

**ARTSMART**  
**FINANCIAL STATEMENTS – CASH BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**ARTSMART**

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MEMBER OF THE AICPA & PICPA

2 VILLAGE ROAD • SUITE 7-C • HORSHAM, PA 19044  
215-346-2665 • FAX 215-346-2664

## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors  
ArtSmart  
Philadelphia, PA

We have reviewed the accompanying financial statements of ArtSmart (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets – cash basis as of December 31, 2018, and the related statements of revenues and expenses and changes in net assets – cash basis and functional expenses – cash basis for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstance. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement whether due to fraud or error.

### Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statement on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material misstatement that should be made to the financial statements for them to be in accordance with the cash basis of accounting. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### Accountant's Conclusion

Based upon our review we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the cash basis of accounting.

### Basis of Accounting

We draw attention to Note F of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our conclusion is not modified with respect to this matter.

THOMAS J. SCHWABENLAND, P.C.  
Horsham, PA  
August 30, 2019



ArtSmart

Statement of Assets, Liabilities and Net Assets - Cash Basis

December 31, 2018

Assets

Current Assets		
Cash	\$ 138,018.39	
Total Current Assets		138,018.39
Total Assets		\$ 138,018.39

Liabilities and Net Assets

Total Current Liabilities	\$ -	
Long-Term Liabilities		
Loans Payable	4,711.52	
Total Long-Term Liabilities		4,711.52
Total Liabilities		4,711.52
Net Assets		
Net Assets Without Donor Restrictions	133,306.87	
Total Net Assets		133,306.87
Total Liabilities and Net Assets		\$ 138,018.39



ArtSmart

Statement of Revenues and Expenses and Changes in Net Assets - Cash Basis

For the Year Ended December 31, 2018

**Income:**

Contributions	\$ 218,836.60	
Interest Income	<u>31.02</u>	
Total Income		218,867.62

**Expenses**

Program Services	123,752.75	
Fundraising	34,533.85	
Management and General	<u>11,051.18</u>	
Total Expenses		<u>169,337.78</u>

Net Income		49,529.84
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Net Assets - Without Donor Restrictions - Beginning of Year		<u>83,777.03</u>
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Net Assets - Without Donor Restrictions - End of year		<u><u>\$ 133,306.87</u></u>
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ArtSmart

Statement Functional Expenses - Cash Basis

For the Year Ended December 31, 2018

	Program	Fundraising	General and Management	Total
Advertising and Public Relations	\$ -	\$ 5,600.00	\$ -	\$ 5,600.00
Background Checks	239.98	-	-	239.98
Bank fees	-	-	36.00	36.00
Computer	-	-	249.33	249.33
Contract Labor	12,305.96	16,372.65	3,174.09	31,852.70
Event Expenses	-	6,760.50	-	6,760.50
Filing and Registration	-	-	524.00	524.00
Insurance	6,903.00	-	1,711.82	8,614.82
Postage	-	-	191.62	191.62
Professional	-	-	4,566.70	4,566.70
Printing	-	1,390.93	-	1,390.93
Rent	-	-	597.62	597.62
Teachers	75,677.33	2,951.73	-	78,629.06
Teacher Support	27,702.74	1,458.04	-	29,160.78
Supplies	923.74	-	-	923.74
Total Program Expense	<u>\$ 123,752.75</u>	<u>\$ 34,533.85</u>	<u>\$ 11,051.18</u>	<u>\$ 169,337.78</u>





## ARTSMART

### NOTES TO FINANCIAL STATEMENTS

#### FOR THE YEAR ENDING DECEMBER 31, 2018

##### NOTE A – NATURE OF ACITIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

###### Nature of Activities

ArtSmart (the Organization) was organized in 2016 as a not-for-profit organization (non-profit corporation) to provide music lessons for underprivileged high students. During the year ended December 31, 2018 it provided lessons in four cities, Newark, NJ, Philadelphia, PA, San Francisco, CA and New York, NY. The Organization is supported through donor contributions.

###### Cash and Cash Equivalents

The Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

The Organization maintains its cash account at one commercial bank which is insured by the Federal Deposit Insurance Corporation (FDIC). During the year ended December 31, 2018, the Organization did not maintain any balances in excess of the insurance limit, \$250,000.

###### Contributed Services

No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise. However, many individual volunteer their time and perform a variety of tasks that assist the Organization but these services do not meet the criteria for recognition of contributed services. The Organization does not record the value or hours of donated services due to the administrative burden of doing so.

###### Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence or nature of any donor restrictions. During the year ended December 31, 2018 all of the donations to the Organization were without donor restrictions.

###### Income Tax Status

The Organization is a not-for-profit organization that is exempt from income taxes under Sections 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

###### Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.



## ARTSMART

### NOTES TO FINANCIAL STATEMENTS

#### FOR THE YEAR ENDING DECEMBER 31, 2018

##### NOTE A – NATURE OF ACITIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - (Continued)

###### Cost Allocation

The financial statements report certain categories of expenses that are attributable to more than one function. Therefore these expenses require allocation on a reasonable basis that is consistently applied. The Organization allocated the following expenses for the year ended December 31, 2018:

	<u>Gen.</u>	<u>Program</u>	<u>Fundraising</u>	<u>Basis</u>
Teachers	0.0%	97.5%	2.5%	Contract for services provided
Teaching Support	0.0%	95.0%	5.0%	Contract for services provided
Contract Labor Marketing	0.0%	30.0%	70.0%	Contractor's estimate of time
Contract Labor Other	25.0%	75.0%	0.0%	Contractor's estimate of time
Insurance – multi line	37.7%	62.3%	0.0%	Ratio of coverage premiums

##### NOTE B – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following represents 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.

Financial assets at December 31, 2018 \$138,018

Financial assets available to meet cash need for general  
Expenditures within one year \$138,018

As a part of the Organization's liquidity management, it maintains it cash in a checking account with an FDIC-insured U.S. national bank.

##### NOTE C – LEASE COMMITMENT

The Organization pays a membership fee for office space. The Organization has no commitments to continue this at December 31, 2018. The Organization paid \$1,390 for the use of this office space and recorded it as rent for the year ended December 31, 2018





## ARTSMART

### NOTES TO FINANCIAL STATEMENTS

#### FOR THE YEAR ENDING DECEMBER 31, 2018

##### NOTE D – LOANS PAYABLE

The loans payable consist of personal loans made to the Organization by its founders (see Note E – Related Party Transactions). These are non-interest bearing loans, are not collateralized and have no repayment terms.

##### NOTE E – RELATED PARTY TRANSACTIONS

As described in Note D, the Organization's founders made non-interest bearing and non-collateralized loans, without repayment terms, to the Organization during its initial year. During the year ended December 31, 2018 there were no additions or repayments of these loans. The balance of these loans was \$ 4,712 at December 31, 2018.

##### NOTE F – BASIS OF ACCOUNTING

The financial statements are prepared in accordance with the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Under this method, revenue is recognized when received rather than when earned and expenses are recognized when paid rather than when the related obligation is incurred.

##### NOTE G – ADVERTISING

Advertising costs are expensed as incurred and are included with public relations. Advertising expense was \$600 for the year ended December 31, 2018.

##### NOTE H – SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 30, 2019, the date that the financial statements were available to be issued. No significant subsequent events have been identified that would require adjustment of or disclosure in the accompanying financial statements.