

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

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

**FOR THE YEARS ENDED
AUGUST 31, 2023 AND 2022**



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

TABLE OF CONTENTS

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

INDEPENDENT AUDITOR’S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Creative Arts Workshops for Kids, Inc. DBA Creative Art Works (a nonprofit organization), which comprise the statements of financial position as of August 31, 2023 and 2022, 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, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Creative Arts Workshops for Kids, Inc. DBA Creative Art Works' internal control. Accordingly, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements; and
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Creative Arts Workshops for Kids, Inc. DBA Creative Art Works' ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited Creative Arts Workshops for Kids, Inc. DBA Creative Art Works' 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 23, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Padilla and Company, LLP

Jamaica, New York
December 19, 2023

CREATIVE ARTS WORKSHOPS FOR KIDS, INC.
DBA CREATIVE ARTS WORKS
STATEMENTS OF FINANCIAL POSITION
AS OF AUGUST 31, 2023 AND 2022

ASSETS	2023	2022
Current Assets		
Cash and cash equivalents (Note 3)	\$ 1,085,953	\$ 1,191,977
Receivables (Note 4)	180,525	102,419
Prepaid expense	5,313	4,137
Total Current Assets	1,271,791	1,298,533
Noncurrent Asset		
Equipment - net (Note 5)	19,896	30,103
Total Assets	\$ 1,291,687	\$ 1,328,636
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses (Note 6)	\$ 55,765	\$ 114,029
Deferred income	34,495	53,380
Total Current Liabilities	90,260	167,409
Commitment and contingencies		
Net Assets		
Without donor restrictions	1,193,427	1,161,227
With donor restrictions (Note 8)	8,000	-
Total Net Assets	1,201,427	1,161,227
Total Liabilities and Net Assets	\$ 1,291,687	\$ 1,328,636

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, 2023 AND 2022

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>2023 Total</u>	<u>2022 Total</u>
REVENUES				
Special events	\$ 955,740	\$ -	\$ 955,740	\$ 806,803
Contributions (Note 11)	307,223	8,000	315,223	328,912
Government grants (Notes 12)	-	246,970	246,970	183,500
Program and earned income (Note 10)	235,990	-	235,990	243,705
In-kind contributions (Note 9)	189,321	-	189,321	180,339
Paycheck Protection Program income (Note 7)	-	-	-	142,112
Interest and miscellaneous income	3,983	-	3,983	125
	<u>1,692,257</u>	<u>254,970</u>	<u>1,947,227</u>	<u>1,885,496</u>
Net assets released from restrictions:				
Satisfaction of program restrictions	246,970	(246,970)	-	-
Total Revenues	<u>1,939,227</u>	<u>8,000</u>	<u>1,947,227</u>	<u>1,885,496</u>
EXPENSES				
Program services	1,109,768	-	1,109,768	1,106,219
Fundraising	341,269	-	341,269	239,704
General and administrative	266,669	-	266,669	216,729
In-kind expense	189,321	-	189,321	180,339
Total Expenses	<u>1,907,027</u>	<u>-</u>	<u>1,907,027</u>	<u>1,742,991</u>
Changes in Net Assets	32,200	8,000	40,200	142,505
Net Assets at Beginning of Year	1,161,227	-	1,161,227	1,018,722
Net Assets at End of Year	<u>\$ 1,193,427</u>	<u>\$ 8,000</u>	<u>\$ 1,201,427</u>	<u>\$ 1,161,227</u>

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, 2023 AND 2022**

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 40,200	\$ 142,505
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation expense	17,923	16,131
Forgiveness of Paycheck Protection Program refundable advances	-	(142,112)
(Increase) decrease in:		
Accounts receivable	(78,106)	127,298
Prepaid expense	(1,176)	4,574
(Decrease) increase in:		
Accounts payable and accrued expenses	(58,264)	33,689
Deferred income	(18,885)	38,380
Net cash (used in) provided by operating activities	(98,308)	220,465
CASH FLOW FROM AN INVESTING ACTIVITY		
Purchase of equipment	(7,716)	(26,651)
Cash used in an investing activity	(7,716)	(26,651)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(106,024)	193,814
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,191,977	998,163
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,085,953	\$ 1,191,977

