



RAW ART WORKS, INC.

REPORT ON AUDIT OF FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

RAW ART WORKS, INC.

REPORT ON AUDIT OF FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

---

C O N T E N T S

|   | <u>Page(s)</u> |
|---|----------------|
| INDEPENDENT AUDITORS' REPORT .....      | 1-2            |
| FINANCIAL STATEMENTS:                   |                |
| Statements of Financial Position .....  | 3              |
| Statements of Activities .....          | 4              |
| Statements of Cash Flows .....          | 5              |
| Statements of Functional Expenses ..... | 6              |
| Notes to Financial Statements .....     | 7-14           |
| SUPPLEMENTARY INFORMATION -             |                |
| Statements of Program Expenses.....     | 15             |



# Bernard, Johnson & Company, P.C.

Certified Public Accountants and Business Advisors

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Raw Art Works, Inc.

We have audited the accompanying financial statements of Raw Art Works, Inc. (a Massachusetts corporation, not for profit) which comprise the statement of financial position as of June 30, 2015, 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 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 misstatements 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 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 Raw Art Works, Inc. as of June 30, 2015, 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.

## Report on Summarized Comparative Information

We have previously audited Raw Art Works, Inc.'s 2014 financial statements, and our report dated October 20, 2014, expressed an unqualified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on page 15 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Garard Johnson & Company P.C.*

Topsfield, Massachusetts  
November 3, 2015

RAW ART WORKS, INC.

STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2015 AND 2014

ASSETS

|  | <u>2015</u>         | <u>2014</u>         |
|--|---------------------|---------------------|
| CURRENT ASSETS:  |                     |                     |
| Cash and cash equivalents  | \$ 705,286          | \$ 625,625          |
| Accounts receivable  | 33,997              | 30,082              |
| Grants and pledges receivable - current portion                    | 285,434             | 394,809             |
| Prepaid expenses   | 14,659              | 11,464              |
|  | <hr/>               | <hr/>               |
| Total current assets   | 1,039,376           | 1,061,980           |
|  | <hr/>               | <hr/>               |
| OTHER ASSETS:  |                     |                     |
| Cash and cash equivalents restricted as to use                     | 620,553             | 464,898             |
| Grants and pledges receivable, net of current portion and discount | 29,412              | 288,126             |
|  | <hr/>               | <hr/>               |
| Total other assets   | 649,965             | 753,024             |
|  | <hr/>               | <hr/>               |
| PROPERTY AND EQUIPMENT, net  | 1,319,159           | 1,042,785           |
|  | <hr/>               | <hr/>               |
| Total assets   | <u>\$ 3,008,500</u> | <u>\$ 2,857,789</u> |

LIABILITIES AND NET ASSETS

|                                  |                     |                     |
|----------------------------------|---------------------|---------------------|
| CURRENT LIABILITIES:             |                     |                     |
| Accounts payable                 | \$ 71,074           | \$ 24,406           |
| Accrued expenses                 | 95,549              | 89,130              |
|                                  | <hr/>               | <hr/>               |
| Total current liabilities        | 166,623             | 113,536             |
|                                  | <hr/>               | <hr/>               |
| NET ASSETS:                      |                     |                     |
| Unrestricted                     | 1,949,053           | 1,618,832           |
| Temporarily restricted           | 892,824             | 1,125,421           |
|                                  | <hr/>               | <hr/>               |
| Total net assets                 | 2,841,877           | 2,744,253           |
|                                  | <hr/>               | <hr/>               |
| Total liabilities and net assets | <u>\$ 3,008,500</u> | <u>\$ 2,857,789</u> |

*The accompanying notes are an integral part of these financial statements.*

RAW ART WORKS, INC.

STATEMENTS OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015  
*(with comparative totals for 2014)*

|   | Unrestricted        | Temporarily<br>Restricted | 2015<br>Total       | 2014<br>Total       |
|---|---------------------|---------------------------|---------------------|---------------------|
| Grants and contributions                                  | \$ 673,950          | \$ 801,989                | \$ 1,475,939        | \$ 1,862,402        |
| Special events, net of costs of direct benefits to donors | 232,427             | -                         | 232,427             | 192,612             |
| Program fees  | 193,113             | -                         | 193,113             | 203,282             |
| Other income  | 11,917              | -                         | 11,917              | 6,180               |
| Net assets released from restrictions                     | 864,080             | (864,080)                 | -                   | -                   |
| <br>  |                     |                           |                     |                     |
| Total operating revenue and support                       | <u>1,975,487</u>    | <u>(62,091)</u>           | <u>1,913,396</u>    | <u>2,264,476</u>    |
| <br>  |                     |                           |                     |                     |
| Program services  | 1,370,100           | -                         | 1,370,100           | 1,137,432           |
| Management and general                                    | 279,218             | -                         | 279,218             | 258,919             |
| Fundraising   | 367,254             | -                         | 367,254             | 310,513             |
| <br>  |                     |                           |                     |                     |
| Total operating expenses                                  | <u>2,016,572</u>    | <u>-</u>                  | <u>2,016,572</u>    | <u>1,706,864</u>    |
| <br>  |                     |                           |                     |                     |
| Change in net assets from operations                      | <u>(41,085)</u>     | <u>(62,091)</u>           | <u>(103,176)</u>    | <u>557,612</u>      |
| <br>  |                     |                           |                     |                     |
| Non-operating revenue - capital grants and contributions  | -                   | 200,800                   | 200,800             | 536,708             |
| Net assets released from restrictions                     | 371,306             | (371,306)                 | -                   | -                   |
| <br>  |                     |                           |                     |                     |
| Total non-operating revenue                               | <u>371,306</u>      | <u>(170,506)</u>          | <u>200,800</u>      | <u>536,708</u>      |
| <br>  |                     |                           |                     |                     |
| Change in net assets                                      | 330,221             | (232,597)                 | 97,624              | 1,094,320           |
| <br>  |                     |                           |                     |                     |
| Net assets at beginning of year                           | <u>1,618,832</u>    | <u>1,125,421</u>          | <u>2,744,253</u>    | <u>1,649,933</u>    |
| <br>  |                     |                           |                     |                     |
| Net assets at end of year                                 | <u>\$ 1,949,053</u> | <u>\$ 892,824</u>         | <u>\$ 2,841,877</u> | <u>\$ 2,744,253</u> |

*The accompanying notes are an integral part of these financial statements.*

RAW ART WORKS, INC.

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

|  | <u>2015</u>       | <u>2014</u>       |
|--|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES:  |                   |                   |
| Change in net assets from operations   | \$ (103,176)      | \$ 557,612        |
| Adjustments to reconcile change in net assets to net cash provided by operating activities - |                   |                   |
| Depreciation   | 94,930            | 43,214            |
| Cash provided by (used in) changes in:   |                   |                   |
| Accounts receivable  | (3,915)           | (5,706)           |
| Grants and pledges receivable  | 368,089           | (500,942)         |
| Prepaid expenses   | (3,195)           | (8,301)           |
| Accounts payable   | 46,668            | (17,462)          |
| Accrued expenses   | 6,419             | 16,053            |
|  | <u>405,820</u>    | <u>84,468</u>     |
| NET CASH PROVIDED BY OPERATING ACTIVITIES  |                   |                   |
| CASH FLOWS FROM INVESTING ACTIVITIES -   |                   |                   |
| Purchases of property and equipment  | (371,304)         | (340,376)         |
| Increase in cash and cash equivalents restricted as to use                                   | (155,655)         | (261,194)         |
|  | <u>(526,959)</u>  | <u>(601,570)</u>  |
| NET CASH USED IN INVESTING ACTIVITIES  |                   |                   |
| CASH FLOWS FROM FINANCING ACTIVITIES -   |                   |                   |
| Grants and pledges receivable  | -                 | (150,273)         |
| Non-operating capital grants   | 200,800           | 536,708           |
|  | <u>200,800</u>    | <u>386,435</u>    |
| NET CASH PROVIDED BY FINANCING ACTIVITIES  |                   |                   |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS   | 79,661            | (130,667)         |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR   | <u>625,625</u>    | <u>756,292</u>    |
| CASH AND CASH EQUIVALENTS, END OF YEAR   | <u>\$ 705,286</u> | <u>\$ 625,625</u> |

