

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

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

**FOR THE YEARS ENDED  
AUGUST 31, 2022 AND 2021**



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

**TABLE OF CONTENTS**

Independent Auditor's Report	1 - 3
Statements of Financial Position	4
Statements of Activities and Changes in Net Assets	5
Statements of Cash Flows	6
Statements of Functional Expenses	7
Notes to Financial Statements	8 - 20

## **INDEPENDENT AUDITOR'S REPORT**

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

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the accompanying financial statements of Creative Arts Workshops for Kids, Inc. DBA Creative Art Works (a nonprofit organization), which comprise the statements of financial position as of August 31, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Creative Arts Workshops for Kids, Inc. DBA Creative Art Works and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt on Creative Arts Workshops for Kids, Inc. DBA Creative Art Works' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit 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 Creative Arts Workshops for Kids, Inc. DBA Creative Art Works' internal control. Accordingly, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements; and
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Creative Arts Workshops for Kids, Inc. DBA Creative Art Works' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## **Report on Summarized Comparative Information**

We have previously audited Creative Arts Workshops for Kids, Inc. DBA Creative Art Works' 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 26, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2021, 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 23, 2023

**CREATIVE ARTS WORKSHOPS FOR KIDS, INC.**  
**DBA CREATIVE ARTS WORKS**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF AUGUST 31, 2022 AND 2021**

<b>ASSETS</b>	<b>2022</b>	<b>2021</b>
<b>Current Assets</b>		
Cash and cash equivalents (Note 3)	\$ 1,191,977	\$ 998,163
Accounts receivable (Note 4)	102,419	229,717
Prepaid expense	4,137	8,711
<b>Total Current Assets</b>	<b>1,298,533</b>	<b>1,236,591</b>
<b>Noncurrent Asset</b>		
Equipment - net (Note 5)	30,103	19,583
<b>Total Assets</b>	<b>\$ 1,328,636</b>	<b>\$ 1,256,174</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses (Note 6)	\$ 114,029	\$ 80,340
Deferred income	53,380	15,000
PPP refundable advances (Note 7)	-	142,112
<b>Total Current Liabilities</b>	<b>167,409</b>	<b>237,452</b>
Commitment and contingencies		
<b>Net Assets</b>		
Without donor restrictions	1,161,227	972,472
With donor restrictions (Note 8)	-	46,250
<b>Total Net Assets</b>	<b>1,161,227</b>	<b>1,018,722</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 1,328,636</b>	<b>\$ 1,256,174</b>

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

**CREATIVE ARTS WORKSHOPS FOR KIDS, INC.**  
**DBA CREATIVE ARTS WORKS**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE FISCAL YEARS ENDED AUGUST 31, 2022 AND 2021**

	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>2022 Total</b>	<b>2021 Total</b>
<b>REVENUES</b>				
Fundraising and special events	\$ 806,803	\$ -	\$ 806,803	\$ 755,361
Contributions (Note 11)	328,912	-	328,912	359,686
Program and earned income (Note 10)	243,705	-	243,705	225,985
Government grants (Notes 12)	-	183,500	183,500	208,300
In-kind contributions (Note 9)	180,339	-	180,339	118,513
PPP income	142,112	-	142,112	144,738
Interest and miscellaneous income	125	-	125	92
	<u>1,701,996</u>	<u>183,500</u>	<u>1,885,496</u>	<u>1,812,675</u>
Net assets released from restrictions:				
Satisfaction of program restrictions	217,750	(217,750)	-	-
Satisfaction of time restrictions (Note 8)	12,000	(12,000)	-	-
	<u>1,931,746</u>	<u>(46,250)</u>	<u>1,885,496</u>	<u>1,812,675</u>
<b>Total Revenues</b>	<b>1,931,746</b>	<b>(46,250)</b>	<b>1,885,496</b>	<b>1,812,675</b>
<b>EXPENSES</b>				
Program services	1,106,219	-	1,106,219	941,465
General and administrative	216,729	-	216,729	157,236
Fundraising	239,704	-	239,704	165,998
In-kind expense	180,339	-	180,339	118,513
	<u>1,742,991</u>	<u>-</u>	<u>1,742,991</u>	<u>1,383,212</u>
<b>Total Expenses</b>	<b>1,742,991</b>	<b>-</b>	<b>1,742,991</b>	<b>1,383,212</b>
<b>Changes in Net Assets</b>	<b>188,755</b>	<b>(46,250)</b>	<b>142,505</b>	<b>429,463</b>
<b>Net Assets at Beginning of Year</b>	<b>972,472</b>	<b>46,250</b>	<b>1,018,722</b>	<b>589,259</b>
<b>Net Assets at End of Year</b>	<b>\$ 1,161,227</b>	<b>\$ -</b>	<b>\$ 1,161,227</b>	<b>\$ 1,018,722</b>

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

**CREATIVE ARTS WORKSHOPS FOR KIDS, INC.**  
**DBA CREATIVE ARTS WORKS**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE FISCAL YEARS ENDED AUGUST 31, 2022 AND 2021**

	<b>2022</b>	<b>2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 142,505	\$ 429,463
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	7,237	4,018
Forgiveness of PPP refundable advances	(142,112)	(144,738)
(Increase) decrease in:		
Accounts receivable	127,298	(107,311)
Prepaid expense	4,574	(2,997)
Increase in:		
Accounts payable and accrued expenses	33,689	14,277
Deferred income	38,380	15,000
Net cash provided by operating activities	211,571	207,712
<b>CASH FLOW FROM AN INVESTING ACTIVITY</b>		
Purchase of equipment	(17,757)	(18,927)
Cash used in an investing activity	(17,757)	(18,927)
<b>CASH FLOW FROM A FINANCING ACITIVTY</b>		
Proceeds from refundable advances - PPP	-	142,112
Cash provided by a financing activity	-	142,112
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	193,814	330,897
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	998,163	667,266
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 1,191,977	\$ 998,163
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Fixed asset acquisitions included in accounts payable and accrued expenses	\$ -	\$ 9,073

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



**CREATIVE ARTS WORKSHOPS FOR KIDS, INC.  
DBA CREATIVE ARTS WORKS  
STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE FISCAL YEARS ENDED AUGUST 31, 2022 AND 2021**

	Program Services	General & Administrative	Fundraising	Total	In Kind				2022	2021
					Program Services	General & Administrative	Fundraising	Total	Total	Total
<b>Personnel Services</b>										
Salaries	\$ 789,643	\$ 151,962	\$ 135,127	\$ 1,076,732	\$ -	\$ -	\$ -	\$ -	\$ 1,076,732	\$ 857,146
Fringe benefits	129,495	16,176	19,040	164,711	-	-	-	-	164,711	134,810
<b>Total Personnel Services</b>	<b>919,138</b>	<b>168,138</b>	<b>154,167</b>	<b>1,241,443</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,241,443</b>	<b>991,956</b>
<b>Other than Personnel Services (OTPS)</b>										
Rent and occupancy	-	-	-	-	68,540	10,299	68,551	147,390	147,390	96,749
Supplies	50,004	2,951	11,753	64,708	28,351	225	-	28,576	93,284	63,884
Food and beverages	8,827	2,709	27,869	39,405	-	-	1,500	1,500	40,905	3,460
Outside contract services	13,269	19,155	131	32,555	-	-	-	-	32,555	39,469
Communications and IT expense	19,119	4,997	4,214	28,330	-	338	-	338	28,668	32,102
Software	9,179	1,105	12,931	23,215	-	-	-	-	23,215	21,489
Insurance	12,947	7,917	1,678	22,542	-	-	-	-	22,542	16,585
Gifts and gratuities	18,195	219	1,762	20,176	-	-	-	-	20,176	771
Office supplies	9,694	466	5,979	16,139	635	-	1,900	2,535	18,674	8,050
Depreciation (Note 5)	16,131	-	-	16,131	-	-	-	-	16,131	4,018
Payroll service fees	7,819	1,374	1,374	10,567	-	-	-	-	10,567	10,280
Bank, credit card and investment fee	330	674	9,536	10,540	-	-	-	-	10,540	9,702
Travel, meeting and conference	5,297	342	2,256	7,895	-	-	-	-	7,895	2,487
Facility and equipment	6,928	794	1,197	8,919	-	-	-	-	8,919	9,658
Professional fees	5,461	1,960	959	8,380	-	-	-	-	8,380	62,059
Advertising, marketing and promotions	3,250	433	429	4,112	-	-	-	-	4,112	5,907
Staff development	98	92	-	190	-	-	-	-	190	-
Bad debts expense	-	-	-	-	-	-	-	-	-	2,000
Other expenses	533	3,403	3,469	7,405	-	-	-	-	7,405	2,586
<b>Total OTPS</b>	<b>187,081</b>	<b>48,591</b>	<b>85,537</b>	<b>321,209</b>	<b>97,526</b>	<b>10,862</b>	<b>71,951</b>	<b>180,339</b>	<b>501,548</b>	<b>391,256</b>
<b>Total Expenses</b>	<b>\$ 1,106,219</b>	<b>\$ 216,729</b>	<b>\$ 239,704</b>	<b>\$ 1,562,652</b>	<b>\$ 97,526</b>	<b>\$ 10,862</b>	<b>\$ 71,951</b>	<b>\$ 180,339</b>	<b>\$ 1,742,991</b>	<b>\$ 1,383,212</b>

