

**ART FROM ASHES**  
FINANCIAL STATEMENTS  
DECEMBER 31, 2017

**ART FROM ASHES**

**TABLE OF CONTENTS**

	<u>Page</u>
Independent Auditors' Report.....	1
Financial Statements	
Statement of Financial Position.....	2
Statement of Activities.....	3
Statement of Functional Expenses.....	4
Statement of Cash Flows.....	5
Notes to the Financial Statements.....	6

1987 Wadsworth Blvd., Suite A  
Lakewood, Colorado 80214



Phone: 303.988.5648  
Fax: 303.988.5919

www.mcnurlincpa.com

## INDEPENDENT AUDITORS' REPORT

Management and Board of Directors  
Art from Ashes  
Denver, Colorado

We have audited the accompanying financial statements of Art from Ashes (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, 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 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*

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 of 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 Art from Ashes as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*McNurlin, Hitchcock & Associates, P.C.*

McNurlin, Hitchcock & Associates, P.C.  
Lakewood, Colorado  
October 30, 2018

**ART FROM ASHES**  
Statement of Financial Position  
December 31, 2017

<u>ASSETS</u>	<u>Unrestricted</u>	<u>Total</u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 188,644	\$ 188,644
Accounts receivable	35,203	35,203
Prepaid expenses	4,625	4,625
Total Current Assets	<u>228,472</u>	<u>228,472</u>
Property and Equipment, net	<u>5,936</u>	<u>5,936</u>
Total Non-Current Assets	<u>5,936</u>	<u>5,936</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 234,408</u></u>	<u><u>\$ 234,408</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
<b>Current Liabilities</b>		
Accounts payable	\$ 1,108	\$ 1,108
Payroll liabilities	5,438	5,438
Credit card liabilities	804	804
Total Current Liabilities	<u>7,350</u>	<u>7,350</u>
<b>Net Assets</b>		
Unrestricted net assets	<u>227,058</u>	<u>227,058</u>
Total Net Assets	<u>227,058</u>	<u>227,058</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 234,408</u></u>	<u><u>\$ 234,408</u></u>

See accompanying notes to the financial statements and independent auditors' report.

**ART FROM ASHES**  
Statement of Activities  
For the year ended December 31, 2017

	Unrestricted	Temporarily Restricted	Total
<b>REVENUE AND SUPPORT</b>			
Membership dues	\$ 60,688	\$ -	\$ 60,688
Government grants	84,009	103,305	187,314
In kind donations	18,746	-	18,746
Event revenue	34,975	-	34,975
Other income	192	-	192
Assets released from restriction	103,305	(103,305)	-
<b>Total Revenue and Support</b>	<b>301,915</b>	<b>-</b>	<b>301,915</b>
<b>EXPENSES</b>			
Program Services	241,673	-	241,673
Support Services:			
Management and general	25,326	-	25,326
Fundraising	7,483	-	7,483
<b>Total Expenses</b>	<b>274,482</b>	<b>-</b>	<b>274,482</b>
<b>CHANGE IN NET ASSETS</b>	<b>27,433</b>	<b>-</b>	<b>27,433</b>
<b>NET ASSETS, Beginning of the year</b>	<b>199,625</b>	<b>199,625</b>	<b>199,625</b>
<b>NET ASSETS, End of the year</b>	<b>\$ 227,058</b>	<b>\$ 199,625</b>	<b>\$ 227,058</b>

See accompanying notes to the financial statements and independent auditors' report.

**ART FROM ASHES**  
Statement of Functional Expenses  
For the year ended December 31, 2017

	Program Services	Management and General	Fundraising	Total
Officer compensation	\$ 58,968	\$ 8,526	\$ 3,552	\$ 71,046
Other salaries and wages	5,991	255	127	6,373
Employee benefits	4,856	207	103	5,166
Payroll taxes	9,582	871	436	10,889
Accounting fees	-	6,449	-	6,449
Program fees	91,294	-	-	91,294
Advertising	289	-	32	321
Office expenses	53,731	6,248	2,499	62,478
Rent	12,384	1,440	576	14,400
Travel	1,499	16	15	1,530
Conferences & meetings	-	434	-	434
Insurance	-	141	-	141
Depreciation	3,079	358	143	3,580
Bank fees	-	381	-	381
Total Expenses	<u>\$ 241,673</u>	<u>\$ 25,326</u>	<u>\$ 7,483</u>	<u>\$ 274,482</u>

See accompanying notes to the financial statements and independent auditors' report.

**ART FROM ASHES**  
**Statement of Cash Flows**  
For the year ended December 31, 2017

	<u>Unrestricted</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Change in Net Assets	\$ 27,433
Adjustments to reconcile change in net assets to cash provided by operating activities	
Depreciation expense	3,580
Change in:	
Accounts receivable	37,683
Prepaid expenses	(2,609)
Accounts payable	(4,177)
Payroll liabilities	1,124
Credit card liabilities	(1,523)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>61,511</b>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Property and Equipment purchases	(6,690)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(6,690)</b>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
	-
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	54,821
<b>CASH AND CASH EQUIVALENTS, Beginning of the year</b>	<b>133,823</b>
<b>CASH AND CASH EQUIVALENTS, End of the year</b>	<b>\$ 188,644</b>
 <b>SUPPLEMENTAL DISCLOSURE</b>	
Cash paid for interest	\$ -
Cash paid for income taxes	\$ -

See accompanying notes to the financial statements and independent auditors' report.

