STATEMENT ARTS, INC.
(A Nonprofit Organization)

FINANCIAL STATEMENTS

Year Ended December 31, 2022

Together with Independent Auditor's Report

STATEMENT ARTS, INC.
(A Nonprofit Organization)
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Statement Arts, Inc.
New York, New York

Opinion

We have audited the accompanying financial statements of Statement Arts, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Statement Arts, Inc. as of December 31, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Statement Arts, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Statement Arts, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Statement Arts, Inc.'s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Statement Arts, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Nataliya Lindvor CPA PC

Nataliya Lindvor, CPA, PC
Staten Island, New York
February 14, 2023

STATEMENT ARTS, INC.
(A Nonprofit Organization)
STATEMENT OF FINANCIAL POSITION
December 31, 2022

Assets:		
Cash	$	277,827
Receivables		31,280
Prepaid expenses		1,207
TOTAL ASSETS	**$**	**310,314**
Liabilities and Net Assets:		
Liabilities:		
Accounts payable and accrued expenses	$	8,425
TOTAL LIABILITIES		**8,425**
Net Assets:		
Without donor restrictions		253,997
With donor restrictions		47,892
TOTAL NET ASSETS		**301,889**
TOTAL LIABILITIES AND NET ASSETS	**$**	**310,314**

See notes to financial statements.

STATEMENT ARTS, INC.
(A Nonprofit Organization)
STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2022

	Without donor restrictions	With donor restrictions	Total
Support and Revenue:			
Contributions and grants	$ 172,998	$ 31,280	$ 204,278
Corporate contributions	27,860	-	27,860
Events, net of costs of direct benefits to donors of $79,780	158,559	-	158,559
Other income	17	-	17
Release from donor restrictions	12,200	(12,200)	-
TOTAL SUPPORT AND REVENUE	**371,634**	**19,080**	**390,714**
Expenses:			
Program services	232,270	-	232,270
Management and general	77,063	-	77,063
Fundraising	28,632	-	28,632
TOTAL EXPENSES	**337,965**	**-**	**337,965**
CHANGE IN NET ASSETS	33,669	19,080	52,749
Net Assets, beginning of year	220,328	28,812	249,140
Net Assets, end of year	**$ 253,997**	**$ 47,892**	**$ 301,889**

See notes to financial statements.

STATEMENT ARTS, INC.
(A Nonprofit Organization)
STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended December 31, 2022

	Program Services	Management and General	Fundraising	Total Expenses
Salaries	$ 132,906	$ 26,581	$ 17,721	$ 177,208
Payroll taxes and employee benefits	12,049	2,410	1,606	16,065
Event expenses	78,523	4,908	14,723	98,154
Contract services	30,801	12,230	2,265	45,296
Occupancy, rent, and utilities	15,741	7,753	-	23,494
Office expenses	6,402	1,280	854	8,536
Telephone	-	3,024	-	3,024
Meals	7,409	1,058	2,117	10,584
Professional fees	-	9,740	-	9,740
Travel	5,177	575	-	5,752
Insurance	-	2,802	-	2,802
Program events and marketing	2,922	183	548	3,653
Miscellaneous expenses	847	399	-	1,246
Bank and merchant fees	-	7,615	-	7,615
Grants to others	1,020	-	-	1,020
Professional development	931	-	-	931
Payroll service	460	92	61	613
Postage	210	93	163	466
Printing	696	309	541	1,546
Subtotal	296,094	81,052	40,599	417,745
Less: Costs of direct benefits to donors reflected on the statement of activities	(63,824)	(3,989)	(11,967)	(79,780)
TOTAL EXPENSES	**$ 232,270**	**$ 77,063**	**$ 28,632**	**$ 337,965**

STATEMENT ARTS, INC.
(A Nonprofit Organization)
STATEMENT OF CASH FLOWS
For The Year Ended December 31, 2022

Cash Flows From Operations		
Change in net assets	$	52,749
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Changes in operating assets and liabilities:		
Increase in receivables		(19,080)
Increase in prepaid expenses		(648)
Increase in accounts payable and accrued expenses		7,338
Net cash provided by operating activities		40,359
Net change in cash		40,359
Cash and cash equivalents, beginning of year		237,468
Cash and cash equivalents, end of year	**$**	**277,827**

See notes to financial statements.