*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, 2022 AND 2021**

**1. ORGANIZATION**

Creative Arts Workshops for Kids, Inc. DBA Creative Art Works (the "Organization") is a nonprofit corporation incorporated in the State of New York on November 14, 1991. The Organization's mission is to empower young people through the visual and multimedia arts. The Organization 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. The Organization'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.

Creative Art Works' main activities include the following:

*Public Art Youth Employment Programs.* These programs offer apprenticeships to develop creative skills, as well as life and job skills such as leadership, teamwork, the power of taking initiative, and responsibility.

*Out-of-School-Time Art Programs.* These programs provide K-12 students with enriching, educational activities outside of the regular school day. Programs are conducted after-school, on Saturdays, and during school vacations in New York City public schools, community and cultural centers, and low-income housing. Programs run for a range of 8-14 weeks and often in consecutive semesters, providing safe and engaging educational environments for creative self-expression.

*In-School Arts Programs.* These programs include arts education residencies and arts integration programs the sciences and humanities. Specialized curricula include lessons tailored for English as a New Language students, English Language Arts students, and honors students on a high school medical track. In each case, the Organization's professional teaching artists and management staff collaborated with school teaching staff and administrators to align lesson plans with the school's educational goals and/or core curriculum, with demonstrable impacts on academic behaviors and performance.

*General and Administrative.* This includes function necessary to provide support for the Organization's program activities. This includes activities that provide governance, oversight, business management, financial recordkeeping, budgeting, legal services, human resource management, and similar functions that ensure an adequate working environment and equitable employment program.

**CREATIVE ARTS WORKSHOPS FOR KIDS, INC.**  
**DBA CREATIVE ART WORKS**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2022 AND 2021**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Basis of Accounting

The financial statements of the organization have been prepared on an accrual basis of accounting in conformity with Generally Accepted Accounting Principles (“GAAP”) for Not-for-Profit organizations.

Basis of Presentation

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*, as updated by Accounting Standards Update (“ASU”) 2016-14. Under ASC 2016-14, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions.

Net Assets without Donor Restrictions

Net assets without donor restrictions are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specify 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. These net assets may be used at the discretion of the Organization’s management and the Board of Directors.

Net Assets with Donor Restrictions

Net assets with donor restrictions 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 net assets with donor restrictions to net assets without donor restrictions in the statement of activities and changes in net assets.

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the use of the related resources is subject to donor restrictions. All expenses and net losses are reported as decreases in net assets without donor restrictions.

**CREATIVE ARTS WORKSHOPS FOR KIDS, INC.**  
**DBA CREATIVE ART WORKS**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2022 AND 2021**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Cash in Bank

The Organization considers cash and highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents consist of demand deposits, savings account and money market accounts.

Revenue Recognition

In accordance with ASC 606, *Revenue from Contracts with Customers*, the Organization recognizes revenue when control of the promised goods or services are transferred to the customers or outside parties in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those goods or services. The standard outlines a five-step model whereby revenue is recognized as performance obligations within a contract are satisfied.

