

THE ARTIST OUTREACH, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2019

THE ARTIST OUTREACH, INC.
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Artist Outreach, Inc.
10000 North Central Expressway ste 400
Dallas TX 75231

I have audited the accompanying financial statements of The Artist Outreach, Inc (a nonprofit organization), which are comprised of the statement of financial position as of December 31, 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Artist Outreach, Inc. as of December 31, 2019 and the results of its activities, the changes in its net assets, and its cash flows for the year then ended, in conformity with generally accepted accounting principles of the United States of America.



Lynette MacDonald CPA
College Station TX
June 8, 2020

THE ARTIST OUTREACH, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

ASSETS

CURRENT ASSETS

Cash	\$161,321
Promises to give	12,338
Accounts receivable	3,000
Accrued interest receivable	228
TOTAL CURRENT ASSETS/TOTAL ASSETS	<u>176,887</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	<u>\$3,520</u>
TOTAL CURRENT LIABILITIES/ TOTAL LIABILITIES	<u>3,520</u>

NET ASSETS

Without donor restrictions	138,727
With donor restrictions	<u>34,640</u>
TOTAL NET ASSETS	<u>173,367</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$176,887</u>
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See notes to financial statements

THE ARTIST OUTREACH, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

CHANGES IN NET ASSETS WITHOUT RESTRICTIONS:

REVENUE AND SUPPORT

Program and workshop fees	\$137,133
Donations	46,798
Interest income	1,240
TOTAL UNRESTRICTED REVENUE	<u>185,171</u>

Net assets released from restrictions satisfied by payments	<u>133,450</u>
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TOTAL REVENUES AND OTHER SUPPORT	<u>318,621</u>
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EXPENSES

Program service expense	231,769
Management and general expense	35,695
Fundraising expense	11,825
TOTAL EXPENSES	<u>279,289</u>

INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>39,332</u>
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CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS

REVENUE AND SUPPORT

Grants	118,013
Donations	8,142
Fundraising	25,970
Net assets released from restriction	<u>(133,450)</u>

DECREASE IN NET ASSETS WITH DONOR RESTRICTIONS	<u>18,675</u>
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INCREASE IN NET ASSETS	58,007
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NET ASSETS AT BEGINNING OF YEAR	<u>115,360</u>
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NET ASSETS AT END OF YEAR	<u><u>\$173,367</u></u>
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See notes to financial statements

THE ARTIST OUTREACH, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:

Increase in net assets	\$58,007
Adjustments to reconcile net assets to cash provided by operating activities:	
(Increase) decrease in :	
Promises to give	(12,338)
Accrued interest receivable	(228)
Accounts receivable	(322)
Increase (decrease) in:	
Accounts payable	(4,842)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>40,277</u>

CASH AT BEGINNING OF YEAR 121,044

CASH AT END OF YEAR \$161,321

SUPPLEMENTAL DISCLOSURES

Cash paid during year for:

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

See notes to financial statements

THE ARTIST OUTREACH, INC
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	<u>Program Services</u>			<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising Expense</u>	<u>Total Expenses</u>
	<u>Inspired Living</u>	<u>Healing in motion</u>	<u>Streamliner</u>				
Salaries, benefits, and taxes	\$1,337	\$23,466	\$121,422	\$146,225	\$23,810	\$0	\$170,035
Contract labor	4,006	7,873	30,138	42,017	0	0	42,017
Conference and workshop	0	2,000	20,493	22,493	0	0	22,493
Travel/meals	0	236	5,839	6,075	3,390	0	9,465
Advertising	0	0	0	0	788	0	788
Insurance	32	60	427	519	2,164	0	2,683
Telephone & website	0	419	583	1,002	1,536	0	2,538
Supplies	0	581	2,394	2,975		0	2,975
Fees and dues	41	409	88	538	1,483		2,021
Professional fees	182	884	3,507	4,573	1,123	0	5,696
Grant writing	0	0	0	0	0	9,225	9,225
Rent	136	1,491	3,725	5,352	1,401	0	6,753
Fundraising expense	0	0	0	0	0	2,600	2,600
Total Expenses	\$5,734	\$37,419	\$188,616	\$231,769	\$35,695	\$11,825	\$279,289

See notes to financial statements

THE ARTIST OUTREACH, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31 2019

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.

