

CREATIVE ARTS WORKSHOP FOR KIDS, INC.

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2011 and 2010**



CREATIVE ARTS WORKSHOP FOR KIDS, INC.

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of financial position of *Creative Arts Workshop for Kids, Inc.* (the "Organization") as of December 31, 2011 and 2010, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended. These financial statements are the responsibilities of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of *Creative Arts Workshop for Kids, Inc.* as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Padilla and Company, LLP

*Jamaica, New York
May 11, 2012*

CREATIVE ARTS WORKSHOP FOR KIDS, INC.
Statements of Financial Position
As of December 31, 2011 and 2010

ASSETS

CURRENT ASSETS	<u>2011</u>	<u>2010</u>
Cash (Note 3)	\$ 149,959	\$ 71,310
Accounts receivable (Note 4)	79,214	28,684
Prepaid expense	-	2,005
Total Current Assets	<u>229,173</u>	<u>101,999</u>
 FIXED ASSETS, Net (Note 6)	 <u>10,151</u>	 <u>1,378</u>
 TOTAL ASSETS	 <u>\$ 239,324</u>	 <u>\$ 103,377</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 9,163	\$ 6,696
 NET ASSETS		
Unrestricted	<u>230,161</u>	<u>96,681</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 239,324</u>	 <u>\$ 103,377</u>

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

CREATIVE ARTS WORKSHOP FOR KIDS, INC.
Statements of Activities and Changes in Net Assets
For the Years Ended December 31, 2011 and 2010

	Unrestricted	Temporarily Restricted	Total	
			2011	2010
REVENUES				
Contributions	\$ 152,429	\$ -	\$ 152,429	\$ 51,243
Government contributions	-	21,163	21,163	6,940
Fundraising and Special Events	316,578	-	316,578	244,227
Interest	11	-	11	13
In-Kind Contributions (Note 7)	187,645	-	187,645	106,750
Other income	427	-	427	14,842
	<u>657,090</u>	<u>21,163</u>	<u>678,253</u>	<u>424,015</u>
Net assets released from restrictions:				
Satisfaction of program restrictions	21,163	(21,163)	-	-
Total Revenues	<u>678,253</u>	<u>-</u>	<u>678,253</u>	<u>424,015</u>
EXPENSES				
Program services	211,671	-	211,671	205,679
Administration	88,614	-	88,614	95,918
In Kind expense	187,645	-	187,645	106,750
Fundraising	56,843	-	56,843	36,241
Total Expenses	<u>544,773</u>	<u>-</u>	<u>544,773</u>	<u>444,588</u>
Change in Net Assets	133,480	-	133,480	(20,573)
Net assets at the beginning of year	96,681	-	96,681	117,254
Net assets at the end of the year	<u>\$ 230,161</u>	<u>\$ -</u>	<u>\$ 230,161</u>	<u>\$ 96,681</u>

CREATIVE ARTS WORKSHOP FOR KIDS, INC.
Statements of Cash Flows
For the Years Ended December 31, 2011 and 2010

Cash flows from operating activities	2011	2010
Increase in net assets	\$ 133,480	\$ (20,573)
Adjustment to reconcile increase (decrease) in net assets to net cash provided by (used for) operating activities:		
Depreciation	3,678	4,133
(Increase)/decrease in receivables	(50,530)	14,886
(Increase)/decrease in prepaid expense	2,005	(2,005)
Increase in accounts payable	2,467	988
Net cash provided by (used for) operating activities	91,100	(2,571)
Cash flows from investing activities		
Purchase of property and equipment	(12,451)	-
Net increase (decrease) in cash and cash equivalents	78,649	(2,571)
Cash and cash equivalents at beginning of year	71,310	73,881
Cash and cash equivalents at end of year	\$ 149,959	\$ 71,310

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

CREATIVE ARTS WORKSHOP FOR KIDS, INC.
Statements of Functional Expenses
For the Year Ended December 31, 2011 and 2010

