

**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, 2021 AND 2020**



**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**

### **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, 2021 and 2020, 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, 2021 and 2020, 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 opinion.

### **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' 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 31, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Padilla and Company, LLP*

Jamaica, New York

April 26, 2022

**CREATIVE ARTS WORKSHOPS FOR KIDS, INC.**  
**DBA CREATIVE ARTS WORKS**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF AUGUST 31, 2021 AND 2020**

<b>ASSETS</b>	<b>2021</b>	<b>2020</b>
<b>Current Assets</b>		
Cash and cash equivalents (Note 3)	\$ 998,163	\$ 667,266
Accounts receivable (Note 4)	229,717	122,406
Prepaid expense	8,711	5,714
<b>Total Current Assets</b>	<b>1,236,591</b>	<b>795,386</b>
Equipment - net (Note 5)	19,583	4,674
	<u>19,583</u>	<u>4,674</u>
<b>Total Assets</b>	<b><u>\$ 1,256,174</u></b>	<b><u>\$ 800,060</u></b>
 <b>LIABILITIES AND NET ASSETS</b>  		
<b>Liabilities</b>		
Accounts payable and accrued expenses (Note 6)	\$ 80,340	\$ 66,063
Deferred income	15,000	-
PPP refundable advances (Note 7)	142,112	144,738
<b>Total Liabilities</b>	<b>237,452</b>	<b>210,801</b>
Commitment and contingencies		
<b>Net Assets</b>		
Without donor restrictions	972,472	550,559
With donor restrictions (Note 8)	46,250	38,700
<b>Total Net Assets</b>	<b>1,018,722</b>	<b>589,259</b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 1,256,174</u></b>	<b><u>\$ 800,060</u></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, 2021 AND 2020**

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>2021 Total</u>	<u>2020 Total</u>
<b>REVENUES</b>				
Fundraising and special events	\$ 755,361	\$ -	\$ 755,361	\$ 661,977
In-kind contributions (Note 9)	118,513	-	118,513	98,850
Program and earned income (Note 10)	225,985	-	225,985	114,746
Contributions (Note 11)	359,686	-	359,686	232,672
Government grants (Notes 12)	162,050	46,250	208,300	171,700
Contribution - Paycheck Protection Program	144,738	-	144,738	-
Interest and miscellaneous income	92	-	92	63
	<u>1,766,425</u>	<u>46,250</u>	<u>1,812,675</u>	<u>1,280,008</u>
Net assets released from restrictions	38,700	(38,700)	-	-
<b>Total Revenues</b>	<b><u>1,805,125</u></b>	<b><u>7,550</u></b>	<b><u>1,812,675</u></b>	<b><u>1,280,008</u></b>
<b>EXPENSES</b>				
Program services	941,465	-	941,465	840,160
General and administrative	157,236	-	157,236	132,619
Fundraising	165,998	-	165,998	182,606
In-kind expense	118,513	-	118,513	98,850
<b>Total Expenses</b>	<b><u>1,383,212</u></b>	<b><u>-</u></b>	<b><u>1,383,212</u></b>	<b><u>1,254,235</u></b>
<b>Excess of Revenues over Expenses</b>	421,913	7,550	429,463	25,773
<b>Net Assets at Beginning of the Year</b>	550,559	38,700	589,259	563,486
<b>Net Assets at End of the Year</b>	<b><u>\$ 972,472</u></b>	<b><u>\$ 46,250</u></b>	<b><u>\$ 1,018,722</u></b>	<b><u>\$ 589,259</u></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, 2021 AND 2020**

	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 429,463	\$ 25,773
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	4,018	5,636
(Increase) decrease in:		
Accounts receivable	(107,311)	57,365
Prepaid expense	(2,997)	11,969
Increase in:		
Accounts payable and accrued expenses	14,277	13,170
Deferred income	15,000	-
Net cash provided by operating activities	352,450	113,913
<b>CASH FLOW FROM AN INVESTING ACTIVITY</b>		
Purchase of equipment	(18,927)	(2,400)
Cash used in an investing activity	(18,927)	(2,400)
<b>CASH FLOW FROM A FINANCING ACTIVITY</b>		
(Decrease) increase in PPP refundable advances	(2,626)	144,738
Cash (used in) provided by a financing activity	(2,626)	144,738
<b>Net Increase in Cash and Cash Equivalents</b>	330,897	256,251
<b>Cash and Cash Equivalents at Beginning of Year</b>	667,266	411,015
<b>Cash and Cash Equivalents at End of Year</b>	\$ 998,163	\$ 667,266
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Capital 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, 2021 AND 2020**

