

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

---

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

**FOR THE YEAR ENDED  
AUGUST 31, 2017**



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

**TABLE OF CONTENTS**

Independent Auditor's Report	1 - 2
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Cash Flows	5
Statement of Functional Expenses	6
Notes to Financial Statements	7 - 15

## **INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of Creative Arts Workshops for Kids, Inc. DBA Creative Art Works (a nonprofit organization), which comprise the statement of financial position as of August 31, 2017, and the related statement of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**INDEPENDENT AUDITOR'S REPORT**  
*(Continued)*

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Creative Arts Workshops for Kids, Inc. DBA Creative Art Works as of August 31, 2017, and the related statements of activities and changes in net assets, cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Padilla and Company, LLP*

Jamaica, New York  
November 16, 2017

**CREATIVE ARTS WORKSHOPS FOR KIDS, INC.**  
**DBA CREATIVE ART WORKS**  
**Statement of Financial Position**  
**As of August 31, 2017**

**ASSETS**

Current Assets	
Cash and cash equivalents (Notes 2 and 4)	\$ 469,177
Accounts receivable (Notes 2 and 5)	155,368
Prepaid expense	<u>7,617</u>
Total current assets	<u>632,162</u>
Non-current Assets	
Fixed assets, net (Note 2 and 6)	<u>11,106</u>
Total non-current assets	<u>11,106</u>
<b>Total Assets</b>	<b><u><u>\$ 643,268</u></u></b>

**LIABILITIES AND NET ASSETS**

Current Liabilities	
Accounts payable and accrued expenses (Note 7)	<u>\$ 40,653</u>
Total current liabilities	<u>40,653</u>
Net Assets	
Unrestricted	556,615
Temporarily restricted (Note 8)	<u>46,000</u>
Total net assets	<u>602,615</u>
<b>Total Liabilities and Net Assets</b>	<b><u><u>\$ 643,268</u></u></b>

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

**CREATIVE ARTS WORKSHOPS FOR KIDS, INC.**  
**DBA CREATIVE ART WORKS**  
**Statement of Activities and Changes in Net Assets**  
**For Year ended August 31, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUES</b>			
Fundraising and special events	\$ 771,988	\$ -	\$ 771,988
In-kind contributions (Note 9)	307,729	-	307,729
Earned revenue (Note 10)	252,460	-	252,460
Contributions (Note 11)	200,875	-	200,875
Government grants (Note 12)	53,600	46,000	99,600
Interest Income/Investment Income/(Loss)	146	-	146
	<u>1,586,798</u>	<u>46,000</u>	<u>1,632,798</u>
Net assets released from restrictions:			
Satisfaction of program restrictions	46,000	(46,000)	-
	<u>1,632,798</u>	<u>-</u>	<u>1,632,798</u>
<b>Total Revenues</b>	<b>1,632,798</b>	<b>-</b>	<b>1,632,798</b>
<b>EXPENSES</b>			
Program services	1,011,355	-	1,011,355
In-kind expense	307,729	-	307,729
Administration	105,477	-	105,477
Fundraising	207,612	-	207,612
	<u>1,632,173</u>	<u>-</u>	<u>1,632,173</u>
<b>Total Expenses</b>	<b>1,632,173</b>	<b>-</b>	<b>1,632,173</b>
<b>Change in Net Assets</b>	<b>625</b>	<b>-</b>	<b>625</b>
<b>Net assets at the beginning of year</b>	<b>551,190</b>	<b>50,800</b>	<b>601,990</b>
Released from restriction	4,800	(4,800)	-
	<u>556,615</u>	<u>46,000</u>	<u>602,615</u>
<b>Net assets at the end of the year</b>	<b>\$ 556,615</b>	<b>\$ 46,000</b>	<b>\$ 602,615</b>

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

**CREATIVE ARTS WORKSHOPS FOR KIDS, INC.**  
**DBA CREATIVE ART WORKS**  
**Statement of Cash Flows**  
**For Year ended August 31, 2017**

**Cash flows from operating activities:**

Increase in net assets	\$ 625
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation (Note 6)	10,495
(Increase)/decrease in accounts receivables	52,925
(Increase)/decrease in prepaid expense	625
Increase/(decrease) in accounts payable and accrued expenses	15,132
Increase/(decrease) in deferred revenues	<u>(33,000)</u>
Net cash provided by (used for) operating activities	<u>46,802</u>