ASC 606 also requires new and expanded disclosures regarding revenue recognition to ensure an understanding as to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

Government Grants

Revenue from cost reimbursement-based government contracts is recognized when reimbursable costs are incurred under the terms of the contracts. Revenue from performance-based government contracts is recognized when performance objectives pursuant to the contract have been accomplished. Contract payments in excess of qualified cost or performance are accounted for as contract advances.

Contributions

Transactions where the resource provider often receives value indirectly by providing a societal benefit, although the societal benefit is not considered to be of commensurate value, are deemed to be contributions. Contributions are classified as either conditional or unconditional. A conditional contribution is a transaction where the Organization has to overcome a barrier or hurdle to be entitled to the resource and the resource provider is released from the obligation to fund or has the right of return of any advanced funding if the Organization fails to overcome the barrier. The Organization recognizes the contribution revenue upon overcoming the barrier or hurdle. Any funding received prior to overcoming the barrier is recognized as due to funding agencies.

Unconditional contributions are recognized as revenue and receivable when the commitment to contribute is received.

**CREATIVE ARTS WORKSHOPS FOR KIDS, INC.**  
**DBA CREATIVE ART WORKS**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2022 AND 2021**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Donor restricted contributions whose restrictions expire during the same fiscal year are recognized as contribution without donor restrictions.

Conditional and unconditional contributions are recorded either with donor restrictions or without donor restrictions. Contributions are recognized as contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated asset. Contributions received with no donor stipulations are recorded as contributions without donor restrictions. 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 as net assets without donor restrictions and are reported in the statements of activities and changes in net assets as net assets released from restriction.

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. Contributed goods are recorded as contributions at the date of gift and as expenses when the donated items are placed into service or distributed. Contributed services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals and companies possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Donated Facilities

Donated facilities or the use of facilities for free or at below-market rate are also presented in accordance with ASC Statement No. 958-605 *Accounting for Contributions Received and Contributions Made* (formerly SFAS No. 116), which requires that donated facilities be recorded at fair value.

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.**  
**DBA CREATIVE ART WORKS**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2022 AND 2021**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Equipment

Equipment are reported in the statement of financial position at cost less accumulated depreciation and amortization, if purchased, and at fair value at the date of donation, if donated. Equipment 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 over 3 years on a straight-line basis.

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 the statement of functional expenses. Expenses associated with a specific program, representing the vast majority of charges and including salaries and fringe benefits, are charged directly to that program. Transactional charges with costs common to multiple programs have been allocated based on actual costs of goods or services as estimated by program operations and further reviewed and approved by executive management.

Salaries and related fringe benefits that are not directly coded to a specific program are allocated periodically, based on associated time and effort, as estimated by department managers and further reviewed and approved by executive management.

Shared or indirect expenses other than personnel are allocated among program, general and administrative, and fundraising functions based on actual usage or other equitable basis, as estimated by department managers and further reviewed and approved by executive management.

General and administrative expenses include those costs that are not directly attributable to 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.

Vacation and Sick Leave

The Organization provides full-time employees paid time off for planned absences, such as vacation, and unplanned absences for various personal reasons. Part-time employees are eligible for time off work with pay for reasons specified in the New York City Paid Safe and Sick Leave Law and the Organization's employee handbook. The pay rate is based on the employee's salary at the time the leave is taken. Unused paid time off time will not carry over from one year to the next.

**CREATIVE ARTS WORKSHOPS FOR KIDS, INC.**  
**DBA CREATIVE ART WORKS**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2022 AND 2021**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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).

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.

Reclassifications

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

Concentrations of Credit Risk

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.

Adoption of New Accounting Pronouncements

In September 2020, FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958) (ASU 2020-07)*. This guidance is an amendment to address certain stakeholders' concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by not-for-profit entities, as well as the amount of those contributions used in a not-for-profit entity's program and other activities.

The Organization adopted the ASU under the prospective method. During 2022, an analysis was performed under the provisions of this standard. The adoption of ASU 2020-07 did not affect the Organization's statement of activities and changes in net assets.