*The accompanying notes are an integral part of these financial statements.*

RAW ART WORKS, INC.

STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2015  
*(with comparative totals for 2014)*

|                                    | Total<br>Program<br>Services | Management<br>and<br>General | Fundraising       | Total<br>2015      | Total<br>2014      |
|------------------------------------|------------------------------|------------------------------|-------------------|--------------------|--------------------|
| Personnel                          | \$1,018,007                  | \$ 227,900                   | \$ 288,590        | \$1,534,497        | \$1,378,314        |
| Facilities                         | 150,276                      | 15,052                       | 8,615             | 173,943            | 104,448            |
| Consumable materials and supplies  | 66,554                       | 7,645                        | 6,726             | 80,925             | 55,750             |
| Travel and transportation          | 12,266                       | 2,723                        | 2,799             | 17,788             | 18,058             |
| Training, conferences and meetings | 31,635                       | -                            | 26,373            | 58,008             | 57,718             |
| Printing and reproduction          | 11,600                       | 2,232                        | 15,828            | 29,660             | 19,896             |
| Computer and office equipment      | 61,944                       | 3,976                        | 4,912             | 70,832             | 33,679             |
| Communications                     | 6,529                        | 3,689                        | 3,477             | 13,695             | 10,624             |
| Administrative costs               | 1,053                        | 12,557                       | 3,538             | 17,148             | 11,871             |
| Miscellaneous                      | 10,236                       | 3,444                        | 6,396             | 20,076             | 16,506             |
| Total expenses                     | <u>\$1,370,100</u>           | <u>\$ 279,218</u>            | <u>\$ 367,254</u> | <u>\$2,016,572</u> | <u>\$1,706,864</u> |

*The accompanying notes are an integral part of these financial statements.*



## RAW ART WORKS, INC.

### NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

#### 1. ORGANIZATION

Raw Art Works, Inc. ("RAW") is a not-for-profit, youth arts organization founded in 1988 and located in Lynn, Massachusetts. RAW offers a continuum of programs that help at-risk youth develop artistic and life skills, form positive relationships with peers, adults, and the community, and gain an understanding of who they are and who they can be. Nationally recognized in its field, RAW equips children and teens with the tools and the confidence to make life-affirming decisions. RAW is a unique program where art therapists, professional artists and filmmakers integrate their practices.

RAW operates the following major programs:

#### **High School Programs**

- *RAW Chiefs*  
RAW Chiefs meets the need of younger children to have strong mentors and the need of teens to motivate themselves and succeed with high expectations. RAW Chiefs (ages 15-20) participate in ongoing training as leaders and artists by co-leading weekly art groups for and mentor younger youth and serve in community programs.
- *Project Launch*  
Project Launch is a mentor-based college access and life skills program offered to all RAW high school juniors and seniors. Teens are paired one-on-one with adult mentors who help them navigate the college and financial aid application process. Teens attend weekly events and workshops including FAFSA, public speaking, financial planning, and career nights.
- *Good 2 Go*  
Good 2 Go is a program comprised of young male artists who paint public murals with the goal of expanding public art throughout Lynn, Massachusetts.
- *Reel 2 Reel*  
Reel 2 Reel program participants learn how to creatively and constructively approach the art of visual storytelling and filmmaking. Also, Reel 2 Reel provides youth recruitment efforts in the form of festival engagements, screenings, and guest artist opportunities.
- *Door 2 Door*  
Door 2 Door program participants are RAW high school graduate artists who create art pieces auctioned at RAW's fundraising events.
- *Tinkers*  
Tinkers is an art-based career exploration program. This program has employed several youth in the business of working as an artist.