**Cash flows from investing activities:**

Purchase of fixed assets (Note 6)	(5,095)
Investment in Ameritrade	<u>15,148</u>
Net cash provided by (used for) investing activities	<u>10,053</u>

<b>Net increase (decrease) in cash and cash equivalents</b>	56,855
<b>Cash and cash equivalents at beginning of year</b>	<u>412,322</u>
<b>Cash and cash equivalents at end of fiscal year</b>	<u>\$ 469,177</u>

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

**Creative Arts Workshops for Kids  
Statements of Functional Expenses  
For Year Ended August 31, 2017**

	Program Services	General & Administrative	Fundraising	Total	In Kind				Total 2017
					Program Services	General & Administrative	Fundraising	Total	
<b>Personnel Services</b>									
Salaries	\$ 718,797	\$ 46,382	\$ 100,584	\$ 865,763	\$ -	\$ -	\$ -	\$ -	\$ 865,763
Fringe benefits	92,535	18,113	13,404	124,052	-	-	-	-	124,052
<b>Total Personnel Services</b>	<b>811,332</b>	<b>64,495</b>	<b>113,988</b>	<b>989,815</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>989,815</b>
<b>Other than Personnel Services (OTPS)</b>									
Printing and office supplies	9,812	5,812	10,091	25,715	-	2,236	-	2,236	27,951
Professional fees	37,477	13,228	7,201	57,906	20,000	675	-	20,675	78,581
Rent and occupancy	5,757	2,096	755	8,608	53,170	6,646	6,647	66,463	75,071
Art supplies	46,739	-	-	46,739	22,604	-	-	22,604	69,343
Travel	11,913	2,448	3,139	17,500	-	-	-	-	17,500
Communications and IT	10,167	978	1,432	12,577	-	-	-	-	12,577
Special Events - Direct Expenses	-	-	41,879	41,879	-	-	30,751	30,751	72,630
Insurance	7,739	4,571	1,032	13,342	-	-	-	-	13,342
Meetings and conferences	894	-	3,631	4,525	-	-	-	-	4,525
Bank and processing fees	-	-	7,349	7,349	-	-	-	-	7,349
Depreciation (Note 6)	7,871	1,575	1,049	10,495	-	-	-	-	10,495
Payroll service fees	17,099	3,419	2,280	22,798	-	-	-	-	22,798
Food supplies	9,904	2,410	2,377	14,691	-	-	-	-	14,691
Utilities	3,607	722	481	4,810	-	-	-	-	4,810
Equipment rental	3,201	1,170	837	5,208	-	-	-	-	5,208
Advertising	4,946	-	4,127	9,073	82,500	41,250	41,250	165,000	174,073
Staff development	18,579	882	125	19,586	-	-	-	-	19,586
Other expenses	4,318	1,671	5,839	11,828	-	-	-	-	11,828
<b>Total OTPS</b>	<b>200,023</b>	<b>40,982</b>	<b>93,624</b>	<b>334,629</b>	<b>178,274</b>	<b>50,807</b>	<b>78,648</b>	<b>307,729</b>	<b>642,358</b>
<b>Total Expenses</b>	<b>\$ 1,011,355</b>	<b>\$ 105,477</b>	<b>\$ 207,612</b>	<b>\$ 1,324,444</b>	<b>\$ 178,274</b>	<b>\$ 50,807</b>	<b>\$ 78,648</b>	<b>\$ 307,729</b>	<b>\$ 1,632,173</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, 2017**

**NOTE 1 ORGANIZATION AND NATURE OF BUSINESS**

Creative Arts Workshops for Kids, Inc. DBA Creative Art Works (the "Organization" and "CAW") is a nonprofit corporation incorporated in the State of New York on November 14, 1991. CAW's mission is to empower young people through the visual and multimedia arts. CAW serves thousands of young people each year throughout New York City (primarily in Upper Manhattan), through in-school and out-of-school-time classes, community art-making events, and public art youth employment programs. CAW's programs equip children, teens and young adults with essential tools and skills; connect them with community, academic success and career opportunities; and inspire them to reach for new possibilities. Students are never charged for participation.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Organization prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for NFPs. The significant accounting and reporting policies used by the Organization are described subsequently to enhance the usefulness and understandability of the financial statements.

