

ArtWell Collaborative, Inc. **d/b/a ArtWell**

Financial Statements
Year Ended June 30, 2020



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ARTWELL COLLABORATIVE, INC. d/b/a ARTWELL

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INDEPENDENT AUDITOR'S REPORT

**Board of Directors
ArtWell Collaborative, Inc. d/b/a ArtWell
Philadelphia, Pennsylvania**

We have audited the accompanying financial statements of the ArtWell Collaborative, Inc. d/b/a ArtWell (a nonprofit organization), which comprise the statement of financial position as of June 30, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ArtWell Collaborative, Inc. d/b/a ArtWell as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Report on Summarized Comparative Information

We have previously audited ArtWell Collaborative, Inc. d/b/a ArtWell's 2019 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 6, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

BBD, LLP

**Philadelphia, Pennsylvania
January 13, 2021**

ARTWELL COLLABORATIVE, INC. d/b/a ARTWELL

STATEMENT OF FINANCIAL POSITION

June 30, 2020 with comparative totals for 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash	\$ 136,135	\$ 25,525
Contributions receivable	69,529	106,188
Prepaid expenses and other assets	<u>7,315</u>	<u>10,727</u>
Total assets	<u>\$ 212,979</u>	<u>\$ 142,440</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ -	\$ 2,701
Line of credit	14,000	-
Loan payable - Paycheck Protection Program	<u>84,044</u>	<u>-</u>
Total liabilities	<u>98,044</u>	<u>2,701</u>
NET ASSETS		
Without donor restrictions	88,029	89,739
With donor restrictions	<u>26,906</u>	<u>50,000</u>
Total net assets	<u>114,935</u>	<u>139,739</u>
Total liabilities and net assets	<u>\$ 212,979</u>	<u>\$ 142,440</u>

See accompanying notes

ARTWELL COLLABORATIVE, INC. d/b/a ARTWELL**STATEMENT OF ACTIVITIES**

Year ended June 30, 2020 with comparative totals for 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>	
			<u>2020</u>	<u>2019</u>
REVENUE AND SUPPORT				
Contributions	\$ 402,865	\$ 95,000	\$ 497,865	\$ 541,179
Program income	5,373	-	5,373	24,819
Other income	528	-	528	932
Net assets released from restrictions	<u>118,094</u>	<u>(118,094)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>526,860</u>	<u>(23,094)</u>	<u>503,766</u>	<u>566,930</u>
EXPENSES				
Program services	362,846	-	362,846	358,326
Supporting services				
Management and general	97,452	-	97,452	193,549
Fundraising	<u>68,272</u>	<u>-</u>	<u>68,272</u>	<u>97,960</u>
Total expenses	<u>528,570</u>	<u>-</u>	<u>528,570</u>	<u>649,835</u>
CHANGE IN NET ASSETS	(1,710)	(23,094)	(24,804)	(82,905)
NET ASSETS				
Beginning of year	<u>89,739</u>	<u>50,000</u>	<u>139,739</u>	<u>222,644</u>
End of year	<u>\$ 88,029</u>	<u>\$ 26,906</u>	<u>\$ 114,935</u>	<u>\$ 139,739</u>

See accompanying notes

ARTWELL COLLABORATIVE, INC. d/b/a ARTWELL**STATEMENT OF FUNCTIONAL EXPENSES**

Year ended June 30, 2020 with comparative totals for 2019

	Program Services	Management and General	Fundraising	Totals	
				2020	2019
Salaries and benefits	\$ 215,886	\$ 63,185	\$ 44,791	\$ 323,862	\$ 460,162
Artistic consultants	82,947	-	-	82,947	82,581
Occupancy	16,565	4,848	3,437	24,850	27,205
Office expenses	11,966	4,028	1,816	17,810	19,718
Professional fees	29,932	17,702	6,077	53,711	29,644
Travel	127	1,794	-	1,921	6,340
Miscellaneous	<u>5,423</u>	<u>5,895</u>	<u>12,151</u>	<u>23,469</u>	<u>24,185</u>
Total expenses	<u>\$ 362,846</u>	<u>\$ 97,452</u>	<u>\$ 68,272</u>	<u>\$ 528,570</u>	<u>\$ 649,835</u>