#### **Middle School Programs**

- *Boyz Lync*  
Boyz Lync helps young men find a place to belong and succeed by focusing on building self-esteem and acting responsibly in their communities.
- *Reel 2 Reel*  
Reel 2 Reel program participants learn how to creatively and constructively approach the art of visual storytelling and filmmaking. Also, Reel 2 Reel provides youth recruitment efforts in the form of festival engagements, screenings, and guest artist opportunities.

(Continued)

RAW ART WORKS, INC.

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

1. ORGANIZATION (continued)

**Middle School Programs** (continued)

- *Art Therapy*  
RAW provides art therapy services for middle school students, aiming to keep these students motivated in learning and being creative.
- *Art4Girلز*  
Art4Girلز members collaborate to develop group rules and norms through a focus on storytelling and making art projects relevant to building identity and their own strength, while challenging stereotypes.

**Elementary School Programs**

- *Art Tag*  
Art Tag is a program in which students attend RAW for a series of workshops where they create large-scale collaborative pieces that they use to “tag” the next class of students.
- *Art Therapy*  
RAW provides art therapy services for elementary school students, aiming to instill confidence, creativity and community building.
- *Van Go*  
Van Go is a mobile art program that brings art-making to some of Lynn’s most distressed neighborhoods during the summer.
- *RAW Energy*  
RAW Energy focuses on helping each child gain a strong sense of their individuality, learn problem solving skills through the arts, and deepen their relationships through practicing conflict-resolution skills.
- *Mariposa*  
Mariposa is a program in which elementary age girls attend RAW for a series of workshops.
- *Family Gather*  
Family Gather offers youth, who are currently not enrolled in another group, the opportunity to participate in half year groups during Saturday mornings. Families work together to create and complete pieces to take home and enjoy.

**Multi Age Group Programs**

- *Spoken Word*  
Spoken word offers middle school students and RAW alumni the opportunity to read, write, and perform poems.
- *Art Adventures*  
Art Adventures is a program for art motivated students looking to build a strong foundation in the arts and have experience creating art works.

(Continued)

## RAW ART WORKS, INC.

### NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2015 AND 2014 (Continued)

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Basis of Presentation

RAW reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. These classifications are related to the existence or absence of donor-imposed restrictions as follows:

Unrestricted net assets represent the portion of RAW's net assets that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Contributions of goods to be used in program operations are reported as revenues and expenses of the unrestricted net asset class at the time the goods are received. Contributions of property and equipment without donor stipulations concerning the purchase of such long-lived assets are reported as revenues of the unrestricted net asset class.

Temporarily restricted net assets represent contributions and revenues whose use by RAW is limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled and removed by actions of RAW pursuant to those stipulations. When material, contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. Contributions of cash or other assets to be used to acquire property and equipment with donor stipulations are reported as non-operating revenues of the temporarily restricted net asset class, and the restrictions are considered to be released at the time of acquisition of such long-lived assets.

Permanently restricted net assets represent contributions and other inflows of assets whose use by RAW is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled and removed by actions of RAW pursuant to those stipulations. No permanently restricted assets were held during 2015 or 2014 and accordingly, these statements do not reflect any activity related to this class of net assets.

##### Summarized Comparative Financial Statements

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information excludes sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with RAW's financial statements for the year ended June 30, 2014, from which the summarized information was derived.

##### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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. Accordingly, actual results could differ from those estimates.

*(Continued)*

RAW ART WORKS, INC.

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014  
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Management's Review

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through November 3, 2015, the date the financial statements were available to be issued.

