

**CAVE CANEM FOUNDATION, INC.**

**FINANCIAL STATEMENTS**

**WITH INDEPENDENT ACCOUNTANT'S REVIEW  
REPORT**

**December 31, 2019**

**CAVE CANEM FOUNDATION, INC.**

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## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors  
Cave Canem Foundation, Inc.

We have reviewed the accompanying financial statements of Cave Canem Foundation, Inc. (a non-profit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years 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 company 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.

### ***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.

*Adeptus Partners, LLC*

New York, New York  
July 7, 2020

**CAVE CANEM FOUNDATION, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2019 and 2018**

ASSETS	<u>2019</u>	<u>2018</u>
Cash	\$ 263,175	\$ 303,521
Accounts receivable (Note 2)	115,427	207,852
Grants receivable (Note 2)	99,573	99,573
Prepaid expenses	3,943	1,577
Security deposits	9,639	9,638
Equipment, net of accumulated depreciation of \$10,099	-	-
<b>TOTAL ASSETS</b>	<b><u>\$ 491,757</u></b>	<b><u>\$ 622,161</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities--		
Accounts payable and accrued expenses	\$ 3,380	\$ 5,141
Deferred income	-	-
Total Liabilities	<u>3,380</u>	<u>5,141</u>
Net Assets--		
Without donor restrictions	277,377	255,374
With donor restrictions	<u>211,000</u>	<u>361,646</u>
<b>TOTAL NET ASSETS</b>	<b><u>488,377</u></b>	<b><u>617,020</u></b>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <b><u>\$ 491,757</u></b>	 <b><u>\$ 622,161</u></b>

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

**CAVE CANEM FOUNDATION, INC.**  
**STATEMENTS OF ACTIVITIES**  
For the Years Ended December 31, 2019 and 2018

**CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS**

	<u>2019</u>	<u>2018</u>
Operating Revenue and Support--		
Foundation income	\$ 158,675	\$ 219,956
Program fees	26,778	12,389
Government grants	25,000	16,262
Individual contributions	56,969	39,924
Corporate contributions	15,436	8,081
In-kind contributions (Note 3)	44,613	87,050
Special events	5,181	4,230
Other revenue	5,055	2,820
Net assets released from restrictions (Note 5)	194,146	230,578
	<u>531,853</u>	<u>621,290</u>
 Expenses--		
Programs	326,469	276,772
General and administrative	92,389	124,891
Fundraising	90,992	77,892
	<u>509,850</u>	<u>479,555</u>
 Total Expenses	<u>509,850</u>	<u>479,555</u>
 Changes in Net Assets Without Donor Restrictions	<u>22,003</u>	<u>141,735</u>

**CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS**

Restricted contributions	43,500	151,146
Net assets released from restrictions (Note 5)	<u>(194,146)</u>	<u>(230,578)</u>
 Changes in Net Assets With Donor Restrictions	<u>(150,646)</u>	<u>(79,432)</u>
 Changes in Net Assets	(128,643)	62,303
Net Assets - Beginning of Year	<u>617,020</u>	<u>554,717</u>
Net Assets - End of Year	<u>\$ 488,377</u>	<u>\$ 617,020</u>

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

**CAVE CANEM FOUNDATION, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2019**

	<u>Programs</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries, wages, and benefits	\$ 97,134	\$ 28,955	\$ 38,158	\$ 164,247
Payroll taxes	17,035	4,325	5,700	27,060
Accounting	-	15,180	-	15,180
Advertising and marketing	507	-	-	507
Banking fees	-	2,206	-	2,206
Catering and hospitality	5,230	-	-	5,230
Dues and subscriptions	1,357	-	-	1,357
Insurance	6,291	786	786	7,863
Internet and website	2,462	212	280	2,954
Postage and shipping	587	-	-	587
Printing	1,512	-	-	1,512
Honoraria	40,348	-	-	40,348
Residence room and board	38,053	-	-	38,053
Professional fees	52,227	33,461	36,495	122,183
Office equipment	10,946	-	-	10,946
Rent	27,126	5,314	7,003	39,443
Supplies - office and other	7,062	915	1,206	9,183
Telephone	2,414	1,035	1,364	4,813
Travel	16,178	-	-	16,178
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total functional expenses	<u>\$ 326,469</u>	<u>\$ 92,389</u>	<u>\$ 90,992</u>	<u>\$ 509,850</u>

The accompanying notes are an integral part of this financial statement.

**CAVE CANEM FOUNDATION, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2018**

	<u>Programs</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries, wages, and benefits	\$ 66,108	\$ 58,519	\$ 46,813	\$ 171,440
Payroll taxes	3,402	4,254	4,177	11,833
Accounting	-	8,800	-	8,800
Advertising and marketing	20	603	-	623
Artistic fees	37,258	-	-	37,258
Banking fees	174	1,421	-	1,595
Catering and hospitality	3,608	5,127	-	8,735
Dues and subscriptions	-	476	1,200	1,676
Insurance	5,173	387	537	6,097
Internet and website	1,065	5,001	1,279	7,345
Postage and shipping	134	300	-	434
Printing	980	65	555	1,600
Honoraria	46,552	-	-	46,552
Residence room and board	46,613	-	-	46,613
Professional fees	5,358	27,735	9,315	42,408
Rent	41,667	7,013	11,158	59,838
Supplies - office and other	3,425	415	614	4,454
Telephone	1,474	1,410	2,244	5,128
Travel	13,761	3,365	-	17,126
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total functional expenses	<u>\$ 276,772</u>	<u>\$ 124,891</u>	<u>\$ 77,892</u>	<u>\$ 479,555</u>

The accompanying notes are an integral part of this financial statement.

**CAVE CANEM FOUNDATION, INC.**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended December 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Changes in net assets	\$ (128,643)	\$ 62,303
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Net change in operating assets and liabilities:		
Decrease in accounts receivable	92,425	41,364
Decrease in grants receivable	-	50,727
(Increase) in prepaid expenses	(2,366)	(1,577)
Increase (decrease) in accounts payable and accrued expenses	(1,762)	4,655
Decrease in deferred revenue	-	(2,670)
Net cash provided by (used in) operating activities	<u>(40,346)</u>	<u>154,802</u>
Increase (decrease) in cash	(40,346)	154,802
Cash, beginning of year	<u>303,521</u>	<u>148,719</u>
Cash, end of year	<u><u>\$ 263,175</u></u>	<u><u>\$ 303,521</u></u>

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



**CAVE CANEM FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019**

**Note 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

(a) ORGANIZATION

Cave Canem Foundation, Inc. (the "Foundation") is a New York not-for-profit foundation founded in 1997, for the purpose of promoting and improving the understanding of the poetry of African-Americans through sponsorship of residence, workshops, readings, publications and other programs. The Foundation's support comes primarily from individual donors and various government and agency grants.

(b) BASIS OF ACCOUNTING

The financial statements of the Foundation have been prepared on the accrual basis of accounting and accordingly, reflect all significant assets, payables, and other liabilities. In accordance with generally accepted accounting policies, expenses are recognized when they are incurred rather than when they are paid.

(c) 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 dates of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(d) NET ASSETS

The Organization is required to report information regarding its financial position and activities according to two classes of net assets. Net assets of the Organization and changes therein are classified and reported as follows:

Nets assets without donor restrictions – Net assets that are not subject to stipulations. The Board of Directors will, at times, designate unrestricted net assets for a particular purpose of the Organization. These net assets, if any, are shown separately on the statement of financial position.

Net assets with donor restrictions – Net assets subject to stipulations that will be met either by actions of the Organization and/or the passage of time.

(e) CASH AND CASH EQUIVALENTS

The Foundation considers all unrestricted cash and other highly liquid investments with an initial maturity of three months or less to be cash equivalents.

(f) GRANTS RECEIVABLE

The Foundation recognizes grants receivable as income in the year in which the grant is approved. Grants are recorded at fair value.

**CAVE CANEM FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019**

(g) EQUIPMENT

Equipment is stated at cost or at the fair value at date of contribution if acquired by gift. Depreciation expense has been computed using the straight-line method over useful lives that ranged from 5-7 years. The Foundation's equipment is fully depreciated but remains in use.

(h) REVENUE RECOGNITION

The Foundation receives grants from individuals, various governments and agencies. Income from grants is recorded either when the cash is collected at the time they receive the signed grant documents or when an unconditional promise to give is received by the Foundation.

The Foundation also receives program fees from certain events. Program fees are recorded when collected since they are collected at the time the service is given.

(i) DONATED SERVICES AND USE OF FACILITIES

Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by individuals with those skills, and would otherwise be purchased by the Foundation. Donated services are reported as in-kind contributions at their fair market values, as both revenue and expense, in the accompanying statements of activities.

The value of donated facilities is calculated based on the estimated fair rental value of the space used. The fair rental value is the amount that would be charged for similar space that is rented under similar terms. Since the free use of facilities is not promised for any specified period of time, the Foundