

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

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

**FOR THE YEAR ENDED
AUGUST 31, 2018**



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

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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, 2018, 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, 2018, 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
March 31, 2019

CREATIVE ARTS WORKSHOPS FOR KIDS, INC.
DBA CREATIVE ART WORKS
Statement of Financial Position
As of August 31, 2018

ASSETS

Current Assets	
Cash and cash equivalents (Notes 2 and 4)	\$ 511,952
Accounts receivable (Notes 2 and 5)	108,150
Prepaid expense	6,049
Total current assets	626,151
Non-current Assets	
Fixed assets, net (Notes 2 and 6)	12,787
Total non-current assets	12,787
Total Assets	\$ 638,938

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable and accrued expenses (Note 7)	\$ 33,078
Total current liabilities	33,078
Net Assets	
Unrestricted	600,860
Temporarily restricted (Note 8)	5,000
Total net assets	605,860
Total Liabilities and Net Assets	\$ 638,938

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, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES			
Fundraising and special events	\$ 858,992	\$ -	\$ 858,992
In-kind contributions (Note 9)	218,902	-	218,902
Earned revenue (Note 10)	245,579	-	245,579
Contributions (Note 11)	184,401	-	184,401
Government grants (Notes 8 & 12)	131,775	5,000	136,775
Interest Income/Investment Income/(Loss)	108	-	108
	<u>1,639,757</u>	<u>5,000</u>	<u>1,644,757</u>
Net assets released from restrictions:			
Satisfaction of program restrictions	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>1,639,757</u>	<u>5,000</u>	<u>1,644,757</u>
EXPENSES			
Program services	1,028,397	-	1,028,397
Administration	153,759	-	153,759
Fundraising	240,454	-	240,454
In-kind expense	218,902	-	218,902
	<u>1,641,512</u>	<u>-</u>	<u>1,641,512</u>
Change in Net Assets	(1,755)	5,000	3,245
Net assets at the beginning of year	556,615	46,000	602,615
Released from restriction	46,000	(46,000)	-
	<u>46,000</u>	<u>(46,000)</u>	<u>-</u>
Net assets at the end of the year	<u>\$ 600,860</u>	<u>\$ 5,000</u>	<u>\$ 605,860</u>

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, 2018

Cash flows from operating activities:

Increase in net assets	\$ 3,245
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation (Note 6)	9,188
(Increase)/decrease in accounts receivables	47,218
(Increase)/decrease in prepaid expense	1,568
Increase/(decrease) in accounts payable and accrued expenses	<u>(7,575)</u>
Net cash provided by (used for) operating activities	<u>53,644</u>

Cash flows from investing activities:

Purchase of fixed assets (Note 6)	<u>(10,869)</u>
Net cash provided by (used for) investing activities	<u>(10,869)</u>

Net increase (decrease) in cash and cash equivalents	42,775
Cash and cash equivalents at beginning of year	<u>469,177</u>
Cash and cash equivalents at end of fiscal year	<u><u>\$ 511,952</u></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, 2018**

	Program Services	General & Administrative	Fundraising	Total	In Kind				Total 2018
					Program Services	General & Administrative	Fundraising	Total	
Personnel Services									
Salaries	\$ 724,438	\$ 81,604	\$ 136,414	\$ 942,456	\$ -	\$ -	\$ -	\$ -	\$ 942,456
Fringe benefits	110,346	17,545	29,329	157,220	-	-	-	-	157,220
Total Personnel Services	834,784	99,149	165,743	1,099,676	-	-	-	-	1,099,676
Other than Personnel Services (OTPS)									
Printing and office supplies	63,892	5,637	9,283	78,812	20,762	-	13,485	34,247	113,059
Professional fees	23,525	14,733	3,063	41,321	-	-	-	-	41,321
Outside Contract Services	2,106	5,040	-	7,146	-	-	7,425	7,425	14,571
Rent and occupancy	-	-	-	-	45,417	10,523	10,523	66,463	66,463
Travel	10,196	1,448	2,074	13,718	-	-	-	-	13,718
Communications and IT Expense	13,235	3,543	1,172	17,950	1,006	-	506	1,512	19,462
Software	11,979	830	3,123	15,932	-	-	-	-	15,932
Stipends	2,929	-	-	2,929	-	-	-	-	2,929
Background check	553	-	-	553	-	-	-	-	553
Insurance	8,733	8,311	1,164	18,208	-	-	-	-	18,208
Meetings and conferences	3,089	14	24	3,127	-	-	-	-	3,127
Bank and processing fees	-	-	8,361	8,361	-	-	-	-	8,361
Depreciation (Note 6)	4,421	4,177	590	9,188	-	-	-	-	9,188
Payroll service fees	17,102	1,927	3,220	22,249	-	-	-	-	22,249
Food supplies	11,416	2,396	26,750	40,562	-	-	2,914	2,914	43,476
Reproduction cost	5,327	-	3,065	8,392	-	-	-	-	8,392
Utilities	3,463	1,865	462	5,790	-	-	-	-	5,790
Equipment rental	4,553	657	314	5,524	-	-	-	-	5,524
Transportation cost	961	88	32	1,081	-	-	-	-	1,081
Advertising and marketing	1,143	15	974	2,132	38,760	19,365	48,216	106,341	108,473
Staff development	1,936	84	565	2,585	-	-	-	-	2,585
Other expenses	3,054	3,845	10,475	17,374	-	-	-	-	17,374
Total OTPS	193,613	54,610	74,711	322,934	105,945	29,888	83,069	218,902	541,836
Total Expenses	\$ 1,028,397	\$ 153,759	\$ 240,454	\$ 1,422,610	\$ 105,945	\$ 29,888	\$ 83,069	\$ 218,902	\$ 1,641,512

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, 2018

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

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 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. 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

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.

Creative Arts Workshops for Kids, Inc.
DBA Creative Art Works
Notes to Financial Statements
August 31, 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Cash and Cash Equivalents

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

Creative Arts Workshops for Kids, Inc.
DBA Creative Art Works
Notes to Financial Statements
August 31, 2018

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

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.

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, 2018

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.

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.

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 2014, 2015, and 2016 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.
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Notes to Financial Statements
August 31, 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Presentation of Financial Statements of Non-for-Profit Entities (“NFP”)

The Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update 2016-14, in the Presentation of Financial Statements of Not-for-Profit Entities (“NFP”). The main provisions amend the requirements for financial statements and notes require an NFP to:

- Present on the face of the statement of financial position amounts for two classes of net assets at the end of the period, rather than for the currently required three classes. That is, an NFP will report amounts for *net assets with donor restrictions* and *net assets without donor restrictions*, as well as the currently required amount for total net assets.
- Present on the face of the statement of activities the amount of the change in each of the two classes of net assets rather than that of the currently required three classes. An NFP would continue to report the currently required amount of the change in total net assets for the period.
- Continue to present on the face of the statement of cash flows the net amount for operating cash flows using either the direct or indirect method of reporting but no longer require the presentation or disclosure of the indirect method (reconciliation) if using the direct method.
- Provide the following enhanced disclosures about:
 - a) Amounts and purposes of governing board designations, appropriations, and similar actions that result in self-imposed limits on the use of resources without donor-imposed restrictions as of the end of the period.
 - b) Composition of net assets with donor restrictions at the end of the period and how the restrictions affect the use of resources.

The amendments in this update are effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. The new standard will affect the CAW’s financial statements for the year ending August 31, 2019.

Creative Arts Workshops for Kids, Inc.
DBA Creative Art Works
Notes to Financial Statements
August 31, 2018

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting Standards Issued but Not Yet Adopted

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)," as modified (ASC 842), which replaces existing leasing rules with a comprehensive lease measurement and recognition standard and expanded disclosure requirements. ASC 842 will require lessees to recognize most leases on their balance sheets as liabilities, with corresponding "right-of-use" assets, and is effective for annual reporting periods beginning after December 15, 2018, subject to early adoption. For income statement recognition purposes, leases will be classified as either a finance or an operating lease without relying upon the bright-line tests under current GAAP.

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, 2018 consist of:

Cash in Bank:

Chase High Yield Savings	\$ 120,447
Chase Business Classic	364,671
Investments in Ameritrade	<u>26,628</u>
Total Cash in Bank	511,746
Petty Cash	<u>206</u>
Total	<u><u>\$ 511,952</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, 2018

NOTE 5 ACCOUNTS RECEIVABLE

Accounts receivable as of August 31, 2018 consists of:

CASA	\$ 16,000
Department of Cultural Affairs	41,975
Hudson Advisors	5,000
NYC Administration for Children Services	20,000
NYC Council Member Mark Levine	6,500
PAL	5,000
National Audobon Society	3,000
Others	10,675
Total	<u><u>\$ 108,150</u></u>

As of audit report date, a total of \$91,502 receivables was subsequently collected.

NOTE 6 FIXED ASSETS

Fixed Assets as of August 31, 2018 consist of:

	Software	Computer & Equipment	Total
Cost			
At August 31, 2017	\$ 12,399	\$ 68,971	\$ 81,370
Additions	-	10,869	10,869
At August 31, 2018	<u>12,399</u>	<u>79,840</u>	<u>92,239</u>
Accumulated depreciation			
At August 31, 2017	12,399	57,865	70,264
Depreciation	-	9,188	9,188
At August 31, 2018	<u>12,399</u>	<u>67,053</u>	<u>79,452</u>
Net book value			
At August 31, 2017	-	11,106	11,106
At August 31, 2018	<u><u>\$ -</u></u>	<u><u>\$ 12,787</u></u>	<u><u>\$ 12,787</u></u>

Creative Arts Workshops for Kids, Inc.
DBA Creative Art Works
Notes to Financial Statements
August 31, 2018

NOTE 7 ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses as of August 31, 2018 consist of:

Professional Fees	\$ 20,351
American Express	2,464
Chase Credit Card	7,549
Payroll Expense	2,714
Total	<u>\$ 33,078</u>

As of audit report date, a total of \$24,744 account payable and accrued expenses was subsequently paid.

NOTE 8 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net asset consists of \$5,000 contribution from NYC Council Member Mark Levine.

NOTE 9 IN-KIND CONTRIBUTIONS

In-kind contributions consist of:

Donated marketing and materials	\$ 106,341
Donated use of facilities	66,463
Donated food and office supplies	37,161
Donate contract and IT service	8,937
Total	<u>\$ 218,902</u>

Creative Arts Workshops for Kids, Inc.
DBA Creative Art Works
Notes to Financial Statements
August 31, 2018

NOTE 10 EARNED REVENUES

Earned revenue consists of:

Program Service Fees	\$ 138,606
Sale of Art	105,000
Others	1,973
Total	<u>\$ 245,579</u>

NOTE 11 CONTRIBUTIONS

Contributions consist of:

Foundations	\$ 72,356
Board Members	19,220
Individuals	45,835
Corporations	46,990
Total	<u>\$ 184,401</u>

NOTE 12 GOVERNMENT GRANTS

Government grants consist of:

NYC Department of Cultural Affairs	\$ 53,275
NYC Council Cultural After School Adventure Initiative (DCLA)	80,000
Manhattan Borough President - Community Grant	3,500
Total	<u>\$ 136,775</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.
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Notes to Financial Statements
August 31, 2018

NOTE 14 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% Rate 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, 2018.

NOTE 15 SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 31, 2019, 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.

