

URBAN ARTWORKS

FINANCIAL STATEMENTS
DECEMBER 31, 2023

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C e r t i f i e d P u b l i c A c c o u n t a n t s

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors of
Urban Artworks
Seattle, Washington

We have reviewed the accompanying financial statements of Urban Artworks (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of entity management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

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

We are required to be independent of Urban Artworks and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountant's Conclusion

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

Luby + Thomson

Luby and Thomson, PLLC
Certified Public Accountants
Bellevue, Washington
December 12, 2024

URBAN ARTWORKS

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2023

ASSETS

Cash and cash equivalents	\$ 475,314
Certificates of deposit	200,000
Accounts receivable	78,076
Prepaid expenses	1,665
Property and equipment, net of accumulated depreciation of \$570	455
Operating lease right of use asset	<u>27,713</u>
TOTAL ASSETS	<u>\$ 783,223</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 30,328
Accrued vacation	23,398
Operating lease liability	<u>27,713</u>
Total liabilities	<u>81,439</u>

NET ASSETS

Without donor restrictions	676,784
With donor restrictions	<u>25,000</u>
Total net assets	<u>701,784</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 783,223</u>
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See independent accountant's review report and notes to the financial statements.

URBAN ARTWORKS

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions and grants	\$ 604,759	\$ 25,000	\$ 629,759
Program revenue	584,732	-	584,732
State tax credits	19,512	-	19,512
Special event revenue	17,980	-	17,980
In-kind contributions	14,992	-	14,992
Interest income	2,806	-	2,806
	1,244,781	25,000	1,269,781
Net assets releases:			
Satisfaction of donor restrictions	-	-	-
Total support and revenue	1,244,781	25,000	1,269,781
EXPENSES			
Program services	805,697	-	805,697
Management & general	101,542	-	101,542
Fundraising	154,460	-	154,460
Total expenses	1,061,699	-	1,061,699
CHANGE IN NET ASSETS	183,082	25,000	208,082
NET ASSETS			
Beginning of the year	493,702	-	493,702
End of the year	\$ 676,784	\$ 25,000	\$ 701,784

See independent accountant's review report and notes to the financial statements.

URBAN ARTWORKS

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2023

	Program Services	Management & General	Fundraising	Total
Personnel expenses	\$ 378,859	\$ 53,542	\$ 115,623	\$ 548,024
Contractors	293,773	3,000	10,365	307,138
Program supplies	78,202	393	-	78,595
Rent & utilities	32,405	2,596	-	35,001
Special event expenses	-	-	27,737	27,737
Professional services	-	17,643	-	17,643
Travel	10,581	52	-	10,633
Youth expenses	6,539	-	-	6,539
Insurance	-	4,185	-	4,185
Advertising & marketing	-	2,481	120	2,601
Meals	110	927	-	1,037
Depreciation	-	342	-	342
Other operating expenses	5,228	16,381	615	22,224
Total expenses	<u>\$ 805,697</u>	<u>\$ 101,542</u>	<u>\$ 154,460</u>	<u>\$ 1,061,699</u>

See independent accountant's review report and notes to the financial statements.

URBAN ARTWORKS

STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 208,082
Adjustments to reconcile change in net assets to cash provided by operating activities	
Depreciation expense	342
(Increase) decrease in operating assets:	
Accounts receivable	(43,796)
Prepaid expenses	(1,138)
Operating lease right of use asset	(27,713)
Increase (decrease) in operating liabilities:	
Accounts payable	3,404
Accrued vacation	9,876
Operating lease liability	<u>27,713</u>
Net cash provided by operating activities	176,770
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of certificates of deposit	<u>(200,000)</u>
Net cash used by investing activities	<u>(200,000)</u>
Net increase in cash and cash equivalents	(23,230)
Cash and cash equivalents, at beginning of year	<u>498,544</u>
Cash and cash equivalents, at end of year	<u><u>\$ 475,314</u></u>
Supplemental schedule of cash flow information	
Cash paid during the year for:	
Interest	\$ -
Income taxes	\$ -

See independent accountant's review report and notes to the financial statements.

URBAN ARTWORKS

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2023

NOTE 1. **ORGANIZATION**

Urban Artworks (the Organization) is a nonprofit corporation established in 1999 and is located in Seattle, Washington. The Organization's mission is to engage youth, artists, and communities in the creation of public art that inspire connections and honors their voices. This is achieved through the following programs:

Mural Apprentice Program: Provides paid arts-based employment training for youth who face systemic barriers to the arts, education, and employment. Teens work together with professional teaching artists to learn basic art skills, research, design, and install murals throughout King County and beyond.

Base Crew: Provides paid year-round mentorship and training for teens who have completed the mural apprentice program who wish to deepen their arts and design experience. This program is a pathway for youth to become future muralists, teaching artists, and arts leaders.

School-Based Programs: Customized projects to support an arts-integrated curriculum where K-12 students work alongside professional teaching artists to explore themes, design, and install art in their schools.

Commissioned and Community Murals: Works with community organizations and business owners to facilitate interactive community engagement around the research, design, and installation of murals and public art in specific communities.

NOTE 2. **SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting and Presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP), which require the Organization to report on the accrual basis of accounting and report information regarding its financial position and activities according to the following net asset classifications:

Net Assets without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net Assets with Donor Restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by the actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

See independent accountant's review report.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from the estimated amounts.

Cash and Cash Equivalents and Certificates of Deposit

For the purpose of the statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Organization presents certificates of deposit with an initial maturity of greater than three months separately from cash and cash equivalents. At December 31, 2023, cash and cash equivalents consist of checking and savings accounts deposited with a major financial institution. At times, balances may exceed the federally insured limit. The Organization has not experienced any losses related to this risk.

