

ARTSMART
FINANCIAL STATEMENTS – CASH BASIS
FOR THE YEAR ENDED JULY 31, 2020

ARTSMART
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MEMBER OF THE AICPA & PICPA

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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 July 31, 2020, 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

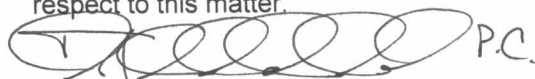
Our responsibility is to conduct the review engagement in accordance with Statement on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting 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
February 17, 2021



ArtSmart

Statement of Assets, Liabilities and Net Assets - Cash Basis

July 31, 2020

Assets

Current Assets		
Cash	\$ 159,484.30	
Total Current Assets		159,484.30
Total Assets		\$ 159,484.30

Liabilities and Net Assets

Current Liabilities		
Current Portion of Long Term Debt	\$ 5,597.50	
Total Current Liabilities		5,597.50
Long-Term Liabilities		
Loans Payable	157,038.50	
Total Long-Term Liabilities		157,038.50
Total Liabilities		162,636.00
Net Assets		
Net Assets With Donor Restrictions	7,130.46	
Net Assets Without Donor Restrictions	(10,282.16)	
Total Net Assets		(3,151.70)
Total Liabilities and Net Assets		\$ 159,484.30

ArtSmart

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

For the Year Ended July 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Contributions	\$ 308,941.84	\$ 15,490.46	\$ 324,432.30
Fundraising Income	70,000.00	-	70,000.00
Net Income from Sales	1,500.00	-	1,500.00
Contributed Service	2,100.00	-	2,100.00
Interest Income	28.69	-	28.69
Net Assets released from restriction	8,360.00	(8,360.00)	-
Total Income	390,930.53	7,130.46	398,060.99
Expenses			
Program Services	314,092.43	-	314,092.43
Fundraising	98,896.95	-	98,896.95
Management and General	21,423.02	-	21,423.02
Total Expenses	434,412.40	-	434,412.40
(Decrease) Increase in Net Assets	(43,481.87)	7,130.46	(36,351.41)
Net Assets - Beginning of Year	33,199.71	-	33,199.71
Net Assets - End of year	<u>\$ (10,282.16)</u>	<u>\$ 7,130.46</u>	<u>\$ (3,151.70)</u>

ArtSmart

Statement Functional Expenses - Cash Basis

For the Year Ended July 31, 2020

	<u>Program</u>	<u>Fundraising</u>	<u>General and Management</u>	<u>Total</u>
Advertising and Marketing	\$ -	\$ 1,240.00	\$ -	\$ 1,240.00
Auditions	1,045.00	-	-	1,045.00
Background Checks	726.75	-	-	726.75
Bank Fees	-	-	168.00	168.00
Cloud Technology and Consulting	488.33	11,283.75	150.00	11,922.08
Contract Labor	13,478.27	28,357.25	3,517.60	45,353.12
Employee Benefits	4,066.60	2,884.85	-	6,951.45
Event Expenses	-	2,414.83	-	2,414.83
Filing and Registration	-	-	1,426.33	1,426.33
Insurance	4,377.88	-	1,459.25	5,837.13
Meals	379.98	846.98	-	1,226.96
Musical Accompaniment	700.00	-	-	700.00
Payroll	54,507.86	38,696.00	-	93,203.86
Payroll Taxes	4,966.05	3,522.93	-	8,488.98
Payroll Processing	-	-	3,645.40	3,645.40
Postage	-	-	143.72	143.72
Professional Fees	-	-	10,468.00	10,468.00
Printing	949.38	1,096.64	-	2,046.02
Prizes and Contributions	-	450.00	-	450.00
Public Relations	1,575.00	525.00	-	2,100.00
Rent	-	925.01	444.72	1,369.73
Scholarships	1,000.00	-	-	1,000.00
Software and Supplies	383.97	1,138.97	-	1,522.94
Teacher/Mentors Aids	222,298.68	-	-	222,298.68
Travel	1,256.51	3,647.08	-	4,903.59
Website	1,807.84	1,807.84	-	3,615.68
Workers Compensation Insurance	84.33	59.82	-	144.15
Total Program Expense	<u>\$ 314,092.43</u>	<u>\$ 98,896.95</u>	<u>\$ 21,423.02</u>	<u>\$ 434,412.40</u>

ARTSMART
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2020

NOTE A – NATURE OF ACITIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

ArtSmart (the Organization) was organized in 2016 as a not-for-profit corporation to provide music lessons for underprivileged high students. During the year ended July 31, 2020 the Organization provided lessons in Newark, NJ; Jersey City, NJ; Philadelphia, PA; Chester, PA; San Francisco, CA; and New York, NY and has plans to start in Chicago, IL. 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 July 31, 2020, the Organization did not maintain any balances in excess of the FDIC's \$250,000 limit.

Contributed Services

The Organization received \$2,100 of donated services for public relations work for the year ended July 31, 2020. This was from one individual who raises awareness to the public about the Organization with its donors and its program recipients.

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.

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.

ARTSMART

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2020

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

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.

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 July 31, 2020:

<u>Expense</u>	<u>Program</u>	<u>Fundraising</u>	<u>Gen</u>	<u>Basis</u>
Contract Labor Teaching	100.0%	0.0%	0.0%	Est. Contractor time
Contract Labor Legal Support	75.0%	0.0%	25.0%	Est. Contractor time
Contract Labor Marketing	10.0%	90.0%	0.0%	Est. Contractor time
Contract Labor Grant Writer	0.0%	100.0%	0.0%	Est. Contractor time
Contract Labor Other	80.0%	0.0%	20.0%	Est. Contractor time
Insurance – multi line	75.0%	0.0%	25.0%	Ratio of coverage types
Public Relations	75.0%	25.0%	0.0%	Est. Volunteer time
Payroll and related exp.	58.5%	41.5%	0.0%	Est. Employee time
Website	50.0%	50.0%	0.0%	Est. Use by User type

Revenue with and without Donor restrictions

Contributions received are recorded as increases in net assets with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. When restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of Revenues and Expenses – Cash Basis as net assets released from restriction.