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, 2023 AND 2022**

	Program Services	General & Administrative	Fundraising	Total	In Kind				2023 Total	2022 Total
					Program Services	General & Administrative	Fundraising	Total		
Personnel Services										
Salaries	\$ 827,652	\$ 158,933	\$ 201,058	\$ 1,187,643	\$ -	\$ -	\$ -	\$ -	\$ 1,187,643	\$ 1,076,732
Payroll taxes and fringe benefits	140,292	42,039	29,758	212,089	-	-	-	-	212,089	164,711
Total Personnel Services	967,944	200,972	230,816	1,399,732	-	-	-	-	1,399,732	1,241,443
Other than Personnel Services (OTPS)										
Rent and occupancy	-	-	-	-	88,180	10,299	57,849	156,328	156,328	147,390
Food and beverages	10,918	5,917	47,980	64,815	568	-	1,800	2,368	67,183	40,905
Supplies	34,975	948	3,947	39,870	13,557	-	-	13,557	53,427	93,284
Office supplies	8,678	4,539	10,277	23,494	1,111	-	1,885	2,996	26,490	18,674
Software	2,445	11,343	11,466	25,254	-	-	-	-	25,254	23,215
Professional fees	5,847	1,770	1,234	8,851	-	13,329	-	13,329	22,180	8,380
Communications and IT expense	14,326	2,709	2,830	19,865	-	743	-	743	20,608	28,668
Insurance	11,339	6,785	2,005	20,129	-	-	-	-	20,129	22,542
Facility and equipment	15,437	2,165	1,867	19,469	-	-	-	-	19,469	8,919
Outside contract services	11,696	158	7,311	19,165	-	-	-	-	19,165	32,555
Depreciation (Note 5)	-	17,923	-	17,923	-	-	-	-	17,923	16,131
Payroll service fees	10,970	3,096	2,315	16,381	-	-	-	-	16,381	10,567
Bank, credit card and investment fee	-	894	11,798	12,692	-	-	-	-	12,692	10,540
Travel, meeting and conference	5,396	1,790	2,719	9,905	-	-	-	-	9,905	7,895
Advertising, marketing and promotions	6,719	-	2,893	9,612	-	-	-	-	9,612	4,112
Gifts and gratuities	2,219	-	1,298	3,517	-	-	-	-	3,517	20,176
Staff development	827	463	478	1,768	-	-	-	-	1,768	190
Other expenses	32	5,197	35	5,264	-	-	-	-	5,264	7,405
Total OTPS	141,824	65,697	110,453	317,974	103,416	24,371	61,534	189,321	507,295	501,548
Total Expenses	\$ 1,109,768	\$ 266,669	\$ 341,269	\$ 1,717,706	\$ 103,416	\$ 24,371	\$ 61,534	\$ 189,321	\$ 1,907,027	\$ 1,742,991

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, 2023 AND 2022

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

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

CREATIVE ARTS WORKSHOPS FOR KIDS, INC.
DBA CREATIVE ART WORKS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Accounting

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

Basis of Presentation

Financial statement presentation follows the recommendations of the Accounting Standards Codification (“ASC”) in its Statement No. 958-205, *Financial Statements of Not-for-Profit Organizations*, as updated by Accounting Standards Update (“ASU”) 2016-14. Under ASC 2016-14, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions.

Net Assets without Donor Restrictions

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

Net Assets with Donor Restrictions

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. The Organization’s unspent contributions are classified in this class if the donor limited their use.

When a donor’s restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions in the statement of activities and changes in net assets.

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

CREATIVE ARTS WORKSHOPS FOR KIDS, INC.
DBA CREATIVE ART WORKS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

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 checking account, savings account and time deposit accounts.

Revenue Recognition

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

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

Government Grants

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

Contributions

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

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

CREATIVE ARTS WORKSHOPS FOR KIDS, INC.
DBA CREATIVE ART WORKS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Conditional and unconditional contributions are recorded either with donor restrictions or without donor restrictions. Contributions are recognized as contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated asset. Contributions received with no donor stipulations are recorded as contributions without donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and are reported in the statements of activities and changes in net assets as net assets released from restriction.

In-kind Contributions

The Organization receives contributions in a form other than cash. Donated use of facilities is reported as contributions and as expenses at the estimated fair value of similar space for rent under similar conditions. Contributed goods are recorded as contributions at the date of gift and as expenses when the donated items are placed into service or distributed. Contributed services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals and companies possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Donated Facilities

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

Receivables

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

Equipment

Equipment is reported in the statement of financial position at cost less accumulated depreciation and amortization, if purchased, and at fair value at the date of donation, if donated. Equipment is capitalized if it has a cost of \$500 or more and a useful life of more than one (1) year when acquired. 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.
DBA CREATIVE ART WORKS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

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 executive management.