**Use of Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting year and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the Organization's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Organization's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

**Creative Arts Workshops for Kids, Inc.**  
**DBA Creative Art Works**  
**Notes to Financial Statements**  
**August 31, 2017**

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

**Net Assets**

The financial statements report net assets and changes in net assets in three classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Unrestricted Net Assets

Unrestricted net assets are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Temporarily Restricted Net Assets

Temporarily restricted net assets are resources that are restricted by a donor for use for a particular purpose or in a particular future year. The Organization's unspent contributions are classified in this class if the donor limited their use.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from temporarily restricted to unrestricted net assets.

Permanently Restricted Net Assets

Permanently restricted net assets are resources whose use by the Organization is limited by donor-imposed restrictions that neither expire by being used in accordance with a donor's restriction nor by the passage of time.

All revenues and net gains are reported as increases in unrestricted net assets in the statement of activities unless the use of the related resources is subject to temporary or permanent donor restrictions. All expenses and net losses other than losses on endowment investments are reported as decreases in unrestricted net assets.

**Cash and Cash Equivalent**

Cash equivalents are short term, interest bearing, highly liquid investments with original maturities of three months or less, unless the investments are held for meeting restrictions of a capital or endowment nature.

**Creative Arts Workshops for Kids, Inc.**  
**DBA Creative Art Works**  
**Notes to Financial Statements**  
**August 31, 2017**

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

**Receivables**

Receivables are stated at the amounts the Organization expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts.

**Fixed Assets**

Fixed Assets are reported in the statement of financial position at cost, if purchased, and at fair value at the date of donation, if donated. Computer, equipment, and software are capitalized if it has a cost of \$500 or more and a useful life when acquired of more than 1 year. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as follows:

Computer and Equipment	3 years
Software	3 years

**Accounting for Contributions**

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in unrestricted net assets unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future years or for specific purposes are reported as increases in either temporarily restricted or permanently restricted net assets, consistent with the nature of the restriction. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as temporarily restricted until the payment is due unless the contribution is clearly intended to support activities of the current fiscal year or is received with permanent restrictions. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

**Creative Arts Workshops for Kids, Inc.**  
**DBA Creative Art Works**  
**Notes to Financial Statements**  
**August 31, 2017**

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

**Gifts-in Kind Contributions**

The Organization receives contributions in a form other than cash. Donated use of facilities is reported as contributions and as expenses at the estimated fair value of similar space for rent under similar conditions. Donated advertising time is reported as contribution and as expenses at the estimated fair value as specified by the donor. Donated supplies are recorded as contributions at the date of gift and as expenses when the donated items are placed into service or distributed.

**Grant Awards**

Grant awards received for a specific purpose are recognized as support to the extent of the related expenses incurred in compliance with the specific restrictions.

**Expense Recognition and Allocation**

The cost of providing the Organization's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization. Fundraising costs are expensed as incurred, even though they may result in contributions received in future years.

**Tax Status**

The Organization is incorporated exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code (IRC) though it would be subject to tax on income unrelated to its exempt purposes (unless that income is otherwise excluded by the IRC). The tax years ending 2013, 2014, and 2015 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.

**Creative Arts Workshops for Kids, Inc.**  
**DBA Creative Art Works**  
**Notes to Financial Statements**  
**August 31, 2017**

**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.

**NOTE 4 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of demand deposits, savings accounts, and cash on hand. Cash equivalents are defined as short-term highly liquid investments that are readily convertible to known amounts of cash and include investments with original maturities of three months or less.

Cash and cash equivalents as of August 31, 2017 consist of:

Cash in Bank:

Chase High Yield Savings	\$ 120,366
Chase Business Classic	338,726
Investments in Ameritrade	<u>10,001</u>
Total Cash in Bank	469,093
Petty Cash	<u>84</u>
Total	<u><u>\$ 469,177</u></u>

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

**Creative Arts Workshops for Kids, Inc.**  
**DBA Creative Art Works**  
**Notes to Financial Statements**  
**August 31, 2017**

**NOTE 5 ACCOUNTS RECEIVABLE**

Accounts receivable as of August 31, 2017 consists of:

Department of Cultural Affairs	\$ 34,000
West Harlem Development Corp	25,000
Newmark Grubb Knight Frank	25,000
NYC Administration for Children Services	13,404
NYC Council Member Ydanis Rodriguez	12,000
NYC Council Member Mark Levine	8,500
Oxford Properties	7,500
NYC Council Member Melissa Mark Viverito	6,300
NYC Council Cultural After School Adventure Initiative (DCLA)	5,600
Others	18,064
Total	<u><u>\$ 155,368</u></u>

As of audit report date, a total of \$89,589 receivables were subsequently collected.