	Program Services	General & Administrative	Fundraising	Total	In Kind				2021 Total	2020 Total
					Program Services	General & Administrative	Fundraising	Total		
<b>Personnel Services</b>										
Salaries	\$ 676,837	\$ 78,189	\$ 102,120	\$ 857,146	\$ -	\$ -	\$ -	\$ -	\$ 857,146	762,320
Fringe benefits	105,012	15,332	14,466	134,810	-	-	-	-	134,810	132,276
<b>Total Personnel Services</b>	<b>781,849</b>	<b>93,521</b>	<b>116,586</b>	<b>991,956</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>991,956</b>	<b>894,596</b>
<b>Other than Personnel Services (OTPS)</b>										
Rent and occupancy	-	-	-	-	67,900	10,298	18,551	96,749	96,749	96,749
Supplies	40,679	2,407	373	43,459	20,425	-	-	20,425	63,884	35,423
Professional fees	46,027	9,169	6,863	62,059	-	-	-	-	62,059	79,832
Outside contract services	23,714	10,684	5,071	39,469	-	-	-	-	39,469	15,745
Communications and IT expense	16,225	2,610	11,928	30,763	-	1,339	-	1,339	32,102	12,836
Software	3,147	7,508	10,834	21,489	-	-	-	-	21,489	20,720
Insurance	8,650	6,991	944	16,585	-	-	-	-	16,585	18,568
Payroll service fees	-	10,280	-	10,280	-	-	-	-	10,280	16,367
Bank, credit card fees and investment fee	-	1,247	8,455	9,702	-	-	-	-	9,702	11,352
Facility and equipment	7,898	1,088	672	9,658	-	-	-	-	9,658	8,030
Office supplies	2,493	4,372	1,185	8,050	-	-	-	-	8,050	17,030
Advertising, marketing and promotions	5,208	447	252	5,907	-	-	-	-	5,907	3,249
Depreciation (Note 5)	-	4,018	-	4,018	-	-	-	-	4,018	5,636
Food and beverages	2,904	556	-	3,460	-	-	-	-	3,460	4,519
Travel, meeting and conference	1,754	569	164	2,487	-	-	-	-	2,487	5,714
Bad debts expense	-	-	2,000	2,000	-	-	-	-	2,000	375
Staff development	-	-	-	-	-	-	-	-	-	372
Other expenses	917	1,769	671	3,357	-	-	-	-	3,357	7,122
<b>Total OTPS</b>	<b>159,616</b>	<b>63,715</b>	<b>49,412</b>	<b>272,743</b>	<b>88,325</b>	<b>11,637</b>	<b>18,551</b>	<b>118,513</b>	<b>391,256</b>	<b>359,639</b>
<b>Total Expenses</b>	<b>\$ 941,465</b>	<b>\$ 157,236</b>	<b>\$ 165,998</b>	<b>\$ 1,264,699</b>	<b>\$ 88,325</b>	<b>\$ 11,637</b>	<b>\$ 18,551</b>	<b>\$ 118,513</b>	<b>\$ 1,383,212</b>	<b>\$ 1,254,235</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, 2021 AND 2020**

**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 Emerging Bilingual Students, English Language Learners, 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**  
**FOR THE FISCAL YEARS ENDED AUGUST 31, 2021 AND 2020**

**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 and accordingly reflect all significant receivables, payables, and other liabilities.

**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 resources available to support operations. 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.

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.

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**  
**FOR THE FISCAL YEARS ENDED AUGUST 31, 2021 AND 2020**

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

**Government Grants and Contracts**

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.

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

**CREATIVE ARTS WORKSHOPS FOR KIDS, INC.**  
**DBA CREATIVE ART WORKS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEARS ENDED AUGUST 31, 2021 AND 2020**

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

**Cash and Cash Equivalents**

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.

**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 supplies are recorded as contributions at the date of gift and as expenses when the donated items are placed into service or distributed. Donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals 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.

**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.

**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.

**Equipment**

Equipment are reported in the statement of financial position at cost, 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.

**CREATIVE ARTS WORKSHOPS FOR KIDS, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEARS ENDED AUGUST 31, 2021 AND 2020**

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

**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 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 percentage of salaries or actual usage, 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.

**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).

**CREATIVE ARTS WORKSHOPS FOR KIDS, INC.**  
**DBA CREATIVE ART WORKS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEARS ENDED AUGUST 31, 2021 AND 2020**

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

**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.

**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.

**CREATIVE ARTS WORKSHOPS FOR KIDS, INC.  
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NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED AUGUST 31, 2021 AND 2020**

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

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.