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

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

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

Vacation and Sick Leave

The Organization provides full-time employees paid time off for planned absences, such as vacation, and unplanned absences for various personal reasons. Part-time employees are eligible for time off work with pay for reasons specified in the New York City Paid Safe and Sick Leave Law and the Organization's employee handbook. The pay rate is based on the employee's salary at the time the leave is taken. Unused paid time off time will not carry over from 1 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
AUGUST 31, 2023 AND 2022

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.

Adoption of New Accounting Pronouncements

The Organization adopted Financial Accounting Standards Board ASU 2016-02 (as amended), *Leases (Topic 842)*, on August 1, 2022. This ASU requires lessees to recognize a right-of-use asset and a corresponding lease liability for virtually all leases. The Organization elected and applied the following transition practical expedients when initially adopting Topic 842.

- To apply the provisions of Topic 842 at the adoption date using a modified retrospective approach; and
- To not reassess (i) the lease classification of existing leases; (ii) whether existing and expired contracts are/or contain leases; and (iii) initial direct costs for existing lease.

During 2022, an analysis was performed under the provisions of this standard. The adoption of ASU 2016-02 did not affect the Organization's statement of activities and changes in net assets.

CREATIVE ARTS WORKSHOPS FOR KIDS, INC.
DBA CREATIVE ART WORKS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

Accounting Standards Issued but Not Yet Adopted

On March 2023, the Financial Accounting Standards Board has issued ASU No. 2023-01, *Leases (Topic 842): Common Control Arrangement*. ASU No. 2023-01 addresses two concerns related to leasing arrangements between entities under common control that have come up during the implementation of Topic 842.

1. The ASU creates a practical expedient available for agreements between entities under common control where, when examining agreements, the written terms and conditions of the agreement can be used to determine whether a lease exists, and those written terms can be used to account for and classify the lease. This is different than the original requirement of Topic 842 which requires entities to consider legally enforceable terms and conditions, often involving factors beyond just the written agreement itself. At times, legal enforceability can be a complex and judgmental determination. The practical expedient may be applied on an arrangement-by-arrangement basis. The requirement to determine enforceable terms and conditions remains in place for all other leasing arrangements and the practical expedient can only be applied to written agreements, not verbal ones.
2. The ASU also requires that leasehold improvements associated with leases between entities under common control be amortized over their useful life as long as the lessee controls the use of the underlying asset through a lease. This is a change from the original requirement (which still applies to all other leasing arrangements) that leasehold improvements are amortized over the shorter of the remaining lease term and useful life of the improvements.

Both amendments only apply to arrangements between entities under common control. Not all related parties are entities under common control. ASU No. 2023-01 is effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years but can be early adopted for financial statements that have not yet been made available for issuance. Management is currently assessing the effect that ASU No. 2023-01 would have on the Organization's financial statements.

CREATIVE ARTS WORKSHOPS FOR KIDS, INC.
DBA CREATIVE ART WORKS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

3. CASH AND CASH EQUIVALENTS

This account consists of the following:

	<u>2023</u>	<u>2022</u>
Cash in banks:		
Time deposit accounts	\$ 500,000	\$ -
Savings account	324,371	520,767
Checking account	256,362	665,708
Cash in broker account	4,979	4,979
Total cash in banks	<u>1,085,712</u>	<u>1,191,454</u>
Petty cash	<u>241</u>	<u>523</u>
	<u>\$ 1,085,953</u>	<u>\$ 1,191,977</u>

4. RECEIVABLES

This account consists of the following:

	<u>2023</u>	<u>2022</u>
Pledges receivable	\$ 84,290	\$ 32,853
Grants receivable	52,490	58,850
Accounts receivable	40,000	10,716
Accrued interest receivable	<u>3,745</u>	<u>-</u>
	<u>\$ 180,525</u>	<u>\$ 102,419</u>

All contributions are due within 1 year. As of the audit report date, a total of \$113,613 receivables were subsequently collected.

CREATIVE ARTS WORKSHOPS FOR KIDS, INC.
DBA CREATIVE ART WORKS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

5. EQUIPMENT - NET

This account consists of the following:

	<u>2023</u>	<u>2022</u>
Cost		
Balance at beginning of year	\$ 141,747	\$ 115,096
Additions	7,716	26,651
Balance at end of year	<u>149,463</u>	<u>141,747</u>
Accumulated Depreciation		
Balance at beginning of year	111,644	95,513
Depreciation for the year	17,923	16,131
Balance at end of year	<u>129,567</u>	<u>111,644</u>
Carrying amount	<u>\$ 19,896</u>	<u>\$ 30,103</u>

6. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

This account consists of the following:

	<u>2023</u>	<u>2022</u>
Accounts payable	\$ 36,485	\$ 36,772
Payroll liabilities	19,280	5,346
Accrued payroll	-	71,911
	<u>\$ 55,765</u>	<u>\$ 114,029</u>

As of the audit report date, a total of \$47,150 accounts payable and accrued expenses were subsequently paid.