					<u>In Kind</u>				<u>Total</u>	
	<u>Program</u>	<u>General &</u>	<u>Fundraising</u>	<u>Total</u>	<u>Program</u>	<u>General &</u>	<u>Fundraising</u>	<u>Total</u>	<u>2011</u>	<u>2010</u>
	<u>Services</u>	<u>Administrative</u>			<u>Services</u>	<u>Administrative</u>				
Personnel Services										
Salaries	\$ 144,154	\$ 32,746	\$ 31,227	\$ 208,127	\$ -	\$ -	\$ -	\$ -	\$ 208,127	\$ 153,294
Fringe benefits	18,623	14,078	9,662	42,363	-	-	-	-	42,363	40,086
Total Personnel Services	162,777	46,824	40,889	\$ 250,490	-	-	-	\$ -	250,490	193,380
Other than Personnel Services (OTPS)										
Professional fees	15,194	21,542	-	36,736	-	-	-	-	36,736	53,130
Insurance	6,154	6,659	750	13,563	-	-	-	-	13,563	7,268
Travel	5,300	893	4,081	10,274	-	-	-	-	10,274	6,633
Communications and IT	2,626	3,689	1,206	7,521	-	-	-	-	7,521	4,024
Art supplies	7,188	60	62	7,310	-	-	-	-	7,310	13,643
Printing and office supplies	1,802	2,722	2,220	6,744	-	-	-	-	6,744	4,941
Meetings and conferences	2,599	535	2,545	5,679	-	-	-	-	5,679	3,195
Teaching consultants	4,515	-	-	4,515	-	-	-	-	4,515	31,281
Depreciation	678	-	-	678	3,000	-	-	3,000	3,678	4,133
Fundraising expenses	-	-	2,786	2,786	-	-	-	-	2,786	12,112
Payroll service fees	-	2,753	-	2,753	-	-	-	-	2,753	4,198
Bank charges	-	498	2,222	2,720	-	-	-	-	2,720	318
Food supplies	2,205	-	30	2,235	-	-	-	-	2,235	1,521
Equipment rental	-	1,398	-	1,398	-	-	-	-	1,398	341
Teen stipends	518	-	-	518	-	-	-	-	518	-
Postage	38	222	-	260	-	-	-	-	260	1,295
Staff development	-	124	-	124	-	-	-	-	124	-
Advertising	70	-	-	70	-	-	-	-	70	370
Storage expenses	-	-	-	-	-	-	-	-	-	627
Membership dues	-	-	-	-	-	-	-	-	-	112
Events expenses	-	398	-	398	119,895	-	-	119,895	120,293	36,998
Rent and occupancy	7	191	52	250	60,962	2,288	1,500	64,750	65,000	65,000
Other expenses	-	106	-	106	-	-	-	-	106	68
Total OTPS	48,894	41,790	15,954	106,638	183,857	2,288	1,500	187,645	294,283	251,208
Total Expenses	\$ 211,671	\$ 88,614	\$ 56,843	\$ 357,128	\$ 183,857	\$ 2,288	\$ 1,500	\$ 187,645	\$ 544,773	\$ 444,588

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

CREATIVE ARTS WORKSHOP FOR KIDS, INC.

Notes to Financial Statements

December 31, 2011 and 2010

1. ORGANIZATION AND NATURE OF BUSINESS

The Creative Arts Workshops for Kids, Inc. (the "Organization") is a not-for-profit corporation, incorporated in the State of New York on November 14, 1991. The Organization is a charitable organization exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified as a publicly-supported organization as described in Code Section 509(a)(1) and 170(b)(1)(A)(vi).

The mission of the Organization is to enhance and develop the self-esteem and quality of life of dependent and neglected children through the exposure to visual 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 teens while enriching communities. Its programs empower youth from economically disadvantaged backgrounds to improve their leadership and public speaking skills, build self-confidence and deepen the relationship between art and community.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Accounting and Financial Statement Presentation

The financial statements have been prepared on the accrual basis and presented in conformity with generally accepted accounting principles for nonprofit organizations and accordingly reflect all significant receivables, payables, and other liabilities.

