Gorfine Schiller Gardyn
Certified Public Accountants and Consultants

ArtStream
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ARTSTREAM, INC.

FINANCIAL STATEMENTS
AUGUST 31, 2019 AND 2018

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INDEPENDENT AUDITORS' REPORT

Board of Directors
ArtStream, Inc.
Chevy Chase, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of ArtStream, Inc., which comprise the statements of financial position as of August 31, 2019 and 2018, and the related statements of activities and cash flows for the years ended August 31, 2019 and 2018 and the statement of functional expenses for the year ended August 31, 2019, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ArtStream, Inc. as of August 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

We have previously audited ArtStream, Inc.'s August 31, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 7, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gorfine, Schiller + Gardyn, P.A.

December 13, 2019
Owings Mills, Maryland

FINANCIAL STATEMENTS

ARTSTREAM, INC.
STATEMENTS OF FINANCIAL POSITION
August 31, 2019 and 2018

ASSETS

	2019	2018
CURRENT ASSETS		
Cash	$ 91,628	$ 74,177
Accounts receivable	7,816	7,560
Prepaid expenses	11,772	9,061
Total current assets	111,216	90,798
PROPERTY AND EQUIPMENT		
Furniture and equipment	19,352	19,352
Less accumulated depreciation	(18,070)	(17,327)
Net property and equipment	1,282	2,025
OTHER ASSETS		
Investments	194,712	180,999
Deposits	11,858	16,036
Total other assets	206,570	197,035
TOTAL ASSETS	$ 319,068	$ 289,858

LIABILITIES AND NET ASSETS

	2019	2018
CURRENT LIABILITIES		
Accounts payable	$ 4,971	$ 5,600
Deferred revenue and refundable advances	76,166	52,709
Total current liabilities	81,137	58,309
NET ASSETS		
Without donor restrictions	237,931	231,549
TOTAL LIABILITIES AND NET ASSETS	$ 319,068	$ 289,858

ARTSTREAM, INC.
STATEMENTS OF ACTIVITIES
For the Years Ended August 31, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Contributions						
Individuals	$ 206,777	$ -	$ 206,777	$ 185,958	$ -	$ 185,958
Corporate grants	27,826	-	27,826	29,295	-	29,295
Foundation grants	106,166	-	106,166	120,580	-	120,580
Government grants	71,167	-	71,167	70,156	-	70,156
Program Service Revenue						
Tuition	116,991	-	116,991	116,238	-	116,238
Contracted services	90,625	-	90,625	97,643	-	97,643
Theatre	30,127	-	30,127	30,570	-	30,570
Special events	16,622	-	16,622	10,108	-	10,108
Interest and dividend income	9,830	-	9,830	6,604	-	6,604
Net appreciation (depreciation) on investments	2,758	-	2,758	(9,783)	-	(9,783)
In-Kind donation	9,085	-	9,085	5,200	-	5,200
Total support and revenue before net assets released from restrictions	687,974	-	687,974	662,569	-	662,569
Net assets released from restrictions	-	-	-	7,259	(7,259)	-
Total support and revenue	687,974	-	687,974	669,828	(7,259)	662,569
EXPENSES						
Program services						
Inclusive theatre companies	288,569	-	288,569	256,572	-	256,572
Classes for adults and children	241,871	-	241,871	276,958	-	276,958
Contracted services	73,873	-	73,873	42,758	-	42,758
Total program services	604,313	-	604,313	576,288	-	576,288
Management and general	19,513	-	19,513	19,504	-	19,504
Fundraising	57,766	-	57,766	56,658	-	56,658
Total expenses	681,592	-	681,592	652,450	-	652,450
CHANGES IN NET ASSETS	6,382	-	6,382	17,378	(7,259)	10,119
NET ASSETS - Beginning of year	231,549	-	231,549	214,171	7,259	221,430
NET ASSETS - End of year	$ 237,931	$ -	$ 237,931	$ 231,549	$ -	$ 231,549

ARTSTREAM, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended August 31, 2019 (With Comparative Totals for 2018)

