



Red Hook Art Project, Inc.

Financial Statements and Independent Accountants' Review Report Year Ended December 31, 2022

Bodner & Morse LLP
Certified Public Accountants



Red Hook Art Project, Inc.

Financial Statements and Independent Accountants' Review Report Year Ended December 31, 2022

Red Hook Art Project, Inc

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Independent Accountants' Review Report

Board of Directors
Red Hook Art Project, Inc.

We have reviewed the accompanying financial statements of Red Hook Art Project, Inc. (a nonprofit corporation), which comprise of the financial position as of December 31, 2022, and the related statements of activities and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Red Hook Art Project, Inc.'s 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 the 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 the financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued 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 Red Hook Art Project, Inc. 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.



Bodner & Morse LLP
November 10, 2023

RED HOOK ART PROJECT, INC.
Statement of Financial Position

<i>December 31,</i>	2022	2021
Assets		
Cash and cash equivalents.....	\$ 259,361	\$ 185,540
Fixed assets, net.....	30,685	-
Grants receivable.....	48,750	
Loans receivable.....	1,463	2,877
Total Assets		
	340,259	188,417
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses.....	\$ 3,000	428
Total Liabilities		
	3,000	428
Net Assets:		
Without donor restrictions.....	288,509	187,989
With donor restrictions.....	48,750	-
Total Net Assets		
	337,259	187,989
Total Liabilities and Net Assets		
	\$ 340,259	\$ 188,417

See accompanying notes to financial statements

RED HOOK ART PROJECT, INC.
Statement of Activities

<i>Year ended December 31,</i>	Without Donor Restrictions	With Donor Restrictions	Totals	
			2022	2021
Public support and revenue:				
Contributions.....	\$ 2,780	\$ -	\$ 2,780	\$ 208,100
Grants.....	545,606	48,750	594,356	123,511
Contributions In-kind.....	181,338	-	181,338	341,309
Other Revenue.....	1,006	-	1,006	
	<u>730,729</u>	<u>48,750</u>	<u>779,480</u>	<u>672,920</u>
Total public support and revenue...	<u>730,729</u>	<u>48,750</u>	<u>779,480</u>	<u>672,920</u>
Expenses:				
Program services.....	518,215	-	518,215	521,251
Management and general.....	67,220	-	67,220	43,082
Fundraising.....	44,774	-	44,774	17,036
Total expenses.....	<u>630,209</u>	<u>-</u>	<u>630,209</u>	<u>581,369</u>
Change in net assets.....	100,520	48,750	149,271	91,551
Net assets - beginning.....	<u>187,989</u>	<u>-</u>	<u>187,989</u>	<u>96,438</u>
Net assets, end of year	<u>\$ 288,509</u>	<u>\$ 48,750</u>	<u>\$ 337,260</u>	<u>\$ 187,989</u>

See accompanying notes to financial statements

RED HOOK ART PROJECT, INC.
Statement of Functional Expense

	Program Services	Management and General	Fundraising	2022 Totals	2021 Totals
Payroll.....	\$ 182,985	\$ 34,310	\$ 11,437	\$ 228,732	\$ 139,317
Payroll tax & benefits.....	17,157	3,217	1,072	21,446	13,438
Occupancy.....	34,106	6,395	2,132	42,633	5,507
Professional Fees.....	42,145	7,902	2,634	52,681	37,566
Marketing.....	2,299	-	5,364	7,663	-
Insurance.....	22,920	9,823	-	32,743	24,696
Travel.....	1,532	383	-	1,915	719
Office Expense.....	4,514	1,932	-	6,446	3,195
Telephone & internet.....	1,037	444	-	1,481	846
Bank fees.....	-	1,199	-	1,199	1,494
Depreciation.....	-	1,615	-	1,615	-
Other expenses.....	-	-	22,135	22,135	1,451
Program expenses.....	209,520	-	-	209,520	353,140
	<u>\$ 518,215</u>	<u>\$ 67,220</u>	<u>\$ 44,774</u>	<u>\$ 630,209</u>	<u>\$ 581,369</u>

