

**ART FROM ASHES, INC.
INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015**

ART FROM ASHES, INC.
YEAR ENDED DECEMBER 31, 2015

TABLE OF CONTENTS

Independent auditors' report	3-4
Financial statements:	
Statement of financial position	5
Statement of activities	6
Statement of cash flows	7
Statement of functional expenses	8
Notes to financial statements	9-13



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Art from Ashes, Inc.
Denver, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of Art from Ashes, Inc. ("AfA"), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, cash flows, and functional expenses for the year then ended, and then related notes to the financial statements.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 auditors' 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 evaluation the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluation 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 Art from Ashes, Inc. as of December 31, 2015, and the changes in its net assets and its cash flow for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Hudson, Colorado

July 12, 2016

ART FROM ASHES, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015

ASSETS

Assets:		
Cash	\$	143,301
Grants and accounts receivable		47,085
Fixed assets, net		8,633
Pre-paid expenses and other assets		3,326
Total Assets:	\$	<u>202,345</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Deferred revenue	\$	20,300
Accrued payroll		4,320
Accounts payable and accrued expenses		2,129
Total Liabilities	\$	<u>26,749</u>

Net Assets:		
Temporarily Restricted		135,485
Unrestricted net assets		40,111
Total liabilities and net assets	\$	<u>202,345</u>

ART FROM ASHES, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2015

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Revenue:				
Contributions	\$ 49,838	\$ -	\$ -	\$ 49,838
Grants	35,000	84,497	-	119,497
Program fees	56,620	-	-	56,620
In-kind donations	64,169	-	-	64,169
Fundraising	1,969	-	-	1,969
Interest and other income	449	-	-	449
Total unrestricted support and revenue	208,045	84,497	-	292,542
Released from restriction	79,935	(79,935)	-	-
Total revenue	\$287,980	\$ 4,562	\$ -	\$ 292,542
Expenses:				
Program services	\$ 236,100	\$ -	\$ -	\$ 236,100
Supporting services:				
Management and general	24,686	-	-	24,686
Fundraising	7,013	-	-	7,013
Total expenses	267,799	-	-	267,799
Change in net assets	20,181	4,562	-	24,743
Net assets, beginning of year	115,304	35,549	-	150,853
Net assets, end of year	\$ 135,485	\$ 40,111	-	\$ 175,596

ART FROM ASHES, INC
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2015

Cash flows from operating activities:	
Change in unrestricted net assets to net cash provided by operating activities:	\$ 24,743
Depreciation expense	3,022
Change in operating assets and liabilities:	
Grants and accounts receivable	4,648
Prepaid expenses and other assets	(1,778)
Deferred revenue	(500)
Accrued payroll	(203)
Accounts payable and accrued expense	(961)
Net cash provided by operating activities	<u>28,971</u>
Change in unrestricted net assets to net cash provided by investing activities:	
Purchase of fixed assets	<u>(3,928)</u>
Net cash used by investing activities	(3,928)
Net increase in cash	25,043
Cash at beginning of year	<u>118,258</u>
Cash at end of year	<u><u>\$ 143,301</u></u>

ART FROM ASHES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2015

	Program services	Supporting Services		Total
		Management and general	Fundraising	
Salaries and benefits	\$ 97,982	\$ 15,419	\$ 4,127	\$ 117,528
In-kind expense	64,169	-	-	64,169
Program and workshop expenses	29,809	-	-	29,809
Occupancy and related expense	15,903	2,862	55	18,820
Professional fees	7,132	1,527	576	9,235
Office and postage expense	3,963	461	184	4,608
Telephone, telecommunications	4,163	1,383	57	5,603
Volunteer expense	2,587	647	-	3,234
Computer and minor equipment	2,237	260	104	2,601
Travel, meals and meeting	1,421	819	42	2,282
Advertising and promotions	1,525	535	50	2,110
Printing and copying	943	286	143	1,726
Depreciation	2,418	453	151	3,022
Insurance	1,848	34	12	1,894
Fundraising	-	-	1,512	1,512
Total Expenses	<u>\$ 236,100</u>	<u>\$ 24,686</u>	<u>\$ 7,013</u>	<u>\$ 267,799</u>

ART FROM ASHES, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2015

1. Description of organization:

Art from Ashes, Inc. ("AfA") exists to empower struggling youth by providing creative programs that facilitate health and hope through expression, connection and transformation.

Formed in 2003, AfA is classified as an organization that is not a private foundation under Section 509(a). Rather, it is described in Section 509(a) (2) and as such is exempt from federal income tax under a 501(c) (3). AfA is a registered public charity in the State of Colorado.

2. Summary of significant accounting policies:

Basis of presentation:

The accompanying financial statements are prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Grants and accounts receivable:

Grants consist of monies due from government agencies or private donors, based on their terms of the related grant agreements. Accounts receivable consists of monies due from government or local organizations for program services provided to youth. Management periodically reviews the status of all grants and accounts receivable for collectability. Each balance is assessed based on management's knowledge of and relationship with the government agency or the donor and the age of the receivable balance. Management believes that the use of the direct write-off method approximates the results that would be presented if an allowance for doubtful accounts was recorded.

