

THE ARTIST OUTREACH, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2018

Lynette W. MacDonald
Certified Public Accountant

3003 Paleo Point
College Station TX 77845
972) 390-8106
972-658-7905 cell

To the Board of Directors
The Artist Outreach, Inc.
Dallas, TX

Management is responsible for the accompanying financial statements of The Artist Outreach, Inc.(a nonprofit organization),which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, cash flows, and statement of functional expenses for the year then ended, and related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. I have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. I did not audit or review the financial statements nor was I required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, I do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.



Lynette MacDonald CPA
College Station
April 19, 2019

THE ARTIST OUTREACH, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

ASSETS

CURRENT ASSETS

Cash	\$105,079
Accounts receivable	\$2,678
Cash restricted for grant obligations	\$15,965
TOTAL CURRENT ASSETS/ TOTAL ASSETS	<u>123,722</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$8,363
TOTAL CURRENT LIABILITIES/ TOTAL LIABILITIES	<u>8,363</u>

NET ASSETS

Without donor restrictions	99,394
With donor restrictions	15,965
TOTAL NET ASSETS	<u>115,359</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$123,722</u>
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THE ARTIST OUTREACH, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

CHANGES IN NET ASSETS WITHOUT RESTRICTIONS:	
REVENUE AND SUPPORT	
Program and workshop fees	\$109,338
Donations	3,935
Fundraising	6,455
TOTAL UNRESTRICTED REVENUE	<u>119,728</u>
Net assets released from restrictions satisfied by payments	<u>180,620</u>
TOTAL REVENUES AND OTHER SUPPORT	<u>300,348</u>
EXPENSES	
Program service expense	212,606
Management and general expense	58,046
Fundraising expense	10,909
TOTAL EXPENSES	<u>281,561</u>
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>18,787</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS	
REVENUE AND SUPPORT	
Grants	131,307
Donations	16,075
Fundraising	25,653
Net assets released from restriction	(180,620)
DECREASE IN NET ASSETS WITH DONOR RESTRICTIONS	<u>(7,585)</u>
INCREASE IN NET ASSETS	11,202
NET ASSETS AT BEGINNING OF YEAR	<u>104,157</u>
NET ASSETS AT END OF YEAR	<u><u>\$115,359</u></u>

See Accountant's Compilation Report

THE ARTIST OUTREACH, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:

Increase in net assets	\$11,202
Adjustments to reconcile net assets to cash provided by operating activities:	
(Increase) decrease in :	
Accounts receivable	4,586
Cash held for grants	(15,965)
Increase (decrease) in:	
Accounts payable	6,759
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>6,582</u>

CASH AT BEGINNING OF YEAR 98,497

CASH AT END OF YEAR \$105,079

SUPPLEMENTAL DISCLOSURES

Cash paid during year for:

Income taxes	<u>\$0</u>
Interest	<u><u>\$0</u></u>

See Accountant's Compilation Report

THE ARTIST OUTREACH, INC
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	Program Services	Management and General	Fundraising Expense	Total Expenses
Salaries and benefits	\$106,485	\$16,000	\$0	\$122,485
Payroll taxes	8,152	1,224	0	9,376
Contract labor	68,028	0	0	68,028
Conference and workshop	16,165	0	0	16,165
Travel/meals	9,901	75	0	9,976
Insurance	1,082	1,205	0	2,287
Telephone & website	1,197	798	0	1,995
Supplies	1,227	4,987	0	6,214
Professional fees	0	27,052	0	27,052
Grant writing	369	0	0	369
Rent	0	6,705	0	6,705
Fundraising expense	0	0	10,909	10,909
Total Expenses	\$212,606	\$58,046	\$10,909	\$281,561

See Accountant's Compilation Report

THE ARTIST OUTREACH, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31 2018

NOTE A – NATURE OF ACTIVITIES

The Artist Outreach, Inc.(TAO) is a Dallas based regional nonprofit organization that was established in 2012. It was organized to work to change the educational, emotional, and financial futures through creative arts with programs that are provided to schools and advocacy centers. The vision of the Organization is to encourage self-expression which leads to self-discovery. Self-discovery then leads to new approaches and opportunities for innovation. Innovation gives students the ability to compete in the global workforce. The

Artist Outreach, Inc. provides three programing tracks for students:

The STREAMliners program provides services to schools as a supplemental education through cross-curricular arts integration, reinforcing the teachers' lessons with a strong emphasis on imaginative and playful techniques.

