

CREATIVE ARTS WORKSHOPS FOR KIDS, INC.

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2012 and 2011**



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 financial statements of Creative Arts Workshops for Kids, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2012 and 2011, 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.

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 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 audits to obtain reasonable assurance about whether the financial statements are free of 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.

INDEPENDENT AUDITOR'S REPORT
(CONTINUED)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Padilla and Company, LLP

Jamaica, New York
April 8, 2013

CREATIVE ARTS WORKSHOPS FOR KIDS, INC.
Statements of Financial Position
As of December 31, 2012 and 2011

ASSETS

CURRENT ASSETS	2012	2011
Cash and cash equivalents (Note 4)	\$ 376,143	\$ 149,959
Accounts receivable (Note 5)	41,768	79,214
Prepaid expense	2,313	-
Total current assets	420,224	229,173
 FIXED ASSETS, Net (Note 6)	 10,103	 10,151
 TOTAL ASSETS	 \$ 430,327	 \$ 239,324

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses (Note 7)	\$ 18,021	\$ 9,163
 NET ASSETS		
Unrestricted	412,306	230,161
 TOTAL LIABILITIES AND NET ASSETS	 \$ 430,327	 \$ 239,324

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, 2012 and 2011

	Unrestricted	Temporarily Restricted	Total	
			2012	2011
REVENUES				
Fundraising and special events	\$ 431,077	\$ -	\$ 431,077	\$ 316,578
In-kind contributions (Note 8)	423,770	-	423,770	187,645
Contributions (Note 9)	111,388	55,000	166,388	152,429
Government contribution (Note 10)	-	15,720	15,720	21,163
Interest	356	-	356	11
Other income	91,783	-	91,783	427
	<u>1,058,374</u>	<u>70,720</u>	<u>1,129,094</u>	<u>678,253</u>
Net assets released from restrictions:				
Satisfaction of program restrictions	70,720	(70,720)	-	-
Total Revenues	<u>1,129,094</u>	<u>-</u>	<u>1,129,094</u>	<u>678,253</u>
EXPENSES				
Program services	362,363	-	362,363	211,671
In-kind expense	423,770	-	423,770	187,645
Administration	119,705	-	119,705	88,614
Fundraising	41,111	-	41,111	56,843
Total Expenses	<u>946,949</u>	<u>-</u>	<u>946,949</u>	<u>544,773</u>
Change in Net Assets	182,145	-	182,145	133,480
Net assets at the beginning of year	230,161	-	230,161	96,681
Net assets at the end of the year	<u>\$ 412,306</u>	<u>\$ -</u>	<u>\$ 412,306</u>	<u>\$ 230,161</u>

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, 2012 and 2011

	2012	2011
Cash flows from operating activities		
Increase in net assets	\$ 182,145	\$ 133,480
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	4,546	3,678
(Increase)/decrease in receivables	37,446	(50,530)
(Increase)/decrease in prepaid expense	(2,313)	2,005
Increase in accounts payable	8,858	2,467
	230,682	91,100
Cash flows from investing activities		
Purchase of property and equipment	(4,498)	(12,451)
Net increase (decrease) in cash and cash equivalents	226,184	78,649
Cash and cash equivalents at beginning of year	149,959	71,310
Cash and cash equivalents at end of year	\$ 376,143	\$ 149,959

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

CREATIVE ARTS WORKSHOPS FOR KIDS, INC.
Statements of Functional Expenses
For the Year Ended December 31, 2012 and 2011

