ArtFusion 19464

FINANCIAL STATEMENTS

Year Ended August 31, 2017

Barbara Akins
certified public accountant
relationships. service. integrity

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ArtFusion19464

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
ArtFusion 19464

We have audited the accompanying financial statements of ArtFusion 19464 (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets - cash basis as of August 31, 2017 and the related statement of support, revenue and expenses - cash basis 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 the cash basis of accounting as described in Note #2, this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of ArtFusion 19464 as of August 31, 2017, and its support, revenue, and expenses for the year then ended in accordance with the modified cash basis of accounting as described in Note #2.

Basis of Accounting

We draw attention to Note #2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Barbara L. Heinz CPA

Bechtelsville, Pennsylvania
February 24, 2018

ArtFusion 19464
STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS - CASH BASIS
August 31, 2017

ASSETS	
Current Assets	
Checking and Savings	$ 53,317
Total Assets	$ 53,317
LIABILITIES	
Current Liabilities	
Payroll & Sales Tax Payable	$ 1,587
Total Liabilities	1,587
NET ASSETS	
Unrestricted	24,410
Temporarily Restricted - Note #4	27,320
Total Net Assets	51,730
Total Liabilities And Net Assets	$ 53,317

The Accompanying Notes are an Integral Part of the Financial Statements.

ArtFusion19464
STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES IN NET ASSETS - CASH BASIS
Year Ended August 31, 2017

	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
PUBLIC SUPPORT & OTHER REVENUES			
Public Support			
Contributions - Note #4	$ 68,115	$ 25,100	$ 93,215
Contributed Services - Note #2	42,530	0	42,530
Grants - Note #5	59,214	2,220	61,434
Special Events (Net of Direct Expense of $1,622)	4,149	0	4,149
Total Public Support	174,008	27,320	201,328
Other Revenues			
Class Tuition & Programs	25,633	0	25,633
Memberships	4,150	0	4,150
Sales - Gallery Art (Less: Artist Commissions $2,802)	781	0	781
Sales - Art Supplies	3,211	0	3,211
Studio Rental	485	0	485
Sales Tax Collected	392	0	392
Gift Certificates Sold	125	0	125
Realized Gain on Sale of Donated Stock	203	0	203
Miscellaneous	238	0	238
Total Other Revenues	35,218	0	35,218
Net Assets Released from Restrictions	0	0	0
Total Public Support & Other Revenues	209,226	27,320	236,546
EXPENSES			
Salaries & Wages	56,891	0	56,891
Payroll Taxes	5,485	0	5,485
Independent Contracted Services	15,787	0	15,787
Professional Fees	8,476	0	8,476
Occupancy - Note #6	23,580	0	23,580
Insurance	3,232	0	3,232
Telephone & Internet	2,594	0	2,594
Supplies	10,985	0	10,985
Marketing	2,351	0	2,351
Postage	182	0	182
Membership Dues	338	0	338
Miscellaneous	2,328	0	2,328
Bank & PayPal Fees	803	0	803
Sales Tax Paid	479	0	479
Credit Card Payments	1,271	0	1,271
Leasehold Improvement to 341 Beech Street	58,362	0	58,362
Total Expenses	193,144	0	193,144
Change In Net Assets	16,082	27,320	43,402
NET ASSETS, Beginning of Year- September 1, 2016	8,328	0	8,328
NET ASSETS, End of Year - August 31, 2017	$ 24,410	$ 27,320	$ 51,730

The Accompanying Notes are an Integral Part of the Financial Statements.

Note #1 - Organization

ArtFusion 19464 is a nonprofit organization incorporated under the laws of Pennsylvania. The entity's primary exempt purpose is to enrich the lives of the residents in the greater Pottstown area through the visual arts, regardless of ethnicity and economic situations. The goal of the entity is to spark creativity, build self-confidence and develop community bonds through education, mentoring and community service. The entity's primary sources of revenue include contributions and grants.

Note #2 - Summary of Significant Accounting Policies

Method of Accounting

The financial statements of the entity have been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Support and revenues are recognized when received. Expenses are recognized when paid.

Financial Statement Presentation

The entity reports information regarding its financial position and activities according to three classes of net assets as follows:

Unrestricted - Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted - Net assets whose use by the entity are subject to donor-imposed restrictions that can be fulfilled by actions of the entity pursuant to those restrictions or that expire by the passage of time. At August 31, 2017, $27,320 is temporarily restricted as described in Note #4.

Permanently Restricted - Net assets subject to donor-imposed restrictions that they be maintained permanently by the entity. Generally, the donors of these assets permit the entity to use all or part of the income on these assets.

Expenses are reported as decreases in unrestricted net assets. Expirations of donor-imposed restrictions that simultaneously increase one class of net assets and decrease another are reported as reclassifications between the applicable classes of net assets. Donor-restricted contributions are reported as unrestricted operating revenue when the restriction is satisfied.