See accompanying notes

ARTWELL COLLABORATIVE, INC. d/b/a ARTWELL**STATEMENT OF CASH FLOWS**

Year ended June 30, 2020 with comparative totals for 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$ (24,804)	\$ (82,905)
<i>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities</i>		
(Increase) decrease in		
Contributions receivable	36,659	45,662
Prepaid expenses and other assets	3,412	(1,652)
Increase (decrease) in		
Accounts payable and accrued expenses	<u>(2,701)</u>	<u>(717)</u>
Net cash provided by (used for) operating activities	<u>12,566</u>	<u>(39,612)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	14,000	-
Proceeds from loan payable - Paycheck Protection Program	<u>84,044</u>	<u>-</u>
Net cash provided by financing activities	<u>98,044</u>	<u>-</u>
Net change in cash	110,610	(39,612)
CASH		
Beginning of year	<u>25,525</u>	<u>65,137</u>
End of year	<u>\$ 136,135</u>	<u>\$ 25,525</u>

See accompanying notes

ARTWELL COLLABORATIVE, INC. d/b/a ARTWELL

NOTES TO FINANCIAL STATEMENTS

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(1) NATURE OF OPERATIONS

ArtWell Collaborative, Inc. d/b/a ArtWell ("**ArtWell**") is a nonprofit organization whose mission and purpose is to engage young people in reflection and creative expression to discover and honor their strengths and those of others. ArtWell accomplishes this by partnering with schools, afterschool programs, and community organizations.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting. As a result, revenues are recognized when earned and expenses are recognized when incurred.

Basis of Presentation

ArtWell reports information regarding its financial position and activities according to the following classes of net assets:

Without donor restrictions

Net assets that are not subject to donor-imposed restrictions.

With donor restrictions

Net assets that are subject to donor-imposed restrictions that will be satisfied by actions of ArtWell and/or the passage of time. When a restriction is satisfied, 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.

Also included in this category are net assets subject to donor-imposed restrictions that require the net assets to be maintained indefinitely while permitting ArtWell to expend the income generated in accordance with the provisions of the contribution. ArtWell did not have any net assets required to be maintained indefinitely.

Fair Value Measurements

Generally accepted accounting principles ("**GAAP**") define fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of ArtWell. Unobservable inputs reflect ArtWell's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that ArtWell has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these assets and liabilities does not entail a significant degree of judgment.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

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Level 3 – Valuations based on inputs that are unobservable, that is, inputs that reflect ArtWell's own assumptions.

Summarized Prior-Year Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with ArtWell's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

Accounting Estimates

In preparing the financial statements in conformity with GAAP, management makes estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reported period. Actual results could vary from those estimates.

Concentrations of Credit Risk

Financial instruments which potentially subject ArtWell to concentrations of credit risk are cash and contributions receivable. ArtWell maintains cash deposits at high-quality financial institutions. At times, such deposits may exceed federally-insured limits. Contributions receivable are due primarily from foundations and individuals and are expected to be collected in 2021. Contributions receivable are measured at fair value using Level 2 inputs.

Contributions

Contributions received are recorded as net assets without donor restrictions or with donor restrictions depending on the absence or existence and nature of any donor restrictions. Donor-restricted contributions whose restrictions are satisfied in the same period are reported as net assets without donor restrictions.

Unconditional contributions are recognized as revenue when the related promise to give is received. Conditional contributions are recognized as revenue when the conditions are satisfied.

Functional Allocation of Expenses

The costs of providing various program and supporting services have been presented on a functional basis in the statements of activities and functional expenses. Expenses directly attributable to a specific functional area are reported as expenses of that functional area. Expenses not directly attributable to a specific functional area are allocated. Significant expenses that are allocated include salaries and benefits which are allocated based on estimates of time and effort.

Income Taxes

ArtWell is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to ArtWell's tax-exempt purpose may be subject to taxation as unrelated business income. In addition, ArtWell qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(1).

GAAP requires entities to evaluate, measure, recognize and disclose any uncertain income tax positions taken on their tax returns. GAAP prescribes a minimum threshold that a tax position is required to meet in order to be recognized in the financial statements. ArtWell believes that it had no uncertain tax positions as defined in GAAP.