					In Kind				Total	
	Program	General &	Fundraising	Total	Program	General &	Fundraising	Total	2012	2011
	Services	Administrative			Services	Administrative				
Personnel Services										
Salaries	\$ 276,199	\$ 59,338	\$ 19,978	\$ 355,515	\$ -	\$ -	\$ -	\$ -	\$ 355,515	\$ 208,127
Fringe benefits	11,144	7,859	680	19,683	-	-	-	-	19,683	42,363
Total Personnel Services	287,343	67,197	20,658	375,198	-	-	-	-	375,198	250,490
Other than Personnel Services (OTPS)										
Printing and office supplies	9,796	3,870	5,447	19,113	135,294	-	70,000	205,294	224,407	6,744
Professional fees	2,123	24,535	2,350	29,008	115,236	6,000	12,240	133,476	162,484	36,736
Rent and occupancy	-	-	-	-	45,475	1,500	18,025	65,000	65,000	65,000
Art supplies	23,183	849	-	24,032	20,000	-	-	20,000	44,032	7,310
Travel	8,406	773	4,189	13,368	-	-	-	-	13,368	10,274
Communications and IT	6,672	3,252	241	10,165	-	-	-	-	10,165	7,521
Bad debts	-	8,224	-	8,224	-	-	-	-	8,224	-
Insurance	5,953	891	-	6,844	-	-	-	-	6,844	13,563
Meetings and conferences	2,966	418	3,169	6,553	-	-	-	-	6,553	5,679
Events expenses	6,157	-	-	6,157	-	-	-	-	6,157	120,293
Bank and processing fees	150	901	3,673	4,724	-	-	-	-	4,724	2,720
Depreciation (Note 6)	-	4,546	-	4,546	-	-	-	-	4,546	3,678
Payroll service fees	2,456	696	150	3,302	-	-	-	-	3,302	2,753
Teaching consultants	3,198	-	-	3,198	-	-	-	-	3,198	4,515
Food supplies	2,868	111	-	2,979	-	-	-	-	2,979	2,235
Utilities	85	1,043	-	1,128	-	-	-	-	1,128	-
Equipment rental	-	250	825	1,075	-	-	-	-	1,075	1,398
Postage	74	494	149	717	-	-	-	-	717	260
Advertising	-	350	-	350	-	-	-	-	350	70
Teen stipends	333	-	-	333	-	-	-	-	333	518
Staff development	-	100	-	100	-	-	-	-	100	124
Membership dues	-	-	25	25	-	-	-	-	25	-
Other expenses	600	1,205	235	2,040	-	-	-	-	2,040	2,892
Total OTPS	75,020	52,508	20,453	147,981	316,005	7,500	100,265	423,770	571,751	294,283
Total Expenses	\$ 362,363	\$ 119,705	\$ 41,111	\$ 523,179	\$ 316,005	\$ 7,500	\$ 100,265	\$ 423,770	\$ 946,949	\$ 544,773

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

CREATIVE ARTS WORKSHOPS FOR KIDS, INC.
Notes to Financial Statements
December 31, 2012 and 2011

NOTE 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 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, build self-confidence, and deepen the relationship between art and community.

Income Tax Status

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). It’s federal and state income tax returns for the fiscal years after 2008 remain subject to examination by relevant taxing authorities.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 not-for-profit 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.

Unrestricted net assets are not subject to donor-imposed stipulations.

Temporarily restricted net assets are subject to donor-imposed stipulations that may or will be met, either by action of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

CREATIVE ARTS WORKSHOPS FOR KIDS, INC.
Notes to Financial Statements
December 31, 2012 and 2011

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Permanently restricted net assets are subject to donor-imposed stipulations that must be maintained permanently by the Organization. Generally, the donors of these assets would permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

Revenue Recognition

Contributions are presented in accordance with the recommendations of ASC Statement No. 958-605, *Accounting for Contributions Received and Contributions Made*, whereby contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of donor restrictions.

All donor restricted support is reported as an increase in temporarily restricted net assets. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributed Services

Contributed services are presented in accordance with ASC Statement No. 958-605-25-16 to 17 wherein services are recognized as revenue if the services create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and typically need to be purchased if not provided by donation. Contributed services are recorded at its fair market value and the related expense is recorded under appropriate expense account.

A number of volunteers have donated significant amounts of their time in the Organization's program services, administration, and fundraising campaigns. However, these services do not meet the criteria for recognition. Donated professional services, however, are included as part of contributed services.

Contributions of Use of Property and Advertising Time

Contribution of use of property and advertising time are presented in accordance with ASC Statement No. 958-605-55-23 wherein the use of property and advertising time are recorded at its fair market value.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with original maturities of less than three months to be cash equivalents.

CREATIVE ARTS WORKSHOPS FOR KIDS, INC.

Notes to Financial Statements

December 31, 2012 and 2011

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed Assets

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

Functional Expenses

The costs of providing the various programs and supporting services 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.

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.

