

THE ARTIST OUTREACH, INC.

Financial Statements

Together with Accountants' Compilation Report

For the Years Ended December 31, 2020 and 2019

SWALM & ASSOCIATES, P.C.
Certified Public Accountants

THE ARTIST OUTREACH, INC.

FINANCIAL STATEMENTS
December 31, 2020 and 2019

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ACCOUNTANTS' COMPILATION REPORT

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

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, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We 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. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

The financial statements of The Artist Outreach, Inc. as of December, 31, 2019, were subjected to a compilation engagement by other accountants, whose report dated June 8, 2020, stated that they have not audited or reviewed the 2019 financial statements and, accordingly, do not express an opinion, a conclusion, nor provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

SWALM & ASSOCIATES, P.C.

Swalm & Associates, P.C.

Richardson, Texas
March 30, 2020

THE ARTIST OUTREACH, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2020 and 2019

ASSETS		<u>2020</u>	<u>2019</u>
Assets			
Cash and cash equivalents	\$	215,940	\$ 161,321
Promises to give		-	12,338
Other receivables		<u>3,800</u>	<u>3,228</u>
Total Assets	\$	<u>219,740</u>	\$ <u>176,887</u>

LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable	\$	4,565	\$ 3,520
SBA loan payable		<u>25,000</u>	<u>-</u>
Total Liabilities		<u>29,565</u>	<u>3,520</u>
Net Assets			
Without donor restrictions		144,190	138,727
With donor restrictions		<u>45,985</u>	<u>34,640</u>
Total Net Assets		<u>190,175</u>	<u>173,367</u>
Total Liabilities and Net Assets	\$	<u>219,740</u>	\$ <u>176,887</u>

See Compilation Report and Notes to Financial Statements

THE ARTIST OUTREACH, INC.

STATEMENTS OF ACTIVITIES
For the Year Ended December 31, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restricted	With Donor Restrictions	Total
Revenues, gains and other support						
Program and workshop fees	\$ 106,761	\$ -	\$ 106,761	\$ 137,133	\$ -	\$ 137,133
Donations - without restrictions	6,899	-	6,899	46,798	-	46,798
Interest income	1,025	-	1,025	1,240	-	1,240
Grants	-	232,643	232,643	-	118,013	118,013
Donations - with restrictions	-	2,500	2,500	-	8,142	8,142
Fundraising	4,000	-	4,000	-	25,970	25,970
Donated goods and services	10,278	-	10,278	-	-	-
Debt forgiveness	30,500	-	30,500	-	-	-
Net assets released from restrictions:						
Satisfaction of program restrictions	<u>223,798</u>	<u>(223,798)</u>	<u>-</u>	<u>133,450</u>	<u>(133,450)</u>	<u>-</u>
Total Revenues, gains and other support	<u>383,261</u>	<u>11,345</u>	<u>394,606</u>	<u>318,621</u>	<u>18,675</u>	<u>337,296</u>
Expenses and Losses						
Program services	301,130	-	301,130	231,769	-	231,769
Management and general	47,587	-	47,587	35,695	-	35,695
Fundraising	<u>29,081</u>	<u>-</u>	<u>29,081</u>	<u>11,825</u>	<u>-</u>	<u>11,825</u>
Total Expenses and Losses	<u>377,798</u>	<u>-</u>	<u>377,798</u>	<u>279,289</u>	<u>-</u>	<u>279,289</u>
Change in Net Assets	5,463	11,345	16,808	39,332	18,675	58,007
Net Assets at Beginning of Year	<u>138,727</u>	<u>34,640</u>	<u>173,367</u>	<u>99,395</u>	<u>15,965</u>	<u>115,360</u>
Net Assets (Deficiency) at End of Year	<u>\$ 144,190</u>	<u>\$ 45,985</u>	<u>\$ 190,175</u>	<u>\$ 138,727</u>	<u>\$ 34,640</u>	<u>\$ 173,367</u>

See Compilation Report and Notes to Financial Statements

THE ARTIST OUTREACH, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2020 and 2019

	2020				2019			
	Program Services	Support Services		Total	Program Services	Support Services		Total
		Management and General	Fund-Raising			Management and General	Fund-Raising	
Salaries, benefits and taxes	\$ 240,566	\$ 39,172	\$ -	\$ 279,738	\$ 146,225	\$ 23,810	\$ -	\$ 170,035
Contract labor	8,418	-	-	8,418	42,017	-	-	42,017
Conference and workshop	28,147	-	-	28,147	22,493	-	-	22,493
Travel and meals	3,538	1,975	-	5,513	6,075	3,390	-	9,465
Advertising	-	15	-	15	-	788	-	788
Insurance	1,923	697	-	2,620	519	2,164	-	2,683
Telephone and website	852	1,307	-	2,159	1,002	1,536	-	2,538
Supplies	2,748	-	-	2,748	2,975	-	-	2,975
Fees and dues	263	725	-	988	538	1,483	-	2,021
Professional fees	8,935	2,194	-	11,129	4,573	1,123	-	5,696
Grant writing	-	-	17,332	17,332	-	-	9,225	9,225
Rent	5,740	1,502	-	7,242	5,352	1,401	-	6,753
Fundraising expense	-	-	11,749	11,749	-	-	2,600	2,600
Total Expenses	<u>\$ 301,130</u>	<u>\$ 47,587</u>	<u>\$ 29,081</u>	<u>\$ 377,798</u>	<u>\$ 231,769</u>	<u>\$ 35,695</u>	<u>\$ 11,825</u>	<u>\$ 279,289</u>

See Compilation Report and Notes to Financial Statements

THE ARTIST OUTREACH, INC.

