

ARTSMART

FINANCIAL STATEMENTS – CASH BASIS

FOR THE YEAR ENDED JULY 31, 2021

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, 2021, 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 modifications 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.

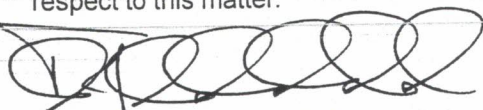
We are required to be independent of ArtSmart and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

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.

 P.C.

THOMAS J. SCHWABENLAND, P.C.
Horsham, PA
September 27, 2021



ArtSmart

Statement of Assets, Liabilities and Net Assets - Cash Basis

July 31, 2021

Assets

Current Assets		
Cash	\$ 211,239.00	211,239.00
Total Current Assets		<u>211,239.00</u>
 Total Assets		 <u><u>\$ 211,239.00</u></u>

Liabilities and Net Assets

Current Liabilities		
Current Portion of Long Term Debt	\$ 7,657.00	7,657.00
Total Current Liabilities		<u>7,657.00</u>
 Long-Term Liabilities		
Loans Payable	158,541.00	158,541.00
Total Long-Term Liabilities		<u>158,541.00</u>
 Total Liabilities		 166,198.00
 Net Assets		
Net Assets With Donor Restrictions	2,750.00	
Net Assets Without Donor Restrictions	42,291.00	45,041.00
Total Net Assets		<u>45,041.00</u>
 Total Liabilities and Net Assets		 <u><u>\$ 211,239.00</u></u>



ArtSmart

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

For the Year Ended July 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Contributions	\$ 299,506.00	\$ 200.00	\$ 299,706.00
Grants	129,145.00	-	129,145.00
Contributed Service	2,100.00	-	2,100.00
Interest Income	75.00	-	75.00
Net Assets released from restriction	6,535.00	(6,535.00)	-
Total Income	437,361.00	(6,335.00)	431,026.00
Expenses			
Program Services	293,358.00	-	293,358.00
Fundraising	54,484.00	-	54,484.00
Management and General	34,991.00	-	34,991.00
Total Expenses	382,833.00	-	382,833.00
Increase (Decrease) in Net Assets	54,528.00	(6,335.00)	48,193.00
Net Assets (Deficit) - as of July 31, 2020 - as previously stated	(10,282.00)	7,130.00	(3,152.00)
Prior Period Adjustment	(1,955.00)	1,955.00	-
Net Assets (Deficit) - as of July 31, 2020 - restated	(12,237.00)	9,085.00	(3,152.00)
Net Assets - as of July 31, 2021	\$ 42,291.00	\$ 2,750.00	\$ 45,041.00

ArtSmart

Statement Functional Expenses - Cash Basis

For the Year Ended July 31, 2021

	Program	Fundraising	General and Management	Total
Advertising and Marketing	\$ -	\$ -	\$ 105.00	\$ 105.00
Background Checks	192.00	-	-	192.00
Bank Fees	-	-	30.00	30.00
Cloud Technology and Consulting	324.00	1,549.00	-	1,873.00
Contract Labor	19,486.00	17,203.00	4,005.00	40,694.00
Employee Benefits	2,140.00	1,712.00	1,037.00	4,889.00
Filing and Registration	-	-	1,998.00	1,998.00
Insurance	4,720.00	-	1,569.00	6,289.00
Payroll	68,421.00	28,358.00	7,631.00	104,410.00
Payroll Taxes	6,717.00	2,705.00	741.00	10,163.00
Payroll Processing	-	-	4,657.00	4,657.00
Postage	-	-	193.00	193.00
Professional Fees	-	800.00	11,940.00	12,740.00
Public Relations	1,575.00	525.00	-	2,100.00
Rent	-	-	520.00	520.00
Scholarships	2,383.00	-	-	2,383.00
Software and Supplies	1,230.00	653.00	187.00	2,070.00
Teacher/Mentors Aids	184,459.00	-	-	184,459.00
Telephone/Communication	-	-	239.00	239.00
Website	462.00	462.00	-	924.00
Workers Compensation Insurance	1,249.00	517.00	139.00	1,905.00
Total Expenses	\$ 293,358.00	\$ 54,484.00	\$ 34,991.00	\$ 382,833.00

ARTSMART
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2021

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, 2021 the Organization provided lessons in Newark, NJ; Jersey City, NJ; Philadelphia, PA; Chester, PA; San Francisco, CA; New York, NY and Chicago, IL with plans to start in Seattle WA, and in South Carolina. The Organization is supported through donor contributions and grants.

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, 2021, the Organization did not maintain any balances in excess of the FDIC's \$250,000. At July 31, 2021, the Organization had \$11,790 of cash available to transfer from a membership platform. This is included in the July 31, 2021 cash balance and is not insured by the FDIC.

Contributed Services

The Organization received \$2,100 of donated services for public relations work for the year ended July 31, 2021. This was from one individual who raises awareness to the public about the Organization with its donors and its program recipients.

Contributions and Grants

Contributions and grants 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.

ARTSMART

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2021

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

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.

