

Artworks, Naomi Cohain Foundation, Inc.

Financial Statements
(Together with Independent Accountants' Review Report)

Year Ended December 31, 2018

M A R K S P A N E T H

ACCOUNTANTS & ADVISORS

ARTWORKS, NAOMI COHAIN FOUNDATION, INC.
FINANCIAL STATEMENTS
(Together with Independent Accountants' Review Report)
YEAR ENDED DECEMBER 31, 2018

TABLE OF CONTENTS

| | <u>Page</u> |
|--|-------------|
| Independent Accountants' Review Report..... | 1 |
| Statement of Financial Position | 2 |
| Statement of Activities and Change in Net Assets | 3 |
| Statement of Functional Expenses | 4 |
| Statement of Cash Flows | 5 |
| Notes to Financial Statements | 6 - 10 |

Marks Paneth LLP
4 Manhattanville Rd, Ste. 402
Purchase, NY 10577
P 914.524.9000
F 914.524.9185
www.markspaneth.com

New York
New Jersey
Pennsylvania
Washington DC
Florida

M A R K S P A N E T H
ACCOUNTANTS & ADVISORS

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors
Artworks, Naomi Cohain Foundation, Inc.
New York, NY

We have reviewed the accompanying financial statements of Artworks, Naomi Cohain Foundation, Inc. (A nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during the year ended December 31, 2018, Artworks, Naomi Cohain Foundation, Inc. adopted Accounting Standards Update 2016-14, "Not-for-Profit Entities." Our report is not modified with respect to this matter.



Purchase, New York
November 15, 2019

ARTWORKS, NAOMI COHAIN FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2018

ASSETS

CURRENT ASSETS:

| | |
|---------------------------|-------------------|
| Cash and cash equivalents | \$ 72,984 |
| Investments | 106,952 |
| Contributions receivable | 26,300 |
| Prepaid expenses | 3,128 |
| Security deposits | 1,840 |
| TOTAL ASSETS | <u>\$ 211,204</u> |

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

| | |
|------------------|----------|
| Accounts payable | \$ 7,110 |
|------------------|----------|

NET ASSETS

| | |
|----------------------------|----------------|
| Without donor restrictions | <u>204,094</u> |
|----------------------------|----------------|

| | |
|----------------------------------|-------------------|
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 211,204</u> |
|----------------------------------|-------------------|

See independent accountants' review report and notes to financial statements.

ARTWORKS, NAOMI COHAIN FOUNDATION, INC.
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018

| | |
|---|--------------------------|
| CONTRIBUTIONS AND OTHER REVENUE: | |
| Contributions | \$ 115,336 |
| Program revenue | 111,050 |
| Benefit income (net of direct expenses of \$38,423) | 92,762 |
| Investment loss | (126) |
| Contribution In-Kind | 37,205 |
| Other income | <u>461</u> |
| Total Contributions and Other Revenue | <u>356,688</u> |
| EXPENSES: | |
| Program services | 338,533 |
| Management and general | 26,660 |
| Fundraising | <u>72,737</u> |
| Total Expenses | <u>437,930</u> |
| CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS | (81,242) |
| NET ASSETS - BEGINNING OF YEAR | <u>285,336</u> |
| NET ASSETS - END OF YEAR | <u><u>\$ 204,094</u></u> |

See independent accountants' review report and notes to financial statements.

ARTWORKS, NAOMI COHAIN FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

| | Program Services | Management and General | Fundraising | Total Expenses |
|--|---------------------|---------------------------|------------------|-------------------|
| Performing arts program expenses | \$ 41,263 | \$ - | \$ - | \$ 41,263 |
| Salaries and fees | 211,390 | 8,513 | 59,593 | 279,496 |
| Professional fees | 3,961 | 16,400 | 915 | 21,276 |
| Insurance | 9,930 | 392 | 2,744 | 13,066 |
| Travel and entertainment | 2,197 | 87 | 39,030 | 41,314 |
| Office expenses | 6,923 | 273 | 1,913 | 9,109 |
| Rent expense | 13,995 | 552 | 3,867 | 18,414 |
| Utilities | 3,512 | 139 | 970 | 4,621 |
| Website | 266 | 11 | 74 | 351 |
| Advertising | 458 | - | - | 458 |
| In-Kind Supplies | 37,205 | - | - | 37,205 |
| Miscellaneous expenses | 7,433 | 293 | 2,054 | 9,780 |
| | <u>338,533</u> | <u>26,660</u> | <u>111,160</u> | <u>476,353</u> |
| Less: direct benefit expenses recorded on statement of activities | <u>-</u> | <u>-</u> | <u>(38,423)</u> | <u>(38,423)</u> |
| Total Functional Expenses | <u>\$ 338,533</u> | <u>\$ 26,660</u> | <u>\$ 72,737</u> | <u>\$ 437,930</u> |

See independent accountants' review report and notes to financial statements.