**CREATIVE ARTS WORKSHOPS FOR KIDS, INC.**  
**DBA CREATIVE ART WORKS**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2022 AND 2021**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Accounting Standards Issued but Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842) (ASU 2016-02)*. The new guidance will require all leases to be recorded as assets and liabilities on the statement of financial position. This update would require capitalization of the "right to use" an asset and recognition of an obligation for future lease payments for most leases currently classified as operating leases. Other leases currently classified as capital leases will be referred to as financing leases and will continue to be recorded as assets and liabilities in a similar manner. In June 2020, the FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, which defers the effective date one year making it effective for annual reporting periods beginning after December 15, 2021, with early adoption permitted.

The provisions of this ASU are to be applied using either the retrospective approach or modified retrospective approach. The Organization is currently evaluating the impact this standard will have on its financial statements.

**3. CASH AND CASH EQUIVALENTS**

Cash and cash equivalent account comprise of cash on hand, deposits held on call with banks and money market account. The carrying amount of these assets approximates their fair value.

This account consists of the following:

	<u>2022</u>	<u>2021</u>
Cash in bank:		
Savings account	\$ 520,767	\$ 720,644
Checking account	665,708	272,519
Cash in broker account	4,979	4,998
Total cash in bank	<u>1,191,454</u>	<u>998,161</u>
Petty cash	523	2
	<u>\$ 1,191,977</u>	<u>\$ 998,163</u>



**CREATIVE ARTS WORKSHOPS FOR KIDS, INC.**  
**DBA CREATIVE ART WORKS**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2022 AND 2021**

**4. ACCOUNTS RECEIVABLE**

This account consists of the following:

	<u>2022</u>	<u>2021</u>
New York City Department of Cultural Affairs	\$ 38,850	\$ 64,500
New York City Parks Equity Initiative	20,000	-
Savills Inc.	-	50,000
Charities Aid Foundation Canada	-	50,000
River Crossing	-	25,000
Others	43,569	40,217
	<u>\$ 102,419</u>	<u>\$ 229,717</u>

All contributions are due within one year. As of the audit report date, a total of \$63,350 receivables were subsequently collected.

**5. EQUIPMENT - NET**

This account consists of the following:

	<u>2022</u>	<u>2021</u>
Costs		
Beginning balance	\$ 102,697	\$ 83,770
Additions	17,757	18,927
Balance at end of year	<u>120,454</u>	<u>102,697</u>
Accumulated Depreciation		
Beginning balance	83,114	79,096
Depreciation for the year	7,237	4,018
Balance at end of year	<u>90,351</u>	<u>83,114</u>
Carrying amount	<u>\$ 30,103</u>	<u>\$ 19,583</u>

**CREATIVE ARTS WORKSHOPS FOR KIDS, INC.**  
**DBA CREATIVE ART WORKS**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2022 AND 2021**

**6. ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

This account consists of the following:

	<b>2022</b>	<b>2021</b>
Accounts payable	\$ 36,772	\$ 49,935
Accrued payroll	71,911	24,254
Payroll liabilities	5,346	6,151
	\$ 114,029	\$ 80,340

As of the audit report date, a total of \$98,765 accounts payable and accrued expenses were subsequently paid.

**7. PAYCHECK PROTECTION PROGRAM (PPP) REFUNDABLE ADVANCE**

On May 1, 2020 and on March 20th 2021, the Organization was granted a loan of \$144,738 and \$142,112; respectively, pursuant to Paycheck Protection Program (“PPP”) administered by a Small Business Administration (“SBA”) approved lender. These loans were unsecured and were fully guaranteed by the federal government. The Organization was eligible for loan forgiveness of up to 100% of these loans, upon meeting certain requirements. The Organization had initially recorded these loans as refundable advance upon loan origination and recorded the forgiveness in accordance with the guidance for conditional contributions when there was no longer a measurable performance or other barrier and a right to return of the PPP or when such conditions are waived. Proceeds from these loans were eligible for forgiveness if the Organization used the funds for qualifying expenses as described in the CARES Act. The Organization was required to pay the loan amount, plus interest accrued at 1% annually in monthly payments that included principal and interest, beginning six months from the date of the agreement through the maturity date.