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NOTES TO FINANCIAL STATEMENTS

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Accounts Pronouncements Adopted

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. This ASU clarifies and improves the scope and accounting guidance for contributions received and made and assists entities in evaluating whether transactions should be accounted for as contributions within the scope of Topic 958, Not-for-Profit Entities, or as exchange transactions subject to other guidance, and in determining whether a contribution is conditional. ArtWell adopted ASU 2018-08 on July 1, 2019. The adoption of this standard did not have a material impact on ArtWell.

(3) CONDITIONAL CONTRIBUTION

At June 30, 2020, ArtWell had a \$75,000 conditional contribution receivable from the William Penn Foundation. This amount is conditional upon the donor's receipt of certain requested reports and milestones being achieved.

(4) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were restricted for the following purposes:

	<u>Balance</u> <u>June 30, 2019</u>	<u>Additions</u>	<u>Releases</u>	<u>Balance</u> <u>June 30, 2020</u>
Art of growing leaders and other projects	<u>\$50,000</u>	<u>\$95,000</u>	<u>\$(118,094)</u>	<u>\$26,906</u>

(5) RETIREMENT PLAN

ArtWell participates in a Simple IRA plan that covers substantially all of its employees. Employees can contribute any percentage of their income up to the Internal Revenue Service limit for the year. ArtWell makes contributions at its discretion. Contributions to the plan by ArtWell were \$10,499 and \$13,649 for the years ended June 30, 2020 and 2019, respectively.

(6) LINE OF CREDIT

ArtWell has an \$80,000 bank credit line, which has a maturity date of December 23, 2021 and bore interest at 5.35% as of June 30, 2020. Advances under this credit line are unsecured. Advances of \$14,000 and \$0 were outstanding at June 30, 2020 and 2019, respectively.

(7) LOAN PAYABLE – PAYCHECK PROTECTION PROGRAM

ArtWell received a \$84,044 loan under the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security Act in May 2020 and administered by the Small Business Administration. The loan accrues interest at 1%, but payments are not required to begin for six months after the funding of the loan. ArtWell is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. Management anticipates meeting the majority of these requirements and applying for forgiveness in the year ended June 30, 2021. The loan is uncollateralized and is fully guaranteed by the Federal government.

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(8) MANAGEMENT'S PLANS TO CONTINUE AS A GOING CONCERN

ArtWell continues to work to reduce expenses and increase revenues to strengthen their financial health and is especially mindful that due to COVID-19 we are all in an unprecedented and uncertain financial environment. ArtWell significantly reduced Personnel Expenses by about \$100,000 in the year ended June 30, 2020 in order to remain more nimble. We also continue to work to redesign the staff infrastructure to be more efficient, e.g. we increased the number of hours Site Leaders, who coordinate programming at their most intensive school engagements, and reduced the number of program administrative staff. In response to a challenging environment for institutional support in which there is greater competition and ever shifting funding priorities, ArtWell continues to work to expand funding from individual donors and other unrestricted revenue. ArtWell is grateful for Board members who are actively contributing and fundraising in support of the organization's mission and work. The 2020 ArtWell Awards/20th anniversary celebration is succeeding in attracting higher level support, and ArtWell is receiving additional gifts in response to Awards honorees and loyal donors in honor of the 20th anniversary. ArtWell leadership will also be focusing on program adaptation strategy in the coming year and will reassess any opportunities for increasing earned income from program fees.

(9) LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects ArtWell's financial assets as of the statement of financial position date, which has been reduced by financial assets not available within one year.

Cash	\$136,135
Contributions receivable, net	<u>69,529</u>
Total financial assets	205,664
Less: financial assets not available for general operations within one year	
Restricted by donor for specific purposes or periods	<u>(26,906)</u>
Total financial assets available within one year	<u>\$178,758</u>

Liquidity Management

As part of ArtWell's liquidity management, it invests cash in excess of daily requirements in short-term investments, typically money market funds and a line of credit.

(10) SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 13, 2021, the date on which the financial statements were available to be issued. The extent of the impact of COVID-19 on ArtWell's operational and financial performance will depend on further developments, including the duration and spread of the outbreak, all of which cannot be predicted at this time. No other material subsequent events have occurred since June 30, 2020 that require recognition or disclosure in the financial statements.