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use, that are placed by its donors; net assets without donor restrictions and net assets with donor restrictions.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

THE ARTIST OUTREACH, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31 2019

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Basis of accounting continued

When donor restrictions are satisfied whether by using 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 with donor restrictions to net assets without donor restrictions.

Net assets without donor restrictions are resources available to support operations and are not subject to donor restrictions. 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 purpose 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 the course of its operations.

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 and two flex certificates of deposit. The carrying value of the cash equivalents approximates fair value because of the short maturities of those financial instruments.

Promises to Give

Unconditional promises to give are recognized as revenue in the period received and as assets, decreases of liabilities, or expenses depending on the form of benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

At December 31, 2019 the amount included in promises to give was comprised of a conditional grant which had substantially been performed and was entitled to be received.

THE ARTIST OUTREACH, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31 2019

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Accounts Receivable

Accounts receivable consist of fees due from the streamliner program. There is no allowance as these are considered collectible.

Revenue Recognition

Revenue is recognized when it is earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively.

Contributions are recognized when cash, or other assets, and unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restrictions.

Contributions received are recorded as increases in net assets without donor restrictions and net assets with donor restrictions, depending on the existence or nature of any donor restrictions.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities. The Statement of Functional Expenses presents the natural classification of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. The expenses that are allocated include personnel costs, insurance, fees and dues, professional fees, and rent which are allocated on the basis of estimates of time and effort. Management and general expenses include those expenses not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

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.

THE ARTIST OUTREACH, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31 2019

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Contributed Services

The organization utilizes approximately 22 volunteers that contributed approximately 632 hours in 2019. Their services were with help on the programs provided and fundraising activities and do not meet the criteria for reporting in the financial statements.

NOTE C – OPERATING LEASES

The Organization rents office space on a yearly basis and is paid monthly. 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 \$6,754. Lease payments are due as follows:

2020	<u>\$3,360</u>
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NOTE D– RESTRICTIONS AND DESIGNATIONS ON NET ASSETS

Donor restricted net assets include grants and donations for the following programs at December 31, 2019:

STREAMliners	\$10,000
Inspired Living	\$1,400
Healing in Motion	<u>\$23,240</u>
	<u>\$34,640</u>

All of the donor restricted assets as of December 31, 2019 are expected to be utilized in 2020.

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 or \$200 per school grade or \$1400 per year per school. The license agreement began in 2017 and was renewed in June of 2019. The Organization recognized \$19,215 of fees under this contract.

THE ARTIST OUTREACH, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31 2019

NOTE F - REVENUES FROM CONTRACTS WITH CUSTOMERS

Revenues from contracts consist mainly from amounts received from schools for providing classes within the three programs the Organization provides. Revenue and expenses are recorded upon completion of the class or monthly depending on the method of billing. All are included in Program service fees on the statement of activities and are made up of the following:

STREAMliners classes	\$129,954
Inspired Living classes	\$5,250
Healing in Motion classes	\$1,929
	<u>\$137,133</u>

At year end there was a receivable due for \$3000 on these contracts.

NOTE G – 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.

Cash	\$161,321
Accounts receivable	3,000
Promise to give	12,338
Interest receivable	228
Net of accounts payable	<u>(3,520)</u>
Financial assets at year end	<u>173,367</u>

Less those unavailable for general expenditures within one year:

Donor restricted grant for STREAMliners	(10,000)
Donor restricted grants for Inspired Living	(1,400)
Donor restricted donations for Healing in Motion program	<u>(23,240)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$138,727</u>

THE ARTIST OUTREACH, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31 2019

**NOTE G – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS -
continued**

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 three years and the Organization believes it should continue to get the same or better revenues for program services which amounted to \$137,133 in 2019. 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. The Organization applies for approximately 200 grants per year. Foundation support will fluctuate based on annual interest and committed funding of those Organizations.

Subsequent to year end the Organization has received \$134,650 of grants.

NOTE H - CONCENTRATIONS

The Organization received program fees from one school district and one University which amounted to a total of 37% of the revenue of the Organization.

NOTE I – EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through June 8, 2020 the date the financial statements were available to be issued.