Financial statement presentation follows the recommendations of the Accounting Standards Codification (ASC) in its Statement No. 958-205, *Financial Statements of Not-for-Profit Organizations*. Under ASC Statement No. 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

b. Revenue Recognition

Contribution

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

CREATIVE ARTS WORKSHOP FOR KIDS, INC.
Notes to Financial Statements
December 31, 2011 and 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

c. Revenue Recognition (continued)

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Revenues under contracts for service are generally recognized as earned. Expenses are generally recognized as incurred under the accrual basis of accounting.

Donated services

A number of volunteers have donated significant amounts of their time in the Organization's program services, administration and fundraising campaigns. However, since these services do not meet the criteria for recognition under accounting principles generally accepted in the United States of America, they are not reflected in the accompanying financial statements. Donated professional services, however, are included as part of in-kind contribution.

d. Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management in accordance with grant provisions or other equitable bases.

e. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Organization's management to make estimates and assumptions that affect the reported amounts of 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.

f. Property and Equipment

Property and equipment are recorded at cost. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. The policy of the Agency is to capitalize property and equipment purchased for \$500 and over.

CREATIVE ARTS WORKSHOP FOR KIDS, INC.
Notes to Financial Statements
December 31, 2011 and 2010

3. CASH

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.

The balance consists of the following:

Cash in Bank:	<u>2011</u>	<u>2010</u>
JP Morgan Chase		
Chase Business Classic Account		
Acct. No. xxxxxx1915	\$ 143,669	\$ 60,955
TD Bank		
Business Super Money Market		
Acct. No. xxx-xxx4659	<u>6,290</u>	<u>6,278</u>
Total Cash in Bank	149,959	67,233
Undeposited cash receipts	<u>-</u>	<u>4,077</u>
Total cash	<u><u>\$ 149,959</u></u>	<u><u>\$ 71,310</u></u>

The maximum FDIC insurance for this account is \$250,000.

4. ACCOUNT RECEIVABLE

	<u>2011</u>	<u>2010</u>
City of New York	\$ 4,500	\$ -
Department of NY Culture Affairs	3,195	-
Kenworthy-Swift Foundation	15,000	-
New York Presbyterian Hospital	10,000	15,000
The Council of The City of New York	5,000	4,500
NY Charities	33,295	9,184
BBRX1, LLC	200	-
Katten Muchin Rosenman Foundation	500	-
Cushman & Wakefield, Inc.	2,500	-
Tarter Krinsky & Drogin, LLP	5,000	-
Manstronardia, Evan	<u>24</u>	<u>-</u>
Total Accounts Receivable	<u><u>\$ 79,214</u></u>	<u><u>\$ 28,684</u></u>

As of audit report date, the 2010 receivable was fully collected and \$63,295 for 2011 receivable balance was subsequently received.

CREATIVE ARTS WORKSHOP FOR KIDS, INC.
Notes to Financial Statements
December 31, 2011 and 2010

5. CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject Creative Arts Workshop for Kids, Inc, to concentrations of credit risk consist principally of demand deposit accounts in financial institutions which, from time to time, exceed the Federal Depository Insurance coverage limit of \$250,000. However, Creative Arts Workshop for Kids has not experienced any losses.

6. FIXED ASSETS

	Furnitures and Fixtures
Cost	
At January 1, 2011	\$ 12,399
Additions	12,451
At December 31, 2011	24,850
Accumulated depreciation	
At January 1, 2011	\$ 11,021
Depreciation	3,678
At December 31, 2011	14,699
Net book value	
At December 31, 2010	1,378
At December 31, 2011	\$ 10,151

7. IN KIND CONTRIBUTION

In-kind contribution consists of:

	2011	2010
Donated professional services	\$ 35,736	\$ 19,600
Donated use of facilities	65,000	65,000
Gifts in kind - goods	86,909	22,151
	\$ 187,645	\$ 106,751

CREATIVE ARTS WORKSHOP FOR KIDS, INC.

Notes to Financial Statements

December 31, 2011 and 2010

8. 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.

9. SUBSEQUENT EVENT

No subsequent events of material in nature came to our attention warranting adjustment or disclosure as of December 31, 2011.

10. RECLASSIFICATIONS

Certain reclassifications have been made to the prior years' financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported results of operations or net assets.

11. 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.