CREATIVE ARTS WORKSHOPS FOR KIDS, INC.
DBA CREATIVE ART WORKS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

7. PAYCHECK PROTECTION PROGRAM (PPP) REFUNDABLE ADVANCE

On March 20 2021, the Organization was granted a loan of \$142,112 pursuant to Paycheck Protection Program (“PPP”) administered by a Small Business Administration (“SBA”) approved lender. The loan was unsecured and was fully guaranteed by the federal government. The Organization was eligible for loan forgiveness of up to 100% of this loan, upon meeting certain requirements. The Organization had initially recorded this loan 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 this loan was eligible for forgiveness if the Organization used the funds for qualifying expenses as described in the Coronavirus Aid, Relief, and Economic Security 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 September 29, 2021, the Organization received full forgiveness from SBA of the March 20, 2021 loan in the amount of \$142,112. SBA proceeds are reflected as PPP income on the statement of activities and changes in net assets.

8. NET ASSETS WITH DONOR RESTRICTIONS

This account consists of donor-restricted grant received from a private foundation. The amount of donor-restricted grant for the year ended August 31, 2023 amounted to \$8,000.

CREATIVE ARTS WORKSHOPS FOR KIDS, INC.
DBA CREATIVE ART WORKS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

9. IN-KIND CONTRIBUTIONS

This account consists of the following:

	<u>2023</u>	<u>2022</u>
Donated use of facilities	\$ 156,328	\$ 147,390
Contributed goods	18,921	32,612
Contributed services	<u>14,072</u>	<u>337</u>
	<u>\$ 189,321</u>	<u>\$ 180,339</u>

The Organization receives the use of donated facilities for its operations. The Organization recognizes donated use of facilities in an amount approximating the estimated fair value at the time of the donation. Fair value is estimated using the average price per square foot of lease listing for comparable space in the Organization's service area.

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

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

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

10. PROGRAM AND EARNED INCOME

This account consists of the following:

	<u>2023</u>	<u>2022</u>
Program service fees	\$ 155,911	\$ 223,170
Sale of art	80,000	500
Cause marketing	<u>79</u>	<u>20,035</u>
	<u>\$ 235,990</u>	<u>\$ 243,705</u>

CREATIVE ARTS WORKSHOPS FOR KIDS, INC.
DBA CREATIVE ART WORKS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

11. CONTRIBUTIONS

This account consists of the following:

	<u>2023</u>	<u>2022</u>
Foundations	\$ 158,250	\$ 139,300
Corporations	81,863	108,817
Individuals	75,110	80,795
	<u>\$ 315,223</u>	<u>\$ 328,912</u>

12. GOVERNMENT GRANTS

This account consists of the following:

	<u>2023</u>	<u>2022</u>
New York City Department of Cultural Affairs	\$ 192,470	\$ 160,000
New York State Council on the Arts	49,500	-
Manhattan Borough President	5,000	3,500
New York City Parks Equity Initiative	-	20,000
	<u>\$ 246,970</u>	<u>\$ 183,500</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 1 year from the balance sheet date.

	<u>2023</u>	<u>2022</u>
Financial assets:		
Cash and cash equivalents (Note 3)	\$ 1,085,953	\$ 1,191,977
Accounts receivable (Note 4)	180,525	102,419
Total financial assets	1,266,478	1,294,396
Less: Grants with donor restrictions (Note 8)	(8,000)	-
Financial assets available for general expenditures within 1 year	<u>\$ 1,258,478</u>	<u>\$ 1,294,396</u>

CREATIVE ARTS WORKSHOPS FOR KIDS, INC.
DBA CREATIVE ART WORKS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

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. They also believe the Organization's finances are strong enough to obtain short term financing from its bankers if need be.

14. LINE OF CREDIT

In 2023, the Organization has entered in a line of credit agreement with Chase Bank for \$430,000. The line bears interest rate of 0.83% rate per annum above the prime rate which is good for 5 years. Interest is computed on the unpaid principal balance from the date of each borrowing. There were no drawings against the line of credit at August 31, 2023.

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. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 19, 2023, the date which the financial statements were available for issue. There were no subsequent events of material nature that came to our attention warranting adjustment or disclosure. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.