Inspired Living is designed for advocacy centers and other like non-profit organizations. The program provides after hours activities that build the individual's creative thought process through art therapy. It is used as a way to manufacture creativity, while building self-esteem.

Healing in Motion is designed for the adults who are residents or are a part of advocacy centers and other like non-profit organizations. The program is used to show the individuals how creativity can be a part of their everyday tasks, such as culinary and nutrition, grooming, and yoga and other forms of regular body movement.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Artist Outreach, Inc. prepares its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor or management imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that will be met, either by actions of the Organization and /or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

THE ARTIST OUTREACH, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Basis of Accounting -continued

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, liquid investments with a maturity of three months or less are treated as cash equivalents. These consist of two checking accounts. The carrying value of the cash equivalents approximates fair value because of the short maturities of those financial instruments.

Accounts Receivable

Accounts receivable consists of a grant and other program service revenue due. There is no allowance as these are considered collectible.

Cash Restricted for Grant and Donor Obligations

Cash restricted for grant obligations is made up of two amounts that is a grant received but not yet completed and amounts given for a program. Both are considered current as the obligation will be finished in the next year.

Revenue Recognition

Donations received are recorded as donor restricted and income with no donor restrictions, depending on the existence and /or nature of any donor restrictions.

When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), donor restricted net assets are reclassified to assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

THE ARTIST OUTREACH, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31 2018

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Contributed Services

The Organization had approximately 243 volunteer hours from individuals not on the board.

Income Taxes

The Artist Outreach, Inc. is a not-for-profit organization exempt from federal income taxes under the Internal Revenue Code Section 501C (3). Accordingly, no provision for federal income taxes has been made. The Organization had been classified as an Organization that is not a private foundation.

NOTE C – OPERATING LEASES

The Organization rents office space on a yearly basis and is paid monthly. The lease was extended for term September 1, 2017 through August 31, 2018. The lease was renewed on August 31, 2018 and runs through August 31, 2020. Rent expense includes a usage fee of \$388 plus tax, insurance and other fees as used. A total of rent expense for the period was \$6,705. Lease payments are due as follows:

2019	\$5,040
2020	<u>3,360</u>
	<u>\$8,400</u>

NOTE D– RESTRICTIONS AND DESIGNATIONS ON NET ASSETS

Donor restricted net assets include one unspent grant in the amount of \$10,000 for use on the STREAMliners program, and unexpended donor restricted funds in the amount of \$5,965 to be used for inspired living programs.

The Organization decided to designate \$3,415 of donations received without restrictions to the Victory for Veterans program to be used in the next year. These funds are included in the cash balance at year end.

THE ARTIST OUTREACH, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31 2018

NOTE E - RELATED PARTY TRANSACTIONS

The Executive Director created and owns a license for the Games Method Portal and software under the name of The Games Method LLC. The Organization paid to use the portal and software at a rate of \$50 per stand-alone class not to exceed \$200 per school per week. The license agreement began in 2017 and is up for renewal in June of 2019. The Organization recognized \$14,700 of fees under this contract.

NOTE F - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of donor-imposed restrictions within one year of the balance sheet date. It is also reduced by the designated funds that management had determined should be used for one of the Victory for Veteran program.

Cash	\$121,044
Accounts receivable	2,678
Net of accounts payable	<u>(8,363)</u>
Financial assets at year end	<u>115,359</u>
Less those unavailable for general expenditures within one year:	
Donor restricted for unused grant	(10,000)
Donor restricted amounts for Victory for Veterans program	(5,965)
Board designated funds for Victory for Veterans program	<u>(3,415)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$95,979</u>

The Organization is looking to receive more revenue in the upcoming year as the impact of the Organization has been consistent. Revenues have been on the increase for the last two years and the Organization believes it should continue to get the same or better revenues for program services which amounted to \$109,338 in 2018. The Organization also believes it will get many of the same grants as it has had in the past and is applying for new ones. Foundation support will fluctuate based on annual interest and committed funding of those Organizations.

Subsequent to year end the Organization has received \$15,000 in grants.

THE ARTIST OUTREACH, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31 2018

NOTE F – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS-
continued

During the year the Organization paid \$20,945 for legal fees. Since the Organization had begun in 2012, legal services had not been utilized. In 2018 legal fees were expended in order to maintain the progress, health, and growth of the Organization. The Organization does not expect this to be a yearly expense.

NOTE G – EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through April 19, 2019 the date the financial statements were available to be issued.