STATEMENTS OF CASH FLOWS
For the Year Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flow from Operating Activities		
Change in net assets	\$ 16,808	\$ 58,007
Change in operating assets and liabilities		
Promises to give	12,338	(12,338)
Accrued interest receivable	-	(228)
Other receivables	(572)	(322)
Accounts payable	<u>1,045</u>	<u>(4,842)</u>
Cash provided (used) by operating activities	<u>29,619</u>	<u>40,277</u>
Cash Flow from Financing Activities		
Proceeds from SBA loan	<u>25,000</u>	<u>-</u>
Cash provided (used) by financing activities	<u>25,000</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	54,619	40,277
Cash and Cash Equivalents at Beginning of Year	<u>161,321</u>	<u>121,044</u>
Cash and Cash Equivalents at End of Year	<u>\$ 215,940</u>	<u>\$ 161,321</u>

See Compilation Report and Notes to Financial Statements

THE ARTIST OUTREACH, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

1. NATURE OF ORGANIZATION

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 programming tracking 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The Organization 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.

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 in the course of its operations.

THE ARTIST OUTREACH, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 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 amount was received in 2020.

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 SOIC (3). Accordingly, no provision for federal income taxes has been made.

Contributed Services - The organization utilizes approximately 14 volunteers that contributed approximately 340 hours in 2020. Their services were with help on the programs provided and fundraising activities and do not meet the criteria for reporting in the financial statements.

THE ARTIST OUTREACH, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

3. OPERATING LEASES

The Organization rents office space on a yearly basis and is paid monthly. The lease was renewed on September 1, 2020, and runs through August 31, 2022. Rent expense includes a monthly usage fee of \$583 including insurance and other fees as used. A total of rent expense for the period was \$7,242.

Future minimum lease payments are due as follows:

Year ending December 31, 2021	\$ 4,842
Year ending December 31, 2022	<u>3,228</u>
Total commitments	<u>\$ 8,070</u>

4. NET ASSETS WITH DONOR RESTRICTIONS

Donor restricted net assets are available for the following purposes:

	<u>2020</u>	<u>2019</u>
STREAMliners	\$ 10,420	\$ 10,000
Inspired Living	10,725	1,400
Healing in Motion	<u>24,840</u>	<u>23,240</u>
Total	<u>\$ 45,985</u>	<u>\$ 34,640</u>

All of the donor restricted assets as of December 31, 2020, are expected to be utilized in 2021.

5. IN-KIND CONTRIBUTIONS

The Organization receives services donated by citizens interested in the Organization's programs. When contributed materials and services either create or enhance the non-financial assets of the Organization or they provide specialized skills that the Organization would otherwise need to purchase, the amounts are reflected in the financial statements.

The total value of donated materials and services included in the financial statements and the corresponding expenditures for the years ended December 31, 2020 and 2019, are as follows:

Contributions:	<u>2020</u>	<u>2019</u>
Donated goods	\$ -	\$ -
Donated services	<u>10,278</u>	<u>2,975</u>
	<u>\$ 10,278</u>	<u>\$ 2,975</u>
Expenses:		
Program expenses	\$ -	\$ -
Management and general expenses	-	-
Fundraising expenses	<u>10,278</u>	<u>2,975</u>
	<u>\$ 10,278</u>	<u>\$ 2,975</u>

THE ARTIST OUTREACH, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

6. 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 \$1,400 per year per school. The license agreement began in 2017 and was renewed in June of 2020. The Organization recognized \$25,734 of fees under this contract.

7. 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

	<u>2020</u>	<u>2019</u>
STREAMliners classes	\$ 106,761	\$ 129,954
Inspired Living classes	-	5,250
Healing in Motion classes	-	1,929
Total	<u>\$ 106,761</u>	<u>\$ 137,133</u>

At year end there was a receivable due for \$3,800 on these contracts

8. 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:

	<u>2020</u>	<u>2019</u>
Cash	\$ 215,940	\$ 161,321
Accounts receivable	3,800	3,000
Promise to give	-	12,338
Interest receivable	-	228
SBA Loan	(25,000)	
Net of accounts payable	<u>(4,565)</u>	<u>(3,520)</u>
Financial assets at year end	190,175	173,367
Less unavailable for general expenditures within one year, due to:		
Donor restricted grant for STREAMliners	(10,420)	(10,000)
Donor restricted grants for Inspired Living	(10,725)	(1,400)
Donor restricted donations for Healing in Motion program	<u>(24,840)</u>	<u>(23,240)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 144,190</u>	<u>\$ 138,727</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 three years and the

THE ARTIST OUTREACH, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

8. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (continued)

Organization believes it should continue to get the same or better revenues for program services which amounted to \$106,761 in 2020. 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 150 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 \$-0- of grants.

9. SMALL BUSINESS ADMINISTRATION LOANS

In April 2020 the Artist Outreach received a Payroll Protection loan (PPP Loan) in the amount of \$30,500. This loan was eligible for forgiveness and was forgiven by the Small Business Administration in November 2020. In March 2021 the Artist Outreach received a second PPP loan in the amount of \$36,504. This loan is also eligible for forgiveness. They are applying for loan forgiveness in April 2021.

In addition, in 2020 the Artist Outreach received a \$25,000 Small Business Administration loan at 2.75% payable over 30 years. If the loan is paid by December 31, 2021, there will be no interest charged. It is the intention of the Organization to pay off the loan before December 2021 in order to avoid the interest expense..

10. CONCENTRATIONS

The Organization received program fees from one school district and one University which amounted to a total of 52% of the revenue of the Organization.

11. OTHER MATTERS

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Organization’s financial condition, liquidity, and future results of operations. The Board is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Organization is not able to estimate the future effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity.

THE ARTIST OUTREACH, INC.

NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

12. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 30, 2021, the date the Financial Statements were available to be issued and determined there are none to be reported.