	2019							2018
	Program Services							
	Inclusive Theatre Companies	Classes for Adults and Children	Contracted Services	Total Program Services	Management and General	Fundraising	Total	Total
Administrative expenses	$ 32,671	$ 36,992	$ 4,224	$ 73,887	$ 4,758	$ 6,594	$ 85,239	$ 73,246
Computer software	-	-	-	-	-	-	-	778
Conference	-	-	-	-	-	-	-	1,744
Depreciation	294	333	26	653	31	59	743	3,058
In-kind donations	3,361	3,802	295	7,458	334	1,293	9,085	4,250
Marketing	2,467	1,363	107	3,937	121	243	4,301	3,607
Office expense	-	-	-	-	-	-	-	2,195
Subcontractors	60,459	30,908	55,745	147,112	161	324	147,597	172,996
Salaries	116,226	133,175	10,331	259,732	11,741	23,480	294,953	292,263
Printing and publication	5,265	4,336	540	10,141	252	3,443	13,836	11,260
Professional development	-	-	-	-	-	-	-	147
Professional fees	19,191	21,749	1,639	42,579	1,863	7,215	51,657	14,355
Program	47,981	8,396	674	57,051	39	77	57,167	56,960
Sales tax	84	-	-	84	-	-	84	71
Special events	-	520	-	520	-	15,005	15,525	13,386
Travel	570	297	292	1,159	213	33	1,405	2,134
Total functional expenses	$ 288,569	$ 241,871	$ 73,873	$ 604,313	$ 19,513	$ 57,766	$ 681,592	$ 652,450

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

ARTSTREAM, INC.
STATEMENT OF CASH FLOWS
For the Years Ended August 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ 6,382	$ 10,119
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	743	3,057
Net (appreciation) depreciation on investments	(2,758)	9,783
Changes in assets and liabilities:		
Accounts receivable	(256)	17,567
Prepaid expenses	(2,711)	(4,228)
Security deposits	4,178	(2,864)
Accounts payable	(629)	(788)
Accrued expenses	-	(1,743)
Deferred revenue	23,457	7,716
Net cash provided by operating activities	28,406	38,619
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(58,162)	(230,067)
Proceeds from sales of investments	47,207	189,285
Net cash used in investing activities	(10,955)	(40,782)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on short-term loan payable	-	(15,000)
CHANGES IN CASH	17,451	(17,163)
CASH - Beginning of year	74,177	91,340
CASH - End of year	$ 91,628	$ 74,177

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

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Organization and Nature of Activities

ArtStream, Inc. (the Organization) was incorporated in the State of Maryland on September 9, 2005. People with intellectual and developmental disabilities (IDDs) – including autism spectrum disorders – develop communication, self-advocacy and social skills through the Organization's inclusive performance-based learning programs. These skills transfer to the home, classroom, workplace, and community. Participants make their own choices and are engaged, stimulated, challenged and inspired to surpass their own and others' expectations.

ArtStream provides **performance-based classes and workshops** for participants with IDDs of all ages. Class themes include comedy, musical theatre, dance, improv, public speaking, and role play. All are designed to improve communication, self-advocacy and social skills, and improve self-esteem.

Participants in ArtStream's six **Inclusive Theatre Companies** collaboratively write and produce original musicals featuring adults with IDDs and autism performing on stage alongside volunteer mentors and teaching artists. The musicals are performed for the public in Maryland and Virginia.

Participants in ArtStream's four **Cabaret Companies** collaboratively develop and perform solo and small group music, dance or drama acts. The Cabarets are performed for the public in Maryland and Virginia.

At Walter Reed National Military Medical Center (WRNMMC) in Bethesda, ArtStream's bedside programming uses **therapeutic arts activities** to aid in the psychological recovery of wounded veterans and visiting family members. Arts-based activities also improve the resilience and morale of nursing personnel, technicians, and medics employed across the Walter Reed campus. This program was transferred to the Institute for Integrative Health in December 2018.

2. Basis of Accounting

The financial statements are prepared on the accrual basis of accounting and in accordance with the Financial Accounting Standards Board Accounting Standards Codification (ASC) which requires the Organization to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. There were no assets with donor restrictions as of August 31, 2019 and 2018.

3. 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

4. Cash and Cash Equivalents

The Organization considers all highly liquid instruments with an original maturity of three months or less to be cash equivalents. As of August 31, 2019, the Organization did not have any cash equivalents.