Cash and Cash Equivalents

RAW considers all liquid investments with a maturity of three months or less to be cash or cash equivalents.

Accounts Receivable

Accounts receivable are carried at original invoice amount. Management determines collectability by regularly evaluating individual receivables and considering financial condition, credit history, and current economic conditions. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. There were no accounts deemed uncollectible for the years ended June 30, 2015 and 2014.

Grants and Pledges Receivable

Grants and pledges receivable represent unconditional promises to give, which are classified as current if they are scheduled for payment within one year, and non-current when the expected payment date exceeds one year. These amounts are considered fully collectible by management, and consequently, these financial statements do not contain a provision for uncollectible pledges. Therefore, if pledges become uncollectible, they will be charged as an expense when that determination is made. For the years ended June 30, 2015 and 2014, there were no pledges considered uncollectible and no bad debts arising from grant commitments.

Property and Equipment

Property and equipment acquisitions in excess of \$3,000 are recorded at cost on the date of acquisition or fair value on date of donation. Expenditures for major renewals and improvements are capitalized, while expenditures for maintenance and repairs are expensed as incurred. The cost and accumulated depreciation of assets retired or sold are removed from the statement of financial position and any gain or loss is credited or charged to income.

*(Continued)*

RAW ART WORKS, INC.

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014  
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Depreciation

Depreciation is computed over estimated useful lives using the straight-line method. The estimated useful lives used in the computation of depreciation are as follows:

| <u>Classification</u>     | <u>Estimated Life</u> |
|---------------------------|-----------------------|
| Building and improvements | 20-40 years           |
| Equipment                 | 3-5 years             |
| Vehicles                  | 5 years               |

Depreciation expense was \$94,930 and \$43,214 for the years ended June 30, 2015 and 2014, respectively.

Impairment of Long-Lived Assets

In accordance with accounting principles generally accepted in the United States of America, RAW has given consideration to the impairment of their long-lived assets in its presentation of these financial statements. As of June 30, 2015, RAW has not recognized any reduction in the carrying value of its property.

Cash and Cash Equivalents Restricted as to Use

Restricted cash is comprised of two sources of capital campaign fund contributions. One source is restricted for new program initiatives and for the purchase of long-lived assets, improvements and major repairs and maintenance. A second source is restricted for RAW's 25<sup>th</sup> Anniversary capital campaign, which aims to expand youth arts programming and available operating space.

Donated Goods and Services

Contributions of services are reported as revenues and expenses of the unrestricted net asset class at the fair value of the services received only if the services create or enhance a non-financial asset or would typically need to be purchased by RAW if they had not been provided by the individuals with those skills. Contributions of goods to be used in program operations are reported as revenues and expenses of the unrestricted net asset class at the time the goods are received.

Compensated Absences

Employees are entitled to paid vacation, sick and personal days off depending on job classification, length of service and other factors.

Functional Expenses

RAW allocates its expenses on a functional basis among its various programs. Expenses that can be identified with a specific program are allocated directly according to their natural expense classification. Indirect expenses are allocated based upon estimates made by management.

*(Continued)*

RAW ART WORKS, INC.

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014  
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Tax Status and Uncertainty of Income Taxes

RAW is a not-for-profit organization, qualifying under IRS Section 501(c)(3), and is exempt from federal and state income taxes, however, if RAW had unrelated business income it would be taxable.

Accounting principles generally accepted in the United States of America require RAW's management to evaluate tax positions taken by RAW and recognize a tax liability (or asset) if RAW has taken an uncertain tax position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by RAW, and has concluded that as of June 30, 2015 and 2014, there were no material uncertain tax positions to report.

For the years ended June 30, 2015 and 2014, no provision for income taxes has been made. RAW is subject to audit by tax authorities generally for three years after they were filed. Information returns filed for the years ended 2014, 2013, and 2012 remain subject to examination by the Internal Revenue Service and the state of Massachusetts. RAW believes that it has appropriate support for the positions taken on its tax returns.

