, and our report dated April 8, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Padilla and Company, LLP

Jamaica, New York
March 28, 2014

CREATIVE ARTS WORKSHOPS FOR KIDS, INC.
Statements of Financial Position
As of December 31, 2013 and 2012

ASSETS

	<u>2013</u>	<u>2012</u>
Current Assets		
Cash and cash equivalents (Notes 2 and 4)	\$ 275,065	\$ 376,143
Accounts receivable (Notes 2 and 5)	153,213	41,768
Prepaid expense	<u>3,039</u>	<u>2,313</u>
Total current assets	<u>431,317</u>	<u>420,224</u>
Fixed Assets, Net (Note 2 and 6)	<u>16,167</u>	<u>10,103</u>
Total Assets	<u>\$ 447,484</u>	<u>\$ 430,327</u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable and accrued expenses (Note 7)	\$ 13,531	\$ 18,021
Net Assets		
Unrestricted	398,953	412,306
Temporarily restricted (Note 8)	<u>35,000</u>	<u>-</u>
Total	<u>433,953</u>	<u>412,306</u>
Total Liabilities and Net Assets	<u>\$ 447,484</u>	<u>\$ 430,327</u>

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

CREATIVE ARTS WORKSHOPS FOR KIDS, INC.
Statements of Activities and Changes in Net Assets
For the Years Ended December 31, 2013 and 2012

	Unrestricted	Temporarily Restricted	Total	
			2013	2012
REVENUES				
Fundraising and special events	427,354	\$ -	\$ 427,354	\$ 403,587
In-kind contributions (Note 9)	352,142	-	352,142	423,770
Contributions (Note 10)	123,439	-	123,439	166,388
Grants and contracts (Note 11)	-	118,655	118,655	15,720
Interest	540	-	540	356
Earned Revenue (Note 12)	121,860	-	121,860	120,023
	1,025,335	118,655	1,143,990	1,129,844
Net assets released from restrictions:				
Satisfaction of program restrictions	83,655	(83,655)	-	-
Total Revenues	1,108,990	35,000	1,143,990	1,129,844
EXPENSES				
Program services	566,298	-	566,298	362,363
In-kind expense	352,141	-	352,141	423,770
Administration	65,869	-	65,869	119,705
Fundraising	138,034	-	138,034	41,861
Total Expenses	1,122,343	-	1,122,343	947,699
Change in Net Assets	(13,353)	35,000	21,647	182,145
Net assets at the beginning of year	412,306	-	412,306	230,161
Net assets at the end of the year	\$ 398,953	\$ 35,000	\$ 433,953	\$ 412,306

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

CREATIVE ARTS WORKSHOPS FOR KIDS, INC.
Statements of Cash Flows
For the Years Ended December 31, 2013 and 2012

	2013	2012
Cash flows from operating activities		
Increase in net assets	\$ 21,647	\$ 182,145
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation (Note 6)	8,152	4,546
(Increase)/decrease in accounts receivables	(111,445)	37,446
(Increase)/decrease in prepaid expense	(726)	(2,313)
Increase/(decrease) in accounts payable and accrued expenses	(4,490)	8,858
Net cash provided by operating activities	(86,862)	230,682
Cash flows from investing activities		
Purchase of fixed assets (Note 6)	(14,216)	(4,498)
Net increase (decrease) in cash and cash equivalents	(101,078)	226,184
Cash and cash equivalents at beginning of year	376,143	149,959
Cash and cash equivalents at end of year	\$ 275,065	\$ 376,143