Accounts Receivable

Receivables are stated at their outstanding principal balances. Management reviews the collectability of receivables on a periodic basis and determines the appropriate amount of any allowance. The Organization charges receivables off to the allowance when management determines that a receivable is not collectible. No allowance was considered necessary at December 31, 2023. All receivable balances are due in less than one year.

Property and Equipment

Property and equipment with a useful life beyond one year and a cost or a donated fair value in excess of \$1,000 are capitalized and depreciated. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which is generally three years. Property and equipment consists of a computer at December 31, 2023.

Revenue Recognition

Revenue recognition policies are as follows:

Contributions and Grants – Contributions and grants consist primarily of unconditional promises to give and are recognized as revenue in the period the promise is made. Conditional promises to give are not recognized as support until the conditions are substantially met.

Revenue from contributions and grants are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Revenues that are restricted by the donor are reported as increases in net assets without donor restrictions if the restriction is met in the reporting period in which the revenue is recognized. All other donor restricted revenues are reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

See independent accountant's review report.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Special Event Revenue – The Organization conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefit received by the participant (the exchange component) and a portion represents a contribution to the Organization. The revenues related to the exchange component are recognized when the event occurs. Cash receipts for the exchange component typically occur in the year the event occurs.

Program Revenue – various local businesses, organizations, schools and governments commission murals, school programs, and camps through the Organization. Fees for these services are recognized as revenue when the mural is completed or the event occurs. Most invoices for these services are issued when the program or project is completed. Some mural commissions are partially invoiced upon signing of the contract, with the remainder due upon completion of the mural. There was no deferred revenue for uncompleted murals or programs at the beginning or end of 2023. Accounts receivable from program revenue was \$18,825 and \$64,217 at the beginning and end of 2023, respectively.

In-Kind Contributions

Contributions of donated goods and services are recorded as revenue at the estimated fair value at the date of donation. Donated services are recognized as revenue and corresponding expense when (a) the services received create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

During 2023, in-kind contributions consisted of donated food, beverages, auction items, and discounted venue rental and event planning services used for the special event. Donated goods and services are valued using the price the Organization would pay if purchasing an equivalent product or service. Gift cards are valued at face value. Auction items valued at \$8,607 were monetized at the special event and proceeds of the auction are included in special event revenue. The remaining \$6,385 in-kind goods and services were utilized at the event. The corresponding expenses are recorded in fundraising expense in the statement of functional expenses.

Members of the board of directors and volunteers make significant contributions of time to the Organization's programs and support functions. The value of this contributed time does not meet the criteria for recognition of contributed services under accounting principles generally accepted in the United States of America (U.S. GAAP) and, accordingly, is not reflected in the accompanying financial statements.

Advertising and Publicity

Advertising costs are expensed as incurred.

See independent accountant's review report.

URBAN ARTWORKS

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

Individual expenses that solely relate to one program or supporting service are allocated in full to that category. Expenses that relate to multiple programs or supporting services are allocated based on employee time and effort.

Allocated expenses are included in personnel expenses and rent & utilities on the statement of functional expenses.

Income Tax Status

The Organization is a nonprofit corporation as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and is exempt from federal income taxes on related income pursuant to Section 501(a) of the IRC.

The Organization has determined there are no uncertain tax positions for the year ended December 31, 2023, and the accompanying financial statements contain no interest or penalties with respect to federal income taxes. The Organization's federal tax returns remain open for examination to the extent prescribed by the IRC.

NOTE 3. AVAILABILITY OF FINANCIAL ASSETS AND LIQUIDITY

The following represents the Organization's liquidity and availability at December 31, 2023:

Financial assets at year end:

Cash and cash equivalents	\$ 470,314
Certificates of deposit	200,000
Accounts receivable	<u>83,076</u>
Total financial assets	753,390

Less amounts not available to be used for general purposes within one year:

Net assets with donor restrictions	25,000
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Financial assets available to meet general expenditures over the next twelve months	<u>\$ 728,390</u>
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The Organization's goal is generally to maintain financial assets on hand to cover 6 months of operating expenses (approximately \$690,000 based on the 2024 Budget). This goal allows the Organization to continue to operate for a sufficient amount of time to make adjustments to spending if the need arises. This goal was exceeded at December 31, 2023.

See independent accountant's review report.

URBAN ARTWORKS

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of \$25,000 restricted for the Mural Apprentice Program and Base Crew at December 31, 2023.

NOTE 5. CONCENTRATIONS

During the year ended December 31, 2023, 11% of total support and revenue was from one local government source.

NOTE 6. OFFICE LEASE

The Organization leases office space in Seattle, Washington under an operating lease. The lease is effective January 1, 2023 to December 31, 2024. The Organization pays base rent and variable CAM charges under the lease.

The following summarizes the line items in the statements of financial position which include amounts for operating leases as of December 31:

Operating lease right of use asset	\$ 27,713
Operating lease liability	27,713

The lease does not provide an implicit rate. The Organization used the risk-free rate at the commencement date of the lease in determining the present value of lease payments, which is 3.94%.

Maturities of the lease liabilities are as follows for the years ended December 31:

2024 lease payments	\$ 28,308
Less: interest	<u>(595)</u>
Present value of lease liabilities	<u>\$ 27,713</u>

Total expenses recognized under the lease, including variable CAM charges, was \$29,712 during the years ended December 31, 2023. This expense is included in rent & utilities in the statement of functional expenses.

NOTE 7. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through the date these financial statements were available to be issued on December 12, 2024.

In February 2024, the Organization signed a one-year lease for an additional suite in the Organization's existing office building. The terms of the lease are for one year, with monthly base rent of \$1,450. This lease is not included in the office lease right of use asset or lease liability discussed in Note 6.

See independent accountant's review report.