5. Promises to Give

Unconditional promises to give are recognized as revenue 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 only when the conditions on which they depend are substantially met and the promises become unconditional.

6. Receivable

Receivables consist of amounts due for program service fees and contributions receivable from unconditional promises to give which are recorded at their net realizable value. The Organization considers all receivables to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

7. Property and Equipment

Acquisitions of property and equipment in excess of $5,000 are capitalized. Purchases of property and equipment are recorded at cost. Donations of property and equipment are recorded as support at their estimated fair value on the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Depreciation is provided using the straight-line method over the estimated useful lives of the asset, which range from 3 to 7 years. Depreciation expense was $743 and $3,057 for the years ended August 31, 2019 and 2018, respectively.

8. Investments

Investments are presented at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Changes in fair value, whether realized or unrealized, are reported in the statements of activities in the period in which they occur. Purchases and sales of investments are recorded on the trade-date basis, dividend income is recognized as of the ex-dividend date and interest income is recognized as earned on the accrual basis.

9. Contributions and Revenue

Contributions are recorded as received. All contributions are available for unrestricted use unless specifically restricted by the donor. Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

10. Deferred Revenue and Refundable Advances

Revenues received in advance of rendering related services are recorded as deferred revenue, until services are rendered. Conditional grant funds and contributions are recorded as refundable advances until the conditions are met.

11. Donated Services, Equipment and Supplies

Donated equipment and supplies are recorded at their estimated fair values in the period received. Donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their estimated fair values in the period received.

12. Functional Allocation of Expense

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

13. Income Tax Status

The Organization is a not-for-profit corporation as described under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income tax pursuant to Section 501(a) of the Internal Revenue Code.

ASC 740, *Income Taxes* requires the Organization to recognize or disclose any tax positions that would result in unrecognized tax exposures. The Organization has no positions that would require disclosure or recognition under the topic. The Organization's information returns for years ending August 31, 2016 and after are subject to examination by the various taxing authorities; however there are currently no examinations in progress.

14. Change in Accounting Policy

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-14, *Not-for-Profit Entities*, which contains significant changes to the financial statements requirements under the *Not-for-Profit Entitie*s topic of the Accounting Standards Codification. The new standard is effective for the year ending August 31, 2019 and has been retroactively applied. Upon adoption of this new standard, the Organization updated the wording used to describe its nets assets with and without donor restrictions, added a statement of functional expenses and added the disclosure in Note H.

15. Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers*, which requires that revenue recognition be determined by applying a five step process. The new standard, as amended by subsequent Accounting Standards Updates, is effective for the year ending August 31, 2020. The Organization will evaluate the effect that implementation of the new standard will have on its consolidated balance sheet and statement of operations.

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

15. Recent Accounting Pronouncements - Continued

In June 2018, the Financial Accounting Standards Board issued Accounting Standards Update 2018-08, *Not-for-Profit Entities, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in the Update provide a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction, and for determining whether a contribution is conditional or unconditional. The new standard is effective for the year ending August 31, 2020. The Organization will evaluate the effect that implementation of the new standard will have on its financial position, results of operations and cash flows.

16. Subsequent Events

In preparing these financial statements, the Organization evaluated events and transactions for potential recognition or disclosure through December 13, 2019 the date the financial statements were available to be issued. During this period, the Organization did not have any material recognizable subsequent events.

NOTE B – CONCENTRATION OF CREDIT RISK

The Organization maintains cash in multiple financial institutions, which are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per financial institution. At August 31, 2019, there were no uninsured cash balances. Financial instruments with a maturity date of less than three months are invested in demand deposits and mutual funds at commercial financial institutions. At times, certain balances held within these accounts may not be fully guaranteed or insured by the FDIC. The uninsured portion of these accounts are backed solely by the assets of the financial institution. The Organization has not experienced any loss in these accounts and does not believe it is exposed to any significant credit risk on its cash and financial instruments balances.

NOTE C – COMMITMENTS

The Organization entered into operating sublease agreement for office space on July 17, 2017. The sublease terminates on December 19, 2022 and requires aggregate monthly payments of $3,283. Rent expense for the years ended August 31, 2019 and 2018 was $37,302 and $40,843, respectively.