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, 2021:

<u>Expense</u>	<u>Program</u>	<u>Fundraising</u>	<u>Gen</u>	<u>Basis</u>
Contractors – Teaching	100%	0%	0%	Est. Contractor time
Contractors - Legal Support	50%	25%	25%	Est. Contractor time
Contractors - Marketing	40%	60%	0%	Est. Contractor time
Contractors - Grant Writer	0%	100%	0%	Est. Contractor time
Contractors – Curriculum Work	100%	0%	0%	Est. Contractor time
Contractors - Graphic Design	50%	50%	0%	Est. Contractor time
Insurance – multi line	75%	0%	25%	Ratio of covg. types
Insurance – workers comp	66%	27%	7%	Est. Employee time
Public Relations	75%	25%	0%	Est. Volunteer time
Payroll and related exp.	66%	27%	7%	Est. Employee time
Website	50%	50%	0%	Est. Use by User Type
Cloud Tech. & Consult. – Dropbox only*	50%	50%	0%	Est. Use by User Type
Software & Supp. – Lucidchart only*	33%	33%	34%	Est. Use by User Type

* Other vendors within this expense category are not allocated.

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NOTES TO FINANCIAL STATEMENTS

JULY 31, 2021

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

Revenue with and without Donor restrictions

Contributions and grants 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.

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, 2021	\$ 211,239
Less those unavailable for general expenditures within one year:	
to be used for restricted purpose	
due to repayment of debt within one year	<u>(7,657)</u>
Financial assets available to meet cash need for general	
Expenditures within one year	<u>\$ 203,582</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 prepares its annual budget at breakeven and has a goal of maintaining cash to cover at least 3 months of operating expenses.

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NOTES TO FINANCIAL STATEMENTS

JULY 31, 2021

NOTE C – LEASE COMMITMENT

The Organization pays a membership fee for office space. The Organization has no commitment to continue this at July 31, 2021. The Organization paid \$520 for the use of this office space and recorded it as rent for the year ended July 31, 2021

NOTE D – LONG TERM DEBT

Loan Payable Founder

As described in Note E - Related Party Transactions, one of the Organization's founders made a personal loan to the Organization when it was formed in 2016. The loan balance is \$1,741, is non-interest bearing, is not collateralized and has no repayment terms.

Note Payable (SBA PPP Loan)

On April 12, 2021 the Organization entered into an agreement with TD Bank for an unsecured loan of \$14,757 loan with an interest rate of 1%. This is the Organization's second loan 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.

As described in Note H, the Organization's first PPP loan was forgiven.

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NOTES TO FINANCIAL STATEMENTS

JULY 31, 2021

NOTE D – LONG TERM DEBT – (Continued)

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 began 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, 2021 are as follows:

	<u>PPP Note Payable</u>	<u>SDL Note Payable</u>	<u>Founder Loans</u>	<u>Total</u>
July 31, 2022	\$ 7,379	\$ 278	\$ 0	\$ 7,657
July 31, 2023	7,378	3,616	0	10,994
July 31, 2024	0	3,717	0	3,717
July 31, 2025	0	3,820	0	3,820
July 31, 2026	0	3,927	0	3,927
Thereafter	<u>0</u>	<u>134,342</u>	<u>1,741</u>	<u>136,083</u>
Total	<u>\$14,757</u>	<u>\$ 149,700</u>	<u>\$ 1,741</u>	<u>\$ 166,198</u>

NOTE E – RELATED PARTY TRANSACTIONS

Loan from Organization's Founders

As described in Note D, the Organization's has a loan from one of its founders. The loan has no repayment terms and is non-interest bearing non-collateralized. The balance of this loan payable was \$1,741, at July 31, 2021.

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NOTES TO FINANCIAL STATEMENTS

JULY 31, 2021

NOTE E – RELATED PARTY TRANSACTIONS – (Continued)

Board Member – Contractor

One of the Organization's board members, Liz Letak, provided service to the Organization as a 1099 contractor. During the year ended July 31, 2021 the amount paid to this board member for services was \$1,500. There were no amounts due to or from this board member at July 31, 2021.

Board Member – Contractor and Employee

One of the Organization's board members, John Viscardi, provided services to the Organization as a 1099 contractor and as an employee. During the year ended July 31, 2021 the amount paid to this board member as a mentoring contractor was \$4,927. In May 2021, the Organization hired John Viscardi as the Managing Director. During the year ended July 31, 2021 the amount paid to this board member as an employee was \$2,167. There were no amounts due to or from this board member at July 31, 2021.

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 – NET ASSETS WITH DONOR RESTRICTIONS

The balance of net assets with donor restrictions at July 31, 2021 was \$2,950 and consisted of the following:

Restricted for Mentor Relief	\$ 795
Restricted for Scholarship to Lunigiana Festival	<u>1,955</u>
	<u>\$ 2,750</u>

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NOTES TO FINANCIAL STATEMENTS

JULY 31, 2021

NOTE H – LOAN FORGIVENESS

In March 31, 2021, the Organization was informed that its first PPP loan was forgiven. The Organization recognized loan forgiveness of \$11,195 and it is included in grant income.

NOTE I – ADVERTISING

The Organization records advertising expenses as they are incurred and the advertising expense was \$105 for the year ended July 31, 2021.

NOTE J – PRIOR PERIOD ADJUSTMENT

In preparing the financial statements for the year ended July 31, 2021 management discovered an error in the previously reported July 31, 2020 financial statements. Contributions with donor restrictions were understated by \$1,955. This resulted in a \$1,955 understatement of net assets with donor restrictions, a \$1,955 overstatement of contributions without restrictions and a \$1,955 overstatement of net assets without donor restrictions.

NOTE K – SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 27, 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.