Reclassification

Certain items in the 2011 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, 2012 and 2011

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, 2012 and 2011 consist of:

	<u>2012</u>	<u>2011</u>
Cash in Bank:		
Chase High Yield Savings	\$ 300,353	\$ -
Chase Business Classic	53,870	143,669
TD Business Super Money Market	-	6,290
Total Cash in Bank	<u>354,223</u>	<u>149,959</u>
Undeposited Cash Receipts	21,914	-
Petty Cash	<u>6</u>	<u>-</u>
Total	<u><u>\$ 376,143</u></u>	<u><u>\$ 149,959</u></u>

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

CREATIVE ARTS WORKSHOPS FOR KIDS, INC.
Notes to Financial Statements
December 31, 2012 and 2011

NOTE 5 ACCOUNTS RECEIVABLE

Accounts receivable as of December 31, 2012 and 2011 consist of:

	2012	2011
Youth, Inc.	\$ 27,500	\$ -
NY Charities.Org	9,123	33,295
Department of NY Cultural Affairs	3,145	3,195
Retail Sale of Art	2,000	-
Kenworthy-Swift Foundation	-	15,000
New York Presbyterian Hospital	-	10,000
The Council of the City of New York	-	5,000
Tarter Krinsky & Drogin, LLP	-	5,000
City of New York	-	4,500
Cushman & Wakefield, Inc.	-	2,500
Katten Muchin Rosenman Foundation	-	500
BBRX1, LLC	-	200
Manstronardia, Evan	-	24
	\$ 41,768	\$ 79,214
Total		

As of audit report date, \$9,123 of the total 2012 accounts receivable was collected.

CREATIVE ARTS WORKSHOPS FOR KIDS, INC.
Notes to Financial Statements
December 31, 2012 and 2011

NOTE 6 FIXED ASSETS

Fixed Assets as of December 31, 2012 and 2011 consist of:

	<u>Software</u>	<u>Computer & Equipment</u>	<u>Total</u>
Cost			
At January 1, 2012	\$ 12,399	\$ 12,451	\$ 24,850
Additions	-	4,498	4,498
At December 31, 2012	<u>12,399</u>	<u>16,949</u>	<u>29,348</u>
Accumulated depreciation			
At January 1, 2012	12,399	2,300	14,699
Depreciation	-	4,546	4,546
At December 31, 2012	<u>12,399</u>	<u>6,846</u>	<u>19,245</u>
Net book value			
At December 31, 2011	<u>-</u>	<u>10,151</u>	<u>10,151</u>
At December 31, 2012	<u>\$ -</u>	<u>\$ 10,103</u>	<u>\$ 10,103</u>

NOTE 7 ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

	<u>2012</u>
Accrued Salaries	\$ 7,643
Professional Fees	5,796
American Express	4,186
Others	396
Total	<u>\$ 18,021</u>

As of audit report date, a total of \$13,914 was paid.

CREATIVE ARTS WORKSHOPS FOR KIDS, INC.
Notes to Financial Statements
December 31, 2012 and 2011

NOTE 8 IN-KIND CONTRIBUTIONS

In-kind Contributions consist of:

	<u>2012</u>	<u>2011</u>
Materials and Supplies	\$ 225,294	\$ 86,909
Donated Professional Services	133,476	35,736
Donated Use of Facilities	<u>65,000</u>	<u>65,000</u>
Total	<u>\$ 423,770</u>	<u>\$ 187,645</u>

NOTE 9 CONTRIBUTIONS

Contributions consist of:

	<u>2012</u>
Foundation	\$ 92,250
Corporate	46,010
Board	14,796
Individual	<u>13,332</u>
Total	<u>\$ 166,388</u>

NOTE 10 GOVERNMENT CONTRIBUTIONS

Government contribution consists of a grant from City of New York Department of Cultural affairs amounting to \$15,720 for the Organization's 2012 Summer Artworks Program.

NOTE 11 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.

CREATIVE ARTS WORKSHOPS FOR KIDS, INC.

Notes to Financial Statements

December 31, 2012 and 2011

NOTE 12 SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 8, 2013, the date which the audited financial statements were available for issue. There are no subsequent events of material in nature came to our attention warranting disclosure.

NOTE 13 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.

Thursday, April 18, 2013