NOTE 1 – NATURE OF OPERATIONS

Organization

Statement Arts, Inc. (the "Organization" or "StART") was formed as a New York corporation on May 18, 2006 and is located in New York City. StART is a nonprofit entity organized and operated exclusively for charitable, scientific and educational purposes. Statement Arts, Inc. is dedicated to bringing the creative visual and performing arts to underserved, low-income individuals. StART is committed to giving our students an intercultural and interdisciplinary arts experience to which they do not have access. The Organization believes in the power of art to inspire social, cultural, and environmental education to further a legacy of responsible global citizenship.

On October 27, 2008, Statement Arts, Inc. received approval to be treated as a nonprofit organization under Section 501(c)(3) of the Internal Revenue Code and therefore is exempt from federal income taxes on related income. As such, no provisions for income taxes have been made in the financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Basis of Accounting

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

B) Basis of Presentation

Financial statement presentation follows the Financial Accounting Standards Board Accounting Standards Codification *Topic 958 (FASB ASC 958).* Under *FASB ASC 958 (ASU No. 2016-14),* Statement Arts, Inc. is required to report information regarding its financial position and activities according to two classes of net assets, as applicable: net assets without donor restrictions and net assets with donor-imposed restrictions. The classification of net assets and related support, revenue and expenses are based on the presence or absence of donor-imposed restrictions.

These classifications are defined as follows:

<u>Net assets without donor restrictions</u> **-** net assets that are not subject to donor-imposed stipulations and are available for the general operations of the Organization. All contributions are considered to be available for use without restrictions unless specifically restricted by the donor. Restricted contributions whose restrictions are met within the same fiscal year are reported as contributions without donor restrictions. Similarly, gains and investment income that is limited to specific uses by donor-imposed restrictions are reported as increases in net assets without donor restrictions if the restrictions are met in the same reporting period as the gains and income are recognized.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions are recorded at their fair value on the date of receipt. Unconditional promises to contribute are recorded at the fair value of the property to be contributed on the date the promise is made.

Net assets with donor-imposed restrictions - net assets which are subject to donor-imposed stipulations that will either be met by actions of the Organization, by the passage of time, by both actions of the Organization and the passage of time, or that neither expires with the passage of time nor can be fulfilled or removed by actions of the Organization. Amounts received that are restricted by the donor for use in future periods or for specific purposes are recorded as support with donor restrictions that increases that net asset class. When a restriction expires, 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.

C) 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 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 period. Actual results could differ from those estimates.

D) Income Taxes

Statement Arts, Inc. is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a “private foundation” within the meaning of Section 509(a) of the Internal Revenue Code. Management has evaluated all income tax positions and concluded that no disclosures relating to uncertain tax positions are required in the financial statements. Statement Arts, Inc.’s federal and New York State exempt organization returns are subject to examination by the appropriate jurisdictions. The Organization believes it is no longer subject to income tax examinations for years prior to 2018.

E) Cash and Cash Equivalents

The Organization defines cash equivalents as short-term, highly liquid investments with initial maturities within ninety days of purchase.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F) Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions. The cost of providing the programs and other activities has been summarized on a functional basis in the statement of activities. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

G) Receivables

Receivables are stated at the amount the Organization expects to collect from outstanding balances. The Organization considers receivables past due or delinquent when payments have not been received in a timely manner, and receivables are written off when management deems the possibility of collecting amounts due as the completion of the set of protocols for collection activities to be undertaken at certain times based upon delinquency status. Receivables as of December 31, 2022, totaled $31,280 and are receivable in less than one year.

H) Promise to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

I) New Accounting Pronouncement

ASU No. 2018-01

In January 2018, the FASB issued Accounting Standards Update (ASU) 2018-01, *Leases (Topic 842): Land Easement Practical Expedient for Transition to Topic 842*. ASU 2018-01 allows for an entity to elect an optional transition practical expedient to not evaluate under Topic 842 land easements that exist or expired before the entity's adoption of Topic 842 and that were not previously accounted for as leases under Topic 840. ASU 2018-01 will be effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The Organization does not anticipate this ASU will have a significant impact on its financial statements.