See accompanying notes to financial statements

RED HOOK ART PROJECT, INC.
Statement of Cash Flows

<i>Year ended December 31,</i>	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ 149,271	\$ 91,551
 <u>Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:</u>		
Depreciation.....	1,615	-
 <u>Changes in operating assets and liabilities:</u>		
Accounts receivable.....	(47,337)	1,204
Accounts payable and accrued expenses.....	2,572	(30,148)
 <u>Cash flows from investing activities</u>		
Purchases of fixed assets	(32,300)	-
Net change in cash	73,821	62,607
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Cash and cash equivalents, beginning of year.....	185,540	122,933
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Cash and cash equivalents, end of year.....	\$ 259,361	\$ 185,540

See accompanying notes to financial statements.

Red Hook Art Project, Inc.

Notes to Financial Statements

NOTE 1 – ORGANIZATION

This summary of significant accounting policies of Red Hook Art Project is presented to assist in understanding Red Hook Art Project's financial statements. The financial statements and notes are representations of Red Hook Art Project's management who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

The primary purpose of the Organization is to mentor and tutor high-risk children and youth in or near Red Hook, Brooklyn. The Organization's primary programmatic activities include organizing volunteers to provide tutoring and mentoring in visual art, music and homework help.

The sources of financial support and revenue are grants and contributions from individuals, foundations and corporations.

Income Tax Status:

Red Hook Art Project is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code. Red Hook Art Project has not been designated as a private foundation. Red Hook Art Project files an IRS form 990 and respective state and local tax returns. These returns are subject to review and examination by federal, state, and local authorities.

NOTE 2 – SUMMARY OF ACCOUNTING PRINCIPLES

Basis for Accounting:

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

Basis of Presentation

The classification of The Red Hook Art Project's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of two classes of net assets - without donor restrictions and with donor restrictions - be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

Red Hook Art Project, Inc.

Notes to Financial Statements

These two classes are defined as follows:

Net Assets Without Donor Restrictions - represents all activity without donor-imposed restrictions as well as activity with donor-imposed restrictions that expire within the same period.

Net Assets With Donor Restrictions – represents those resources, the uses of which have been restricted by donors to specific purposes or the passage of time and/or must remain intact in perpetuity.

Revenue Recognition

Red Hook Art Project follows the requirements of Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") 958-605 for recording contributions, which are recorded at the earlier of when cash is received or at the time a pledge becomes unconditional in nature. Contributions are recorded in one of the classes of net assets described above, depending on the existence and/or nature of any donor-imposed restriction. 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. If donor restricted contributions are satisfied in the same period they are received, they are classified as without donor restrictions.

Contributions may be subject to conditions which are defined as both a barrier to entitlement and a right of return of payments or release from obligations and are recognized as income once the conditions have been substantially met.

Contributions and grants expected to be received within one year are recorded at net realizable value. Long-term pledges are recorded at fair value, using risk adjusted present value techniques.

Red Hook Art Project follows the requirements of FASB's ASC 606 for recognizing revenue from contracts with customers. Grants are recognized as revenue in the corresponding period in which they are earned. Unearned contracts and agreements that have not been collected at year-end are reflected as a receivable, while those received in advance of the membership period are treated as deferred income.

All receivables at December 31, 2022 are due within one year. Receivables are reviewed for collectability. Based on knowledge of specific donors and factoring in historical experience, no allowance for doubtful accounts exists as of December 31, 2022. Write-offs will be made in the period the receivable is deemed to be uncollectable.

Revenue is reported as increases in net assets without donor restrictions unless its use is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. When Red Hook Art Project receives an unconditional promise to give that is expected to be collected within one year, it is recorded at net realizable value. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Red Hook Art Project, Inc.

Notes to Financial Statements

Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to Red Hook Art Project's ongoing services.