ARTSMART

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2020

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 July 31, 2020	<u>\$ 159,484</u>
Financial assets available to meet cash need for general Expenditures within one year	<u>\$ 159,484</u>

As a part of the Organization's liquidity management, it maintains its cash in a checking account with an FDIC-insured U.S. national bank. The Organization's board prepared a budget for the year ended 7/31/21 at breakeven and implemented plans to maintain cash to cover at least 3 months of operating expenses.

NOTE C – LEASE COMMITMENT

The Organization pays a membership fee for office space. The Organization has no commitments to continue this at July 31, 2020. The Organization paid \$283 for the use of this office space and recorded it as rent for the year ended July 31, 2020.

NOTE D – LONG TERM DEBT

Loan Payable Founders

The Organization's founders made personal loans to the Organization when it was formed in 2016. Two of these three loans were forgiven during the year ended July 31, 2020 (see Note E – Related Party Transactions). The remaining loan balance is \$1,741, is non-interest bearing, is not collateralized and has no repayment terms.

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NOTES TO FINANCIAL STATEMENTS

JULY 31, 2020

NOTE D – LONG TERM DEBT – (Continued)

Note Payable (SBA PPP Loan)

On April 19, 2020 the Organization entered into an agreement with TD Bank for an unsecured loan for \$11,195 loan with an interest rate of 1%. This loan was obtained through the Payroll Protection Program ("PPP") under the Coronavirus Aid, Relief and Economic Security Act ("Cares Act"). The loan and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during an eight week period (or the revised twenty-four week period, if elected by the Organization) commencing with the loan agreement date.

The unforgiven portion of the PPP loan is payable over two years with deferral of payment for the first six months. The Organization intends to use the proceeds for purposes consistent with the PPP.

Note Payable - (SBA SDL Loan)

On June 23, 2020 the Organization entered into an agreement with TD Bank for a \$149,700 secured disaster loan. The loan was obtained through the U.S. Small Business Association's disaster assistance for organizations that suffered substantial economic injury as a result of the Coronavirus. The loan has an interest rate of 2.75%, with monthly installments of \$640 payable over 30 years, starting on 6/23/21. Interest will to accrue on the loan starting June 23, 2020. TD Bank will apply installments to the accrued interest first. Once the Organization has paid all accrued interest, TD will apply installments to principal and monthly interest. The Organization also entered into a security agreement that names all of the Organization's tangible and intangible property as collateral for the loan.

Future maturities of all long term debt at July 31, 2020 are as follows:

	<u>PPP Note Payable</u>	<u>SDL Note Payable</u>	<u>Founder Loans</u>	<u>Total</u>
July 31, 2021	\$ 5,598	\$ 0	\$ 0	\$ 5,598
July 31, 2022	5,597	278	0	5,875
July 31, 2023	0	3,616	0	3,616
July 31, 2024	0	3,717	0	3,717
July 31, 2025	0	3,820	0	3,820
Thereafter	<u>0</u>	<u>138,269</u>	<u>1,741</u>	<u>140,010</u>
Total	<u>\$11,195</u>	<u>\$ 149,700</u>	<u>\$ 1,741</u>	<u>\$ 162,636</u>

ARTSMART

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2020

NOTE E— RELATED PARTY TRANSACTIONS

Loan from Organization's Founders

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. Two of these loans were forgiven during the year ended July 31, 2020. The forgiven amounts are included in contributions for the year ended July 31, 2020. The balance of these loans payable was \$1,741, at July 31, 2020, calculated as follows:

	<u>J. Viscardi</u>	<u>B. Levor</u>	<u>M. Fabiano</u>	<u>Total Loans Payable Founders</u>
Beginning Balance	\$ 1,721	\$ 1,741	\$ 1,250	\$ 4,712
Amounts Forgiven	<u>(1,721)</u>	<u>-0-</u>	<u>(1,250)</u>	<u>(2,971)</u>
Ending Balance	<u>\$ -0-</u>	<u>\$ 1,741</u>	<u>\$ -0-</u>	<u>\$ 1,741</u>

Board Member – Contractor

One of the Organization's board members, Liz Letak, is also an Organization contractor. During the year ended July 31, 2020 the amount paid to this board member for services was \$8,000. There were no amounts due to or from this board member at July 31, 2020.

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.

ARTSMART

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2020

NOTE G– NET ASSETS WITH DONOR RESTRICTIONS

The balance of net assets with donor restrictions was \$7,130.46 and is restricted for the use of mentor relief.

NOTE H– NET INCOME FROM SALES

Net income from sales consisted of the following at July 31, 2020:

Sale of Original Art	\$ 2,500
Cost of Original Art	<u>1,000</u>
Net Income from Sale	<u>\$ 1,500</u>

NOTE I– COVID-19 DEVELOPMENTS

The COVID-19 pandemic has developed rapidly in 2020. As a result, the Organization cancelled in-person fundraising events and music lessons in March 2020.

The Organization's plans for the year ended July 31, 2021 reflect the continued lack of in-person lessons and live fundraising events. However the Organization's plans are to begin remote lessons and virtual fundraising events. As described in Note B, Liquidity and Availability of Financial Assets, the Organization has \$159,484 to meet its ongoing operations. This is the basis for management's conclusion that there is not a material uncertainty for the Organization to continue as a going concern.

NOTE J– SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 17, 2021, 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.