**ART FROM ASHES**  
Notes to the Financial Statements  
December 31, 2017

NOTE 1 NATURE OF THE ORGANIZATION

Art from Ashes (the “Organization”) was incorporated as a non-profit corporation in the State of Colorado in 2003 as a tax-exempt 501(c)(3) to empower struggling youth by providing creative programs that facilitate health and hope through expression, connection and transformation.

While the Organization does have full and part-time employees that perform the day-to-day operations, the Organization relies on the assistance of volunteers as well. It is estimated that the Organization received the benefit of approximately 3,549 volunteer hours from their Board of Directors and various other volunteers.

NOTE 2 DATE OF MANAGEMENT’S REVIEW

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 30, 2018, the date that the financial statements were available to be issued.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“US GAAP”). Revenues are recognized when earned and expenses are recognized when the product or service has been received and the liability incurred.

Financial Statement Presentation

The Organization follows the recommendation of the Financial Accounting Standards Board (FASB) standards of accounting and financial reporting for not-for-profit organizations. Under Accounting Standards Codification 958 (ASC 958) *Not-for-Profit Entities*, the Organization is required to report information regarding its net assets, and revenues, expenses, gains, and losses based upon the existence and/or nature of any donor-imposed restrictions. Accordingly, the Organization reports net assets and activities using the following three classes of net assets:

Unrestricted – Resources over which the Board of Directors has discretionary control.

Temporarily Restricted – Those resources subject to donor-imposed restrictions which will be satisfied by actions of the Organization or the passage of time.

Permanently Restricted – Those resources subject to a donor-imposed restriction that they be maintained permanently by the Organization.

The Organization received unrestricted and temporarily restricted net assets during the year ended December 31, 2017.

See accompanying independent auditors’ report.



**ART FROM ASHES**  
Notes to the Financial Statements  
December 31, 2017

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of financial statements in conformity with US GAAP 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, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Support and Revenue Recognition

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for a specific purpose are reported as temporarily restricted or permanently restricted and increase those classes of net assets. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

Property and Equipment, Net

Property and equipment are stated at cost less accumulated depreciation and amortization. Acquisitions and donations of property and equipment in excess of \$500 are capitalized. Property and equipment are recorded at cost for purchased assets. Donations of property and equipment are recorded at their estimated fair value at the date of receipt. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets which range from 3 to 10 years.

Contributed Services

Donated services are recognized as contributions in accordance with accounting standards at their estimated fair value if the services (a) create or enhance the Organization's non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased.

Accounts Receivable

Accounts receivable consist of amounts due from members for event registration or sponsorship. Management believes the receivables are fully collectible, and thus has not provided an allowance for doubtful accounts.

Prepaid Expenses

Prepaid expenses are expenditures made in advance of when the economic benefit of the cost will be realized, and which will be expensed in future periods.

See accompanying independent auditors' report.

**ART FROM ASHES**  
Notes to the Financial Statements  
December 31, 2017

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated by the indirect method based on management's estimates.

Advertising

The Organization uses advertising to promote its programs amongst the audience it serves, and expenses all costs as incurred.

NOTE 4 INCOME TAXES

The Organization is a non-profit organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and state income taxes under regulations in the State of Colorado. Therefore, the Organization is not subject to federal or state income taxes in connection with its exempt activities. As of December 31, 2017, the Organization's federal tax returns for 2016, 2015, and 2014 are subject to examination by taxing authorities.

The standards on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income (UBTI). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for the year ended December 31, 2017.

NOTE 6 NET ASSETS

Unrestricted net assets consist of support and revenue derived from unrestricted contributions, investment income, and other inflows of assets whose use is not limited by donor-imposed restrictions.

At December 31, 2017, the Organization had no temporarily or permanently restricted net assets.

See accompanying independent auditors' report.

**ART FROM ASHES**  
Notes to the Financial Statements  
December 31, 2017

**NOTE 7 FUNCTIONAL CLASSIFICATION OF EXPENSES**

The Organization accounts for its expenditures in the following categories: program services, general and administrative, and fundraising.

Program service expenses relate to the broad spectrum of activities and actions critical to advancing the Organization's purpose of empowering struggling youth by providing creative programs.

General and administrative expenditures relate to building and maintaining an efficient business infrastructure, including those related to corporate governance, and to support and advance the objectives of the Organization.

Fundraising expenditures relate to fund-raising strategies that provide revenue streams for both operations and capital needs to further the accomplishment of the Organization's mission and objectives.

**NOTE 8 PROPERTY AND EQUIPMENT, NET**

Property and equipment is presented net of accumulated depreciation on the Statement of Financial Position. Depreciation expense totaled \$3,580 for the year ended December 31, 2017. At December 31, 2017, Property and equipment, net consists of:

Furniture & equipment	\$ 12,990
Accumulated depreciation	<u>(7,054)</u>
Property and Equipment, net	<u><u>\$ 5,936</u></u>

**NOTE 9 IN-KIND CONTRIBUTIONS**

During the year ended December 31, 2017, the Organization recognized \$18,746 of in-kind contributions. This is comprised mostly of event contributions, computer equipment, office and program supplies, and professional services as reported on the Statement of Activities.

**NOTE 10 COMPENSATED ABSENCES**

Employees of the Organization are entitled to paid vacation based on length of employment. A liability has been recorded as of December 31, 2017 for compensated absences in the amount of \$33, and is included in accrued payroll costs on the Combined Statement of Financial Position. The Organization recognizes the liability for compensated absences because the Organization's policy is that the employees are allowed to carry over unused vacation time from the prior year.

See accompanying independent auditors' report.