Cash and Cash Equivalents

Red Hook Art Project considers all liquid investments with an initial maturity of three months or less to be cash and cash equivalents except for cash held in the investment accounts.

Concentration of Credit Risk

Financial instruments that potentially subject Red Hook Art Project to concentration of credit risk consist of cash, money market accounts, and investment securities which are placed with financial institutions that management deems to be creditworthy. Throughout the year, balances did not exceed insurance levels.

Fixed Assets

Fixed Assets that Red Hook Art Project owns and which benefit future periods are capitalized at cost or, if donated, at the estimated fair value at the time of donation. Routine maintenance that does not extend the life of fixed assets is expensed when incurred. Depreciation is recorded using the straight-line method over each asset's estimated useful life. Fixed assets consist of building improvements, furniture, equipment and computers, which are carried at cost and are depreciated over their useful lives using the straight-line method.

In-Kind Contributions:

Red Hook Art Project recognizes contributions for donated space and/or goods and services that create or enhance non-financial assets and requires specialized skills, are performed by those who possess those skills, and would have been purchased if they had not been donated.

Many individuals volunteer their time and perform a variety of tasks to assist with specific assistance programs, campaign solicitation, and various committee assignments. No amounts have been reflected in the financial statements for these types of donated services because they do not meet the criteria for recognition as outlined above.

Advertising Costs

Costs of promotion and advertising are expensed as incurred. There were no marketing efforts during the year end December 31, 2022.

Use of Estimates:

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

Red Hook Art Project, Inc.

Notes to Financial Statements

Functional Allocation of Expenses:

The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying statement of activities. Accordingly, expenses have been allocated among the programs and supporting services using appropriate measurement methodologies developed by management. Natural expenses attributable to more than one functional expense category are allocated using a variety of cost allocation techniques such as square footage and time and effort.

Income Taxes

Red Hook Art Project follows the accounting standard for uncertainty in income taxes. The standard prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in the financial statements. It also provides guidance for de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. Red Hook Art Project is subject to regular audit by tax authorities. Management believes that it has appropriate support for the positions taken on its tax returns. In assessing the realizability of tax benefits, management considers whether it is more likely than not that some portion or all of any tax position will not be realized. Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts filed. Management believes that its nonprofit status would be sustained upon examination.

Red Hook Art Project is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code (the “Code”) and is classified as a publicly supported organization as described in Section 509(a).

Comparative Financial Information:

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Red Hook Art Project’s financial statements for the year ended December 31, 2022, from which the summarized information was derived.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

<i>Year ended December 31, 2022</i>	
Leasehold improvements	32,300
Less: Accumulated depreciation	(1,615)
Net Property and Equipment	\$ 30,685

Red Hook Art Project, Inc.

Notes to Financial Statements

NOTE 4 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available to satisfy the following program restrictions:

	Balance @ 12/31/21	Contributions	Released from Restriction	Balance @ 12/31/22
Time restrictions	-	65,000	(16,250)	48,750
Total	-	65,000	(16,250)	48,750

NOTE 5 – COMMITMENTS AND CONTINGENCIES

Red Hook Art Project entered into a lease, in Brooklyn NY, commencing June 15, 2022, and ending June 14, 2025. Future minimum lease payments are as follows:

Year ending:	December 31, 2024	\$ 60,750
	December 31, 2025	31,519

NOTE 6 – AVAILABILITY AND LIQUIDITY

Red Hook Art Project's financial assets available to meet cash needs for general expenditures within one year are \$259,361, which consist of just cash at December 31, 2022. There are no external or internal limits imposed on these balances. As part of its liquidity management, Red Hook Art Project operates its programs within a board approved budget and relies on grants and contributions to fund its operations and program activities.

NOTE 7 – SUBSEQUENT EVENTS

Management has evaluated for potential recognition and disclosure events subsequent to the date of the statement of financial position through November 10, 2023, the date the financial statements were available to be issued. All events that have occurred subsequent to the statement of financial position date through our evaluation date that would require adjustment to or disclosure in the financial statements have been made.