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

**Creative Arts Workshops for Kids
Statements of Functional Expenses
For the Year Ended December 31, 2013 and 2012**

					In Kind				Total	
	Program Services	General & Administrative	Fundraising	Total	Program Services	General & Administrative	Fundraising	Total	2013	2012
Personnel Services										
Salaries	\$ 358,047	\$ 42,586	\$ 93,184	\$ 493,817	\$ -	\$ -	\$ -	\$ -	\$ 493,817	\$ 355,515
Fringe benefits	75,749	1,018	4,072	80,839	-	-	-	-	80,839	19,683
Total Personnel Services	433,796	43,604	97,256	574,656	-	-	-	-	574,656	375,198
Other than Personnel Services (OTPS)										
Printing and office supplies	19,822	725	2,321	22,868	-	-	-	-	22,868	224,407
Professional fees	29,608	13,245	6,056	48,909	12,500	18,544	20,000	51,044	99,953	29,008
Rent and occupancy	1,327	448	84	1,859	59,185	7,408	7,407	74,000	75,859	65,000
Art supplies	36,907	102	1,517	38,526	7,214	-	-	7,214	45,740	44,032
Travel	8,668	61	7,130	15,859	-	-	-	-	15,859	13,368
Communications and IT	14,460	1,250	1,128	16,838	-	-	-	-	16,838	10,165
Special Events - Direct Expenses	-	-	13,530	13,530	-	-	12,405	12,405	25,936	750
Bad debts	-	2,000	-	2,000	-	-	-	-	2,000	8,224
Insurance	6,765	2,084	136	8,985	-	-	-	-	8,985	6,844
Meetings and conferences	2,605	511	2,848	5,964	-	-	-	-	5,964	6,553
Bank and processing fees	35	766	3,483	4,284	-	-	-	-	4,284	4,724
Depreciation (Note 6)	6,071	694	1,388	8,153	-	-	-	-	8,153	4,546
Payroll service fees	1,048	68	94	1,210	-	-	-	-	1,210	3,302
Teaching consultants	1,296	-	-	1,296	-	-	-	-	1,296	3,198
Food supplies	2,158	-	26	2,184	-	-	-	-	2,184	2,979
Utilities	698	171	12	881	-	-	-	-	881	1,128
Equipment rental	420	-	-	420	-	-	-	-	420	1,075
Advertising	-	-	-	-	137,857	-	67,899	205,756	205,756	133,826
Teen stipends	-	-	-	-	-	-	-	-	-	333
Staff development	61	140	965	1,166	-	-	-	-	1,166	100
Membership dues	-	-	60	60	-	-	-	-	60	25
Other expenses	553	-	-	553	1,722	-	-	1,722	2,275	8,914
Total OTPS	132,502	22,265	40,778	195,545	218,478	25,952	107,711	352,141	547,687	572,501
Total Expenses	\$ 566,298	\$ 65,869	\$ 138,034	\$ 770,201	\$ 218,478	\$ 25,952	\$ 107,711	\$ 352,141	\$ 1,122,343	\$ 947,699

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

CREATIVE ARTS WORKSHOPS FOR KIDS, INC.

Notes to Financial Statements

December 31, 2013 and 2012

NOTE 1 ORGANIZATION AND NATURE OF BUSINESS

Creative Arts Workshops for Kids, Inc. (the “Organization”) is a not-for-profit (NFP) corporation incorporated in the State of New York on November 14, 1991. The mission of the Organization is to enhance and develop the self-esteem and quality of life of underserved children and youth ages 4-24 in Northern Manhattan through the exposure to visual and performing arts, participation in art workshops, and the creation of community art.

The Organization utilized the visual and performing arts to teach life skills to children and youth while enriching communities. Its programs empower children and youth from economically disadvantaged backgrounds to improve their leadership and public speaking skills, to build their self-confidence, and to deepen the relationship between art and community.

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.

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:

CREATIVE ARTS WORKSHOPS FOR KIDS, INC.

Notes to Financial Statements

December 31, 2013 and 2012

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

CREATIVE ARTS WORKSHOPS FOR KIDS, INC.

Notes to Financial Statements

December 31, 2013 and 2012

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

CREATIVE ARTS WORKSHOPS FOR KIDS, INC.
Notes to Financial Statements
December 31, 2013 and 2012

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 2010, 2011, and 2012 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.

Reclassification

Certain items in the 2012 financial statements have been reclassified for comparative purpose only.

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.
Notes to Financial Statements
December 31, 2013 and 2012

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 December 31, 2013 and 2012 consist of:

	2013	2012
Cash in Bank:		
Chase High Yield Savings	\$ 225,476	\$ 300,353
Chase Business Classic	46,489	53,870
Total Cash in Bank	271,965	354,223
Undeposited Cash Receipts	3,100	21,914
Petty Cash	-	6
Total	\$ 275,065	\$ 376,143

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

CREATIVE ARTS WORKSHOPS FOR KIDS, INC.
Notes to Financial Statements
December 31, 2013 and 2012

NOTE 5 ACCOUNTS RECEIVABLE

Accounts receivable as of December 31, 2013 and 2012 consist of:

	2013	2012
National Endowment for the Arts	\$ 70,000	\$ -
NY Charities.Org	23,638	9,123
The New York City Council	12,000	-
West Harlem Local Development Corporation	11,000	-
Whole Foods Market, Inc.	10,000	-
M328 Middle School for Scientific inquiry	5,000	-
Greenberg Traurig	5,000	-
New York Presbyterian Hospital	5,000	-
NYC Department of Cultural Affairs	3,075	3,145
Deutsche Bank Americas Foundation	3,000	-
NYC Department of Education	2,000	-
Manhattan Chamber of Commerce	2,000	-
Apple	1,500	-
Youth, Inc.	-	27,500
Retail Sale of Art	-	2,000
Total	\$ 153,213	\$ 41,768

As of audit report date, \$35,638 of the total 2013 accounts receivable was collected.

CREATIVE ARTS WORKSHOPS FOR KIDS, INC.
Notes to Financial Statements
December 31, 2013 and 2012

NOTE 6 FIXED ASSETS

Fixed Assets as of December 31, 2013 and 2012 consist of:

	<u>Software</u>	<u>Computer & Equipment</u>	<u>Total</u>
Cost			
At January 1, 2013	\$ 12,399	\$ 16,949	\$ 29,348
Additions	-	14,216	14,216
At December 31, 2013	<u>12,399</u>	<u>31,165</u>	<u>43,564</u>
Accumulated depreciation			
At January 1, 2013	12,399	6,846	19,245
Depreciation	-	8,152	8,152
At December 31, 2013	<u>12,399</u>	<u>14,998</u>	<u>27,397</u>
Net book value			
At December 31, 2012	<u>-</u>	<u>10,103</u>	<u>10,103</u>
At December 31, 2013	<u>\$ -</u>	<u>\$ 16,167</u>	<u>\$ 16,167</u>

NOTE 7 ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses as of December 31, 2013 and 2012 consist of:

	<u>2013</u>	<u>2012</u>
Professional Fees	\$ 9,909	\$ 5,796
American Express	490	4,186
Others	3,132	8,039
Total	<u>\$ 13,531</u>	<u>\$ 18,021</u>

As of audit report date, a total of \$8,155 was paid.

NOTE 8 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets represents \$35,000 unspent funds from National Endowment for the Arts.

CREATIVE ARTS WORKSHOPS FOR KIDS, INC.
Notes to Financial Statements
December 31, 2013 and 2012

NOTE 9 IN-KIND CONTRIBUTIONS

In-kind contributions consist of:

	<u>2013</u>
Donated Advertising Time	\$ 205,756
Donated Use of Facilities	74,000
Donated Professional Services	51,044
Donated Goods	<u>21,342</u>
Total	<u><u>\$ 352,142</u></u>

NOTE 10 CONTRIBUTIONS

Contributions consist of:

	<u>2013</u>	<u>2012</u>
Foundation	\$ 62,000	\$ 92,250
Corporate	17,600	46,010
Board	14,725	14,796
Individual	<u>29,114</u>	<u>13,332</u>
Total	<u><u>\$ 123,439</u></u>	<u><u>\$ 166,388</u></u>

NOTE 11 GRANTS AND CONTRACTS

Grants and contracts consist of:

	<u>2013</u>	<u>2012</u>
Government Grants:		
National Endowment for the Arts	\$ 70,000	\$ -
NYC Department of Cultural Affairs	15,375	15,720
The New York City Council	<u>12,000</u>	<u>-</u>
Total Government Grants	97,375	15,720
Non-profit Organizations	<u>21,280</u>	<u>-</u>
Total	<u><u>\$ 118,655</u></u>	<u><u>\$ 15,720</u></u>

CREATIVE ARTS WORKSHOPS FOR KIDS, INC.
Notes to Financial Statements
December 31, 2013 and 2012

NOTE 12 EARNED REVENUE

Other income consists of:

	<u>2013</u>	<u>2012</u>
Sale of Art	\$ 69,980	\$ 60,480
Program Service Fees	43,040	28,240
Cause Marketing Income	8,840	1,303
Exhibition Fees	<u>-</u>	<u>30,000</u>
Total	<u>\$ 121,860</u>	<u>\$ 120,023</u>

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 SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 28, 2014, 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.

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.

Wednesday, May 14, 2014