ASU No. 2018-08

In June 2018, the FASB issued Accounting Standards Update ("ASU") No. 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* The new standard provides a more robust framework for determining whether a transaction should be accounted for as a

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

contribution or as an exchange transaction based on whether a resource provider is receiving value in return for the resources transferred. Further, the ASU provides additional guidance to help determine whether a contribution is conditional and better distinguish a donor-imposed condition from a donor-imposed restriction. The effective date of this amendment is for fiscal years beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. The Organization is currently evaluating the impact of this pronouncement on its financial statements.

ASU No. 2016-01

In January 2016, the FASB issued ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities.* The new standard is effective for fiscal years beginning after December 15, 2018, and interim reporting periods within fiscal years beginning after December 15, 2019. The entities will be required to make a cumulative-effect adjustment to the statement of financial position as of the beginning of the first reporting period in which the guidance is effective. The guidance on equity securities without readily determinable fair value will be applied prospectively to all equity investments that exist as of the date of adoption of the standard. The Organization is currently evaluating the impact of this pronouncement on its financial statements.

ASU No. 2016-02

In February 2016, the FASB issued ASU 2016-01 *Leases (Topic 842)*, intended to improve financial reporting about leasing transactions. The ASU affects all companies and other organizations that lease assets such as real estate, airplanes, and manufacturing equipment. Under the new guidance, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than 12 months. Consistent with current Generally Accepted Accounting Principles ("GAAP"), the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. However, unlike current GAAP—which requires only capital leases to be recognized on the statement of assets, liabilities, and net assets. The new ASU will require both types of leases to be recognized on the statement of assets, liabilities, and net assets. The ASU on leases will take effect for all non-public and non-profit companies for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The Organization is currently evaluating the impact of this pronouncement on its financial statements.

ASU No. 2020-07

In September 2020, the FASB issued Accounting Standards Update 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets.* The FASB is issuing this update to increase the transparency of contributed nonfinancial assets for not-for profit ("NFP") entities through enhancements to presentation and disclosure. The amendments in this Update address certain stakeholders' concerns

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

about the lack of transparency about the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in NFP's programs and other activities. NFPs that receive contributed nonfinancial assets are subject to the amendments in this Update. Contribution revenue may be presented in the financial statements using different terms (for example, gifts, donations, grants, gifts-in-kind, donated services, or other terms). The amendments in this Update should be applied on a retrospective basis and are effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. The Organization does not anticipate this ASU will have a significant impact on its financial statements.

NOTE 3 – CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash deposits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. The Organization's balances did not exceed the FDIC coverage limits during the year ended December 31, 2022.

NOTE 4 – LIQUIDITY

The Organization's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Cash and cash equivalents	$	277,827
Accounts Receivable		31,280
Total	$	309,107

Liquidity is managed based upon actual results of previous years, as well as forecasts of spending through the end of the fiscal year. Fundraising activities, which have historically generated a predictable return, are planned and scheduled accordingly. With an annual budget below $385,500 and monthly expenses less than $27,300, the Organization meets its liquidity needs for operational costs through regular unrestricted and operational grants, especially individual donations. The majority of grants, donations and expenditures have been operational, enabling the Organization to match expenditures against corresponding funding. Expenses are not incurred against grants and donations with donor restrictions until the corresponding funding has been received.

NOTE 5 - 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 February 14, 2023, the date the financial statements were available to be issued. No events have occurred subsequent to the statement of financial position date through February 14, 2023, that would require disclosure in the financial statements.

NOTE 6 - PPP LOAN

In May 2020, the Organization obtained funding through the Small Business Administration (SBA) Paycheck Protection Program (PPP) amounting to $16,611.53. The loan will be fully forgiven if employee and compensation levels are maintained and the proceeds are spent on payroll costs and other eligible expenses, with at least 60% of the proceeds being used on payroll costs. The Organization applied for forgiveness and such forgiveness was granted in May 2021.

In February 2021, the Organization participated in the second PPP under the CARES Act and secured financing through a financial institution for $16,611.53 at 1.00% interest rate. The loan is guaranteed by the Small Business Administration and qualifies for 100% forgiveness if certain criteria are met: employee and compensation levels are maintained in the same manner as required for First Draw PPP loan, the loan proceeds are spent on payroll costs and other eligible expenses, with at least 60% of the proceeds being used on payroll costs. The Organization applied and received forgiveness of the second draw PPP loan in March 2022.