Future minimum payments under the sublease for the years ending August 31 are as follows:

2020	$	40,683
2021		41,904
2022		43,161
2023		44,456
2024		15,225

The Organization was also obligated under various short-term leases, during the year ended August 31, 2019, for office, event and theater space.

NOTE D – FAIR VALUE MEASUREMENTS

FASB Accounting Standards Codification 820, *Fair Value Measurements and Disclosures* (FASB 820), establishes a framework for measuring fair value. That framework 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 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB 820 are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan 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 asset 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.

Following is a description of the valuation methodology used for assets measured at fair value. There have been no changes in the methodology used at August 31, 2019.

Mutual funds and STIF: Valued at the quoted net asset value of shares held by the plan at year end.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NOTE D – FAIR VALUE MEASUREMENTS – Continued

The following tables are set forth by level, within the fair value hierarchy, the Plan's assets at fair value as of August 31, 2019 and 2018:

Assets at Fair Value as of August 31, 2019

	Level 1	Level 2	Level 3	Total
Mutual funds - bonds				
Global bonds	$ 83,421	$ -	$ -	$ 83,421
US core bonds	9,665	-	-	9,665
Large blend	32,230	-	-	32,230
Short-term bond	41,079	-	-	41,079
High yield bond	24,374	-	-	24,374
STIF	3,943	-	-	3,943
Total assets at fair value	$ 194,712	$ -	$ -	$ 194,712

Assets at Fair Value as of August 31, 2018

	Level 1	Level 2	Level 3	Total
Mutual funds - bonds				
Global bonds	$ 98,461	$ -	$ -	$ 98,461
US core bonds	8,773	-	-	8,773
Large blend	32,927	-	-	32,927
Short-term bond	31,172	-	-	31,172
Multialternative	9,666	-	-	9,666
Total assets at fair value	$ 180,999	$ -	$ -	$ 180,999

NOTE E – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions result from contributions whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to these stipulations. Net assets may have donor restrictions for various purposes, such as use in future periods for specified purposes. Net assets with donor restrictions as of August 31, 2019 and 2018 was $-0- and $-0-, respectively and are restricted for the purpose of a specific program.

NOTE F – CONTRIBUTED SERVICES

During the years ended August 31, 2019 and 2018, the Organization's programs benefited from the services of volunteers. During the year ended August 31, 2019, the Organization estimates a total of 3,148 hours of services were provided by volunteers, with an estimated value of $90,190. During the year ended August 31, 2018, the Organization estimates a total of 4,014 hours of services were provided by volunteers, with an estimated value of $110,399.

In accordance with generally accepted accounting principles, contributed services are recorded in the financial statements at their fair market value, if the services require specialized skills, or increase the value of the Organization's assets. During the years ended August 31, 2019 and 2018, there was $9,085 and $5,200 of contributed services, respectively.

NOTE G – CERTAIN SIGNIFICANT RISKS AND UNCERTAINTIES

The Organization invests in various investments. As a result, the Organization's revenues and liquidity are directly affected by general economic and capital market conditions, including fluctuations in the price levels of securities and changes in interest rates. The Organization believes the risks associated with such investment activities have been minimized through diversification of the investment portfolio and utilization of independent portfolio managers, as well as an independent investment manager, to monitor investment performance.

NOTE H – LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization regularly monitors liquidity required to meet its annual operating needs and other contractual commitments. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. The Organizations' financial assets available within one year of the statement of financial position date for general expenditures at August 31, 2019, are as follows:

Cash	$ 91,628
Accounts receivable	7,816
Investments	194,712
Financial assets and liquidity resources available for general expenditures within one year.	$ 294,156

The Organization has various sources of liquidity at its disposal, including cash, receivables and investments, which are available for general expenditures, liabilities and other obligations as they come due. Management is focused on sustaining the financial liquidity of the Organization throughout the year. This is done through monitoring and reviewing the Organization's cash flow needs on a weekly basis. As a result, management is aware of the cyclical nature of the Organization's cash flow related to the Organization's various funding sources and is therefore able to ensure that there is cash available to meet current liquidity needs. The Organization currently has enough cash to cover expenses for almost two months. The Organization will receive grant funds along with contributions throughout fiscal year 2020 to support the Organization throughout the upcoming fiscal year.