Income Tax Status

The entity is exempt from Federal Income Tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the entity qualifies for the charitable contributions deduction under Section 170(b)(1)(a).

Uncertain Tax Position

The entity has evaluated its tax position and determined that it does not have any uncertain tax position that meets the criteria under Accounting Standards Codification Topic 740, *Income Taxes.* The tax returns of the entity for 2016, 2015 and 2014 are subject to examination by the IRS, generally for three years after they were filed.

Fair Value of Financial Instruments

The entity discloses the fair value of certain financial instruments including cash. These financial instruments are all stated at either cost or net realizable value, which approximates fair value.

Note #2 - Summary of Significant Accounting Policies (Continued)

Contributions

Contributions are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of donor restrictions. Contributions are required to be reported as permanently restricted support or as temporarily restricted and then reclassified to unrestricted net assets upon expiration of time restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Contributed Services

The entity's Board of Directors, Trustees and volunteers donate significant amounts of time to the operations of the entity. Contributed services that (a) create or improve long-lived assets or (b) require specialized skills provided by individuals possessing those skills that would typically need to be purchased if not provided by donation meet the requirement for recognition in the financial statements. The value of services meeting the requirements for recognition in the financial statements was $42,530 and is included on the Statement of Revenues, Expenses and Other Changes in Net Assets – Cash Basis as follows:

Professional Fees	$ 5,150
Leasehold Improvements to 341 Beech Street	37,380
Total Contributed Services	$42,530

Date of Management's Review

Management has evaluated subsequent events through February 24, 2018, the date on which the financial statements were available to be issued.

Note #3 - Cash

The cash accounts totaling $53,317 at August 31, 2017 are non-interest-bearing accounts. $27,320 is temporarily restricted (See Note #4).

Note #4 - Temporarily Restricted

Temporarily restricted assets as of August 31, 2017 consist of:

Unspent grant money owed back to Pottstown Area Health & Wellness Foundation	$ 2,220
Donation from Genesis Housing Corporation for Phase 1 of the Beech Street Factory Improvements	25,100
Total Temporarily Restricted	$27,320

Note #5 - Grants

Pottstown Area Health & Wellness Foundation	
Beech Street Factory Community Programs involving Farming and Gardening	$ 25,000
Greater Pottstown Foundation	
Arts Enrichment Programs Including Teen Mixed Media & Museum Field Trip	20,602
Pottstown School District	
Summer Arts Enrichment & After School Arts Enrichment	5,409
SEI Cares Fund Grant	
Senior Mobile Pottery & Visual Learning Through Arts Programs	6,300
Creative Health Services, Inc. - *Arts Enrichment Programs*	3,120
Various Others – *(4) Small Miscellaneous Programs*	1,003
Total Grants	$ 61,434

As of August 31, 2017, all grant monies received were spent according to grant restrictions, except for $2,220 that is temporarily restricted (See Note #4).

Note #6 - Rent

The entity rented 254 High Street, Pottstown for $1,750 for one month. Then rent was reduced by $500 per month to $1,250 effective November 1, 2016. After Art Fusion 19464 vacates the second floor, rent will be reduced to $1,000 per month. Rent paid is included in Occupancy on the Statement of Revenue, Expenses and Other Changes in Net Assets-Cash Basis. There is no signed lease.

Note #7 - Commitment

Credit Card Payable
The entity has a credit card with a $16,400 credit line of which $4,465 was outstanding at August 31, 2017. The Annual Percentage Rate charged is 17.99%.

Beech Street Factory Lease
The entity entered into a lease agreement on July 10, 2017 with Beech Street Factory Limited Partnership for approximately 4,000 square feet of space at 341 South Beech Street, Pottstown. Terms of the lease are: $1,500 per month for the first year with a 2% increase annually for the remaining term of the lease. The lease ends on May 31, 2027. The first lease payment is due January 1, 2018. The entity moved to Beech Street in June 2017 and was not charged rent through December 2017. No security deposit is required.

Contract
The entity entered into a contract on October 18, 2016 for the Beech Street Factory Improvements – Phase 1 for $25,100. A donation was received to cover the contract costs and the contract was paid October 23, 2017.

Note #8 - Risk Management

The entity is exposed to various risks of loss related to torts; theft of or damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. Significant losses are covered by commercial insurance for all areas of which the entity retains risks of loss.

Note #9 - Subsequent Events

Gifts and Donations

Per a letter dated July 19, 2017, The First Presbyterian Church has committed to donating $1,500 to fund a collaborative food-to-table business program for at-risk teens. The money had not been received as of August 31, 2017.

Grants

The entity continues to receive grants. One grant has been received to date in 2017-2018:

SEI Cares Fund Grant – *Programming*	$ 6,575