Income taxes:

AfA is exempt from income taxes under section 501(c) (3) of the Internal Revenue Code. AfA is not a private foundation. AfA assesses the likelihood of the financial statement effect of a tax position that should be recognized when it is more likely than not that the position will be sustained upon examination by a taxing authority based on the technical merits of the tax position, circumstances, and information available as of the reporting date. Management does not believe that there are any tax positions that would result in an asset or liability for taxes being recognized in the financial statements.

AfA's policy is to recognize interest and penalties accrued on any unrecognized tax position as a component of income tax expense. As of December 31, 2015, AfA did not have any accrued interest or penalties associated with any unrecognized tax positions, nor was there any interest expense or penalties recognized during the year ended December 31, 2015.

ART FROM ASHES, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2015

2. Summary of significant accounting policies (continued):

Net asset classification:

Contributions of cash and other assets received without donor stipulations are reported as unrestricted support that increases unrestricted net assets. Contributions received with donor stipulated time or purpose restrictions are reported as temporarily or permanently restricted support that increases temporarily or permanently restricted net assets. When a donor-stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Program fees:

Program fees consists largely of monies earned by AfA through providing youth workshops via their Phoenix Rising program. The Phoenix Rising program combines the articulation of painful events or circumstances in the lives of struggling young people; the opportunity to release the pain and fear of those experiences among peers and mentors; and the guidance that allows youth to use strong, healthy words that encourage an identity based on choice rather than victimization.

Contributions, bequests and grants:

Contributions, including unconditional promises to give, are recognized as revenue in the period received or pledged. Bequests are recognized as revenue with AfA has an irrevocable right to the give, such as when the bequest has been through probate and declared valid. Related receivables are generally due within one year.

Government and certain foundation/ corporate grants are accounted for as exchange transactions whereby revenue is recognized when related expenses are incurred. Amount received, but not yet expended, are reported as deferred revenue.

In-kind donated services:

In addition to receiving cash contributions, AfA receives donated goods and services. Donated goods and services are recognized at their fair value if such good and services create or enhance non-financial assets, would have been purchased if not provided by donation, require specialized skills and are provided by individuals possessing those skills. Donated goods and services meeting those requirements for recognition were \$64,169 during the year ended December 31, 2015, and were primarily comprised of silent auction items for fundraising and consulting fees related to internet technology system maintenance and survey evaluations.

Property, plant and equipment:

Equipment purchased by AfA is recorded at cost. Donated equipment is recorded at fair value at the date of the give. Depreciation and amortization are computed using the straight-line method over the assets estimated useful life.

ART FROM ASHES, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2015

2. Summary of significant accounting policies (continued):

Expense allocation:

The costs of providing programs and other activities have been summarized on a functional basis in the accompanying statement of activities. Indirect expenses are allocated to the program and supporting services on the basis of the function, the areas benefited, and usage of the assets. All other costs can be specifically identified with a particular function and are charged directly to that function.

Advertising costs:

Advertising costs are expensed as incurred. AfA uses advertising to promote its program to nonprofit organizations, as well as to provide awareness to the general public of its services. Advertising and promotion expense was \$2,110 for the year ended December 31, 2015.

Use of estimates:

The preparation of financial statements in the conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Management makes these estimates using the best information available at the time the estimates are made; however, actual results could differ from these estimates.

Risks and uncertainties:

AfA depends primarily on grants to carry out its charitable activities; consequently, any change in giving patterns would affect AfA's ability to fund its operations.

Concentration of credit risk:

Financial instruments that potentially subject AfA to significant concentrations of credit risk primarily consist of cash and accounts receivable. Cash balances are within of the Federal Deposit Insurance Corporation insured limit.

Cash and equivalents:

All highly liquid debt instruments purchased with an initial maturity of three months or less are considered cash equivalents.

ART FROM ASHES, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2015

2. Summary of significant accounting policies (continued):

Recently issued accounting pronouncements:

In October 2012, the FASB issued ASU No. 2012-05, *Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows*. ASU 2012-05 addresses the diversity in practice about how to classify cash receipts arising from the sale of certain donated financial assets, such as securities, in the statement of cash flows. This ASU is effective for AfA on January 1, 2015. Adoption is not expected to have a material impact on AfA's financial statements.

Management has evaluated other recently issued accounting pronouncements and does not believe that any of these pronouncements will have an impact on AfA's financial statements.

3. Concentrations:

Major Grantors

AfA depends upon a number of grantors to provide support on their behalf. In 2015, two major grantors provided 25% and 14%, respectively of all revenue for AfA. Management believes the risk of grantor contract nonrenewal is low.

4. Functional classification of expenses:

Expenses, as presented in the statements of activities, when shown by functional classification for the period ended December 31, 2015 are as follows:

Program services	\$	236,100
Management and general		24,686
Fundraising		7,013
Total expenses	<u>\$</u>	<u>267,799</u>

5. Property, plant and equipment:

Property, plant and equipment stated at cost is as follows:	<u>Useful Lives</u>	<u>December 31, 2015</u>
Computers and minor equipment	3 years	\$ 22,491
Furniture	7 years	4,749
Less: Accumulated depreciation		(18,607)
Total		<u>\$ 8,633</u>

For the year ended December 31, 2015, AfA expensed \$3,022 of depreciation and amortization.

ART FROM ASHES, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2015

6. Operating lease:

AfA currently maintains a month-to-month operating lease for their offices located at 853 Inca Street, Denver, Colorado.

7. Subsequent events:

AfA evaluated subsequent events through July 12, 2016, the date that AfA's financial statements were available to be issued.