On November 25, 2020, the Organization received full forgiveness from SBA of the May 1, 2020 loan in the amount of \$144,738. Moreover, on September 29, 2021, the Organization received full forgiveness from SBA of the March 20, 2021 loan in the amount of \$142,112. SBA proceeds are reflected as PPP income on the statement of activities and changes in net assets.

**CREATIVE ARTS WORKSHOPS FOR KIDS, INC.**  
**DBA CREATIVE ART WORKS**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2022 AND 2021**

**8. NET ASSETS WITH DONOR RESTRICTIONS**

This account consists of the following:

	<u>2022</u>	<u>2021</u>
New York City Department of Cultural Affairs	\$ -	\$ 34,250
New York State Council on the Arts	-	12,000
	<u>\$ -</u>	<u>\$ 46,250</u>

**9. IN-KIND CONTRIBUTIONS**

This account consists of the following:

	<u>2022</u>	<u>2021</u>
Donated use of facilities	\$ 147,390	\$ 96,750
Contributed goods	32,611	21,073
Contributed services	<u>338</u>	<u>690</u>
	<u>\$ 180,339</u>	<u>\$ 118,513</u>

Donated facilities and contributed goods are substantially utilized during the same financial reporting period they were contributed and are used for the various programs of the Organization. The value of these goods is based on the Organization's estimate of fair value based on the value that would be received for selling similar products in the United States.

Contributed services recognized comprise of professional services from information technology professionals. Such services are valued and reported at the estimated fair value in the financial statements based on current rates for similar services.

All in-kind contributions are not restricted. The Organization does not sell in-kind contributions and uses the facilities, goods and services in their programs and management and general activities.

**CREATIVE ARTS WORKSHOPS FOR KIDS, INC.**  
**DBA CREATIVE ART WORKS**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2022 AND 2021**

**10. PROGRAM AND EARNED INCOME**

This account consists of the following:

	<u>2022</u>	<u>2021</u>
Program service fees	\$ 223,170	\$ 120,398
Cause marketing	20,035	5,066
Sale of art	500	100,000
Others	-	521
	<u>\$ 243,705</u>	<u>\$ 225,985</u>

**11. CONTRIBUTIONS**

This account consists of the following:

	<u>2022</u>	<u>2021</u>
Foundations	\$ 139,300	\$ 137,500
Corporations	108,817	122,923
Individuals	80,795	99,263
	<u>\$ 328,912</u>	<u>\$ 359,686</u>

**12. GOVERNMENT GRANTS**

This account consists of the following:

	<u>2022</u>	<u>2021</u>
New York City Department of Cultural Affairs	\$ 160,000	\$ 164,300
New York City Parks Equity Initiative	20,000	-
Manhattan Borough President	3,500	-
New York State Council on the Arts	-	24,000
Mayor's Fund to Advance New York City	-	20,000
	<u>\$ 183,500</u>	<u>\$ 208,300</u>

**CREATIVE ARTS WORKSHOPS FOR KIDS, INC.**  
**DBA CREATIVE ART WORKS**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2022 AND 2021**

**13. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The Organization has cash receipts attributable to donations from various donors. Those funds could be used for general expenditures. The following reflects the Organization’s financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

	<b>2022</b>	<b>2021</b>
Financial assets:		
Cash and cash equivalents	\$ 1,191,977	\$ 998,163
Accounts receivable	102,419	229,717
Total financial assets	1,294,396	1,227,880
Less: Donor restrictions for specific purpose	-	(46,250)
Financial assets available for general expenditures within one year	<u>\$ 1,294,396</u>	<u>\$ 1,181,630</u>

As part of Organization’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization maintains liquid financial assets sufficient to cover ninety (90) days of general expenditures. The Board and management believe its liquidity is adequate to meet current obligations as they become due. It also believes the Organization’s finances are strong enough to obtain short term financing from its bankers if need be.

**14. LINE OF CREDIT**

The Organization has a line of credit agreement with Chase Bank for \$100,000. The line bears interest rate of 2.30% rate per annum above the prime rate. Interest is computed on the unpaid principal balance from the date of each borrowing. There were no drawings against the line of credit at August 31, 2022.

**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, 2022 AND 2021**

**16. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through March 23, 2023, the date which the financial statements were available for issue; there were no subsequent events of material nature that came to our attention warranting adjustment or disclosure. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.