ARTWORKS, NAOMI COHAIN FOUNDATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

| | |
|--|-------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Change in net assets | \$ (81,242) |
| Realized and unrealized loss on investments, net | 2,151 |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | |
| Change in: | |
| Contributions receivable | 64,618 |
| Prepaid expenses | (1,434) |
| Accounts payables | <u>(4,408)</u> |
| NET CASH USED IN OPERATING ACTIVITIES | <u>(20,315)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | |
| Purchases of investments | (36,430) |
| Proceeds from investment sales | <u>71,986</u> |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | <u>35,556</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 15,241 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>57,743</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u><u>\$ 72,984</u></u> |

See independent accountants' review report and notes to financial statements.

ARTWORKS, NAOMI COHAIN FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

NOTE 1 – ORGANIZATION AND MISSION

Artworks, Naomi Cohain Foundation, Inc. (the “Organization”) provides children and young adults suffering from chronic and life-threatening illnesses, and their families, access to creative and performing arts programming which encourages the use of the creative process as a vehicle for healing, communication, self-expression and personal development. The Organization seeks to empower, validate and honor these children by offering them hands-on experience, supplies to create and the opportunity to publicly share their artistic accomplishments.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Tax Status

The Organization has received a determination letter from the Internal Revenue Service that it is exempt from federal income tax, pursuant to Section 501(c)(3) of the Internal Revenue Code.

The Organization follows Financial Accounting Standards Board Accounting Standards Codification (“FASB ASC”) Topic 740 (“Income Taxes”), which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

Basis of Presentation – The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Net assets, revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified as with donor restrictions or without donor restrictions.

Net Assets

The Organization’s financial statements are presented in accordance with FASB guidance on reporting information regarding its financial position and activities for not-for-profit organizations. Under that guidance, the Organization is required to report information regarding its net assets and revenues, gains, and losses based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

- Without donor restrictions – Net assets that are not subject to donor-imposed stipulations, including board designated funds functioning as endowment.
- With donor restrictions – Net assets subject to donor-imposed stipulations, including stipulations that will be met either by actions of the Organization or the passage of time, stipulations that they be maintained permanently by the Organization, and net assets from endowments not yet appropriated for spending. When time and purpose restrictions expire, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled, the stipulated time period has elapsed, or endowment earnings are appropriated) are reported as net assets released from restrictions.

ARTWORKS, NAOMI COHAIN FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, revenues, and expenses, as well as the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results may differ from those estimates.

Cash and Cash Equivalents

The Organization considers all highly debt liquid instruments with an original maturity of three months or less when acquired to be cash equivalents.

Contributions Receivable

Contributions receivable represents amounts committed by donors that have not been received by the Organization.

Revenue Recognition

Contributions: The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that indicate a donor preference for the use of the donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities and Change in Net Assets as net assets released from restrictions. If a restriction is fulfilled in the same time period in which the contribution is received, the Organization recognizes the support as without restriction.

Promises to give: Unconditional promises to give are recognized as revenue in the period received and recorded as assets or decreases of liabilities or expenses, depending on the form of the benefits received as a result of the gift. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Program revenue is recorded as revenue in the period in which the underlying services are provided or the fees are earned. Advance receipts, if any, are recorded as deferred revenue.

Functional Allocation of Expenses

The costs of providing the various programs and the supporting services have been summarized on a functional basis in the statement of activities and change in net assets. Accordingly, certain costs have been allocated among the program and the supporting services benefited.

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that are consistently applied. The expenses that are allocated include occupancy, which are allocated on a square footage basis, as well as salaries and wages, employee benefits and payroll taxes, which are based on time and effort within each functional area. Postage and shipping, and bank charges are based on expenses tracked by account across functions. Supplies, office and computer expenses and telephone are based on staff usage.