**NOTE 6 FIXED ASSETS**

Fixed Assets as of August 31, 2017 consist of:

	<u>Software</u>	<u>Computer &amp; Equipment</u>	<u>Total</u>
Cost			
At August 31, 2016.	\$ 12,399	\$ 63,876	\$ 76,275
Additions	-	5,095	5,095
At August 31, 2017	<u>12,399</u>	<u>68,971</u>	<u>81,370</u>
Accumulated depreciation			
At August 31, 2016.	12,399	47,370	59,769
Depreciation	-	10,495	10,495
At August 31, 2017	<u>12,399</u>	<u>57,865</u>	<u>70,264</u>
Net book value			
At August 31, 2016.	-	16,506	16,506
At August 31, 2017	<u><u>\$ -</u></u>	<u><u>\$ 11,106</u></u>	<u><u>\$ 11,106</u></u>

**Creative Arts Workshops for Kids, Inc.**  
**DBA Creative Art Works**  
**Notes to Financial Statements**  
**August 31, 2017**

**NOTE 7 ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

Accounts payable and accrued expenses as of August 31, 2017 consist of:

Professional Fees	\$ 13,050
American Express	3,722
Chase Credit Card	4,931
Payroll Expense	17,069
Others	<u>1,881</u>
Total	<u>\$ 40,653</u>

As of audit report date, a total of \$37,238 payables and accrued expenses were subsequently paid.

**NOTE 8 TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net asset consist of:

Department of Cultural Affairs	\$ 28,500
NYC Council Member Ydanis Rodriguez	5,000
NYC Council Member Mark Levine	7,500
NYC Council Member Mark Viverito	<u>5,000</u>
Total	<u>\$ 46,000</u>

**NOTE 9 IN-KIND CONTRIBUTIONS**

In-kind contributions consist of:

Donated Services	\$ 191,775
Donated use of Facilities	76,239
Others	<u>39,715</u>
Total	<u>\$ 307,729</u>

**Creative Arts Workshops for Kids, Inc.**  
**DBA Creative Art Works**  
**Notes to Financial Statements**  
**August 31, 2017**

**NOTE 10 EARNED REVENUES**

Earned revenue consists of:

Program Service Fees	\$ 209,135
Sale of Art	30,300
Others	<u>13,025</u>
Total	<u><u>\$ 252,460</u></u>

**NOTE 11 CONTRIBUTIONS**

Contributions consist of:

Foundations	\$ 93,200
Individuals	43,232
Corporations	<u>64,443</u>
Total	<u><u>\$ 200,875</u></u>

**NOTE 12 GOVERNMENT GRANTS**

Government grants consist of:

NYC Department of Cultural Affairs	\$ 28,500
NYC Council Cultural After School Adventure Initiative (DCLA)	53,600
The New York City Council	<u>17,500</u>
Total	<u><u>\$ 99,600</u></u>

**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.



**Creative Arts Workshops for Kids, Inc.**  
**DBA Creative Art Works**  
**Notes to Financial Statements**  
**August 31, 2017**

**NOTE 14 CONTINGENCY**

The Organization is party to an ongoing litigation and is represented by the insurance carrier's counsel and directly overseen by another counsel engaged by them. The Organization does not expect the lawsuit to have a material adverse effect on the financial statements.

**NOTE 15 LINES OF CREDIT**

The Organization has a line of credit agreement with Chase bank for \$100,000. The line bears interest rate of 2.30% Per Annum above the Prime Rate. Interest is computed on the unpaid principal balance from the date of each borrowing. There were no borrowings against the line of credit at August 31, 2017.

**NOTE 16 SUBSEQUENT EVENTS**

Subsequent events have been evaluated through November 16, 2017, 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.