Advertising

RAW expenses advertising costs as incurred.

3. GRANTS AND PLEDGES RECEIVABLE

During the year ended June 30, 2015, RAW received grants and pledges for its 25<sup>th</sup> Anniversary capital campaign and for existing and new program initiatives. Management has provided for a discount of \$588 and \$7,307 for contributions to be received after one year for the years ended June 30, 2015 and 2014, respectively. Contributions to be received after one year are discounted using a federal rate for determining the present value of an annuity and corresponding with the term of the respective contributions ranging from 2.15% to 4.26% at June 30, 2015.

At June 30, 2015 and 2014, unconditional pledges receivable consist of the following:

|  | 2015              | 2014              |
|--|-------------------|-------------------|
| Grants and pledges receivable due in one year          | \$ 285,434        | \$ 394,809        |
| Grants and pledges receivable due in one to five years | 30,000            | 295,433           |
| Grants and pledges receivable due in over five years   | -                 | -                 |
|  | <u>315,434</u>    | <u>690,242</u>    |
| Less - present value discount                          | (588)             | (7,307)           |
|  | <u>\$ 314,846</u> | <u>\$ 682,935</u> |

(Continued)

RAW ART WORKS, INC.

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014  
(Continued)

4. PROPERTY AND EQUIPMENT

At June 30, 2015 and 2014, property and equipment consists of the following:

|                                 | 2015                | 2014                |
|---------------------------------|---------------------|---------------------|
| Land                            | \$ 73,600           | \$ 73,600           |
| Building and improvements       | 1,074,992           | 842,979             |
| Construction in progress        | -                   | 331,575             |
| Leasehold improvements          | 479,668             | -                   |
| Equipment                       | 176,136             | 184,936             |
| Vehicle                         | 26,245              | 26,245              |
|                                 | <u>1,830,641</u>    | <u>1,459,335</u>    |
| Less - accumulated depreciation | <u>(511,482)</u>    | <u>(416,550)</u>    |
| Net property and equipment      | <u>\$ 1,319,159</u> | <u>\$ 1,042,785</u> |

5. LINE OF CREDIT

At June 30, 2015, RAW had available a secured \$35,000 line of credit with a bank. The line matures on August 2016 and bears interest at 4.25%. The line is secured by all business assets. Payments on outstanding balances are due monthly or immediately upon demand. There were no borrowings on this credit line in 2015 or 2014.

6. LEASE COMMITMENT

RAW entered into a ten year lease agreement on May 5, 2013 for first floor space in an adjoining 2,523 square foot facility. The initial term of the lease is effective October 1, 2013 and runs through 2023. RAW has two (2) consecutive five-year options to extend the term. In January 2014, an addendum to the lease was entered into to rent an additional 1,950 square feet of basement premises beneath the first floor space. A \$3,700 security deposit for the first floor and basement is included in prepaid expenses on the Statement of Financial Position. Future minimum lease payments under this agreement are as follows:

|               |    |         |
|---------------|----|---------|
| June 30, 2016 | \$ | 27,000  |
| June 30, 2017 | \$ | 29,800  |
| June 30, 2018 | \$ | 31,440  |
| June 30, 2019 | \$ | 32,880  |
| June 30, 2020 | \$ | 34,320  |
| Thereafter    | \$ | 121,680 |

Included in facility costs is \$24,000 and \$16,500 of rent expense for the years ended June 30, 2015 and 2014, respectively.