ARTWORKS, NAOMI COHAIN FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentration of Credit Risk

The Organization maintains its cash with one bank. Cash at banks in excess of Federal Deposit Insurance Corporation ("FDIC") limits of \$250,000 was \$-0- at December 31, 2018.

Recent Accounting Pronouncements

FASB Accounting Standards Update ("ASU") 2016-14, "Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities" was adopted for the year ended December 31, 2018. The Organization has adjusted the presentation of its financial statements, accordingly, applying the changes retrospectively to the comparative periods presented. ASU 2016-14 provides for a number of changes including the presentation of two classes of net assets and enhanced disclosure of liquid resources and expense allocation. These changes had no impact on the net asset balances or change in net assets and no material effect on reported cash flows for the year ended December 31, 2018.

The FASB has issued standards that the Organization must consider for adoption over the next two years. Those standards include the following: 1) "Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made", effective for the year ended December 31, 2019; which aims to assist entities in evaluating whether contributions should be accounted for as contributions or exchange transactions and determination as to whether a contribution is conditional, and 2) "Leases", effective for the year ended December 31, 2020, which aims to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. The Organization is currently evaluating the impact of the adoption of these standards on its financial statements.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES FOR OPERATING EXPENDITURES

The Organization regularly monitors liquidity required to meet its operating needs, while also striving to maximize the investment of its available funds. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities as well as services undertaken to support those activities to be general expenditures. In addition to financial assets available to meet general expenditures over the next 12 months, the Organization anticipates collecting sufficient revenue to cover expenditures.

As of December 31, 2018, financial assets available to meet general expenditures over the next 12 months were as follows:

| | |
|---------------------------|----------|
| Cash and cash equivalents | \$72,984 |
| Investments | 106,952 |

None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year.

ARTWORKS, NAOMI COHAIN FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

NOTE 4 – INVESTMENTS

Investments are comprised of mutual funds. The following table summarizes the fair market value.

| | Assets at Fair Value as of December 31, 2018 | | | |
|--------------------|--|-------------|------------------|-------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Mutual funds: | | | | |
| Fixed income | \$ 70,293 | \$ - | \$ - | \$ 70,293 |
| Alternative assets | - | - | 36,659 | 36,659 |
| Total mutual funds | <u>\$ 70,293</u> | <u>\$ -</u> | <u>\$ 36,659</u> | <u>\$ 106,952</u> |

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows.

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 - Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the assets or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Mutual Funds

Mutual funds are valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the Securities and Exchange Commission. The funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

Alternative Investments

Investments in hedge funds, funds of funds and limited partnerships ("alternative investments") are stated at fair value as estimated in an unquoted market (Level 3). Values may be based on historical cost, appraisals, or other estimates that require varying degrees of judgment. Because of the inherent uncertainty of valuations of these investments, values for these investments may differ significantly from values that would have been used had a ready market for the investments existed.

ARTWORKS, NAOMI COHAIN FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

NOTE 4 – INVESTMENTS (CONTINUED)

Changes in Fair Value Levels

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

Level 3 – Gains and Losses

The following table sets forth a summary of changes in the fair value of the Organization's Level 3 assets for the year ended December 31, 2018.

| | Alternative Investments |
|---|----------------------------|
| Balance, beginning of year | \$ 71,675 |
| Net unrealized loss relating to instruments still held at the reporting date | (2,137) |
| Proceeds from sales of assets, including net realized loss of \$(1,199) | (39,171) |
| Purchases of assets | 6,292 |
| Balance, end of year | <u>\$ 36,659</u> |

NOTE 5 – COMMITMENTS AND CONTINGENCIES

Effective September 1, 2016, the Organization entered into a lease for its office that expired August 31, 2018. The office lease was renewed for a period of two years on September 1, 2018 at an adjustment of 3% of the monthly office payment of \$1,499.

Rent expense for the year ended December 31, 2018 was \$18,414. Minimum lease payments for the years subsequent to December 31, 2018 are as follows:

| | |
|------|----------|
| 2019 | \$18,724 |
| 2020 | \$12,730 |

NOTE 6 – DONATIONS IN KIND

Management recognizes donated goods and services as contribution revenues and related expenses at the estimated fair value of those goods and services. These amounts are included on the statement of activities and change in net assets. The estimated fair market value of these donations for the year ended December 31, 2018 was \$37,205.

NOTE 7 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events and transactions that occurred subsequent to the date of the statement of financial position through November 15, 2019, the date the financial statements were available to be issued.