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 amendments in this ASU should be applied on a retrospective basis and are effective for annual reporting periods beginning after June 15, 2021. Early adoption is permitted. 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>2021</u>	<u>2020</u>
Cash in bank:		
Savings account	\$ 720,644	\$ 120,578
Checking account	272,519	541,248
Cash in broker account	4,998	4,992
Total cash in bank	<u>998,161</u>	<u>666,818</u>
Petty cash	<u>2</u>	<u>448</u>
Total	<u>\$ 998,163</u>	<u>\$ 667,266</u>



**CREATIVE ARTS WORKSHOPS FOR KIDS, INC.**  
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**4. ACCOUNTS RECEIVABLE**

This account consists of the following:

	<u>2021</u>	<u>2020</u>
Savills Inc.	\$ 50,000	\$ -
Charities Aid Foundation Canada	50,000	-
Department of Cultural Affairs	40,500	38,160
River Crossing	25,000	-
NYC Department of Cultural Affairs	24,000	20,000
Beacon Capital	-	15,000
Rockefeller	-	15,000
Others	40,217	34,246
Total	<u>\$ 229,717</u>	<u>\$ 122,406</u>

All contributions are due within one year. As of the audit report date, a total of \$222,150 receivables were subsequently collected.

**5. EQUIPMENT - NET**

This account consists of the following:

	<u>2021</u>	<u>2020</u>
<b>Costs</b>		
Beginning balance	\$ 83,770	\$ 81,370
Additions	18,927	2,400
<b>Balance at end of year</b>	<u>102,697</u>	<u>83,770</u>
<b>Accumulated Depreciation</b>		
Beginning balance	79,096	73,460
Depreciation for the year	4,018	5,636
<b>Balance at end of year</b>	<u>83,114</u>	<u>79,096</u>
<b>Carrying amount</b>	<u>\$ 19,583</u>	<u>\$ 4,674</u>

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**6. ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

This account consists of the following:

	<u>2021</u>	<u>2020</u>
Accounts payable	\$ 49,935	\$ 33,565
Accrued payroll	24,254	15,294
Payroll liabilities	6,151	-
Deferred compensation	-	17,204
Total	<u>\$ 80,340</u>	<u>\$ 66,063</u>

As of the audit report date, a total of \$44,272 accounts payable and accrued expenses were subsequently paid.

**7. PAYCHECK PROTECTION PROGRAM**

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 is 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. As discussed in Note 17, on September 29, 2021, the Organization received full forgiveness from SBA of the March 20, 2021 loan in the amount of \$142,112.

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**8. NET ASSETS WITH DONOR RESTRICTIONS**

This account consists of the following:

	<u>2021</u>	<u>2020</u>
Department of Cultural Affairs	\$ 34,250	\$ 31,200
New York State Council on the Arts	12,000	-
West Harlem Development Corporation	-	7,500
Total	<u>\$ 46,250</u>	<u>\$ 38,700</u>

**9. IN-KIND CONTRIBUTIONS**

This account consists of the following:

	<u>2021</u>	<u>2020</u>
Donated use of facilities	\$ 96,749	\$ 96,749
Donated goods	21,073	1,798
Donated services	691	303
Total	<u>\$ 118,513</u>	<u>\$ 98,850</u>

**10. PROGRAM AND EARNED INCOME**

This account consists of the following:

	<u>2021</u>	<u>2020</u>
Program service fees	\$ 120,398	\$ 108,732
Sale of art	100,000	6,000
Cause marketing	5,066	14
Others	521	-
Total	<u>\$ 225,985</u>	<u>\$ 114,746</u>

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**11. CONTRIBUTIONS**

This account consists of the following:

	<u>2021</u>	<u>2020</u>
Foundations	\$ 137,500	\$ 61,500
Corporations	122,923	76,398
Individuals	<u>99,263</u>	<u>94,774</u>
Total	<u>\$ 359,686</u>	<u>\$ 232,672</u>

**12. GOVERNMENT GRANTS**

This account consists of the following:

	<u>2021</u>	<u>2020</u>
New York City Department of Cultural Affairs	\$ 164,300	\$ 156,200
New York State Council	24,000	12,000
Mayor's Fund to Advance New York City	20,000	-
Manhattan Borough President - Community Grant	<u>-</u>	<u>3,500</u>
Total	<u>\$ 208,300</u>	<u>\$ 171,700</u>

**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.

	<u>2021</u>	<u>2020</u>
Financial assets:		
Cash and cash equivalents	\$ 998,163	\$ 667,266
Accounts receivable	<u>229,717</u>	<u>122,406</u>
Total financial assets	1,227,880	789,672
Less: Donor restrictions for specific purpose	<u>(46,250)</u>	<u>(38,700)</u>
Financial assets available for general expenditures within one year	<u>\$ 1,181,630</u>	<u>\$ 750,972</u>

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**13. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (continued)**

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 borrowings against the line of credit at August 31, 2021.

**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.

**16. CONTINGENCIES**

In early March 2020, the COVID-19 was declared a global pandemic. Business continuity, including supply chains and consumer demand across a broad range of industries and countries, could be impacted for months or more, as governments and their citizens take measures to mitigate the consequences of the pandemic. The management is carefully monitoring the situation and evaluating its operations during this time. No adjustments have been made to these financial statements as a result of this uncertainty.

**17. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through April 26, 2022, 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.

On September 29, 2021, the Organization received full forgiveness from SBA of the March 20, 2021 loan in the amount of \$142,112 (see Note 7).