*(Continued)*

**RAW ART WORKS, INC.**

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014  
(Continued)

7. RESTRICTED NET ASSETS

Restricted net assets are funds that have been restricted by time or as to use by donor or grant requirements. Temporarily restricted net assets consist of:

|                                      | 2015              | 2014                |
|--------------------------------------|-------------------|---------------------|
| Existing and new program initiatives | \$ 252,000        | \$ 346,700          |
| Capital campaign                     | 564,490           | 668,804             |
| Time restricted                      | 76,334            | 109,167             |
| Scholarship fund                     | -                 | 8,250               |
| Total                                | <u>\$ 892,824</u> | <u>\$ 1,132,921</u> |

8. DEFINED CONTRIBUTION RETIREMENT PLAN

On January 1, 2009, RAW established a 401(K) retirement plan for eligible employees. Participants may make voluntary salary deferrals to the plan up to the maximum amount allowed by the Internal Revenue Code. RAW may make discretionary matching and/or profit-sharing contributions. No employer contributions were made to the plan for the years ended June 30, 2015 and 2014.

9. DONATED GOODS AND SERVICES

Donated goods and services received in support of programs and administrative functions and included as contributions in the Statement of Activities totaled \$11,059 and \$5,580, for the years ended June 30, 2015 and 2014, respectively.

10. RELATED PARTIES

RAW board members regularly provide support in the form of annual campaign contributions, special event sponsorships and other unrestricted contributions. These amounts are material to the financial statements. Board member contributions approximated 7% and 13% of total revenue and support for the years ended June 30, 2015 and 2014, respectively.

11. FINANCIAL INSTRUMENTS, CREDIT RISK AND CONCENTRATIONS RISK

Financial instruments that may be subject to concentrations of credit risk consist of cash and cash equivalents. At June 30, 2015, based on bank balances, RAW had approximately \$473,336 of cash and cash equivalents in excess of federally-insured limits.

12. RECLASSIFICATION

Certain amounts in the 2014 financial statements have been reclassified to conform to the 2015 presentation.



SUPPLEMENTARY INFORMATION

RAW ART WORKS, INC.

STATEMENTS OF PROGRAM EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2015  
*(with comparative totals for 2014)*

|                                    | Elementary School | Middle School     | High School       | 25th Anniversary Program Expansion Elementary School | 25th Anniversary Program Expansion Middle School | 25th Anniversary Program Expansion High School | Total 2015          | Total 2014          |
|------------------------------------|-------------------|-------------------|-------------------|--|--|--|---------------------|---------------------|
| Personnel                          | \$ 66,681         | \$ 138,954        | \$ 515,625        | \$ 6,246   | \$ 39,353  | \$ 251,148                                     | \$ 1,018,007        | \$ 931,275          |
| Facilities                         | 9,182             | 22,837            | 72,810            | 950  | 6,219  | 38,278   | 150,276             | 70,660              |
| Consumable materials and supplies  | 5,226             | 7,093             | 31,548            | 590  | 1,943  | 20,154   | 66,554              | 45,653              |
| Travel and transportation          | 793               | 1,611             | 7,107             | 51   | 316  | 2,388  | 12,266              | 12,945              |
| Training, conferences and meetings | 2,494             | 4,072             | 17,380            | 179  | 1,095  | 6,415  | 31,635              | 22,156              |
| Printing and reproduction          | 732               | 1,546             | 5,749             | 66   | 421  | 3,086  | 11,600              | 7,317               |
| Computer and office equipment      | 3,267             | 5,980             | 24,721            | 270  | 1,573  | 26,133   | 61,944              | 31,730              |
| Communications                     | 412               | 876               | 3,290             | 40   | 294  | 1,617  | 6,529               | 6,971               |
| Administrative costs               | 60                | 168               | 514               | 6  | 46   | 259  | 1,053               | 690                 |
| Miscellaneous                      | 680               | 999               | 5,890             | 55   | 341  | 2,271  | 10,236              | 8,035               |
| <b>Total expenses</b>              | <b>\$ 89,527</b>  | <b>\$ 184,136</b> | <b>\$ 684,634</b> | <b>\$ 8,453</b>                                      | <b>\$ 51,601</b>                                 | <b>\$ 351,749</b>                              | <b>\$ 1,370,100</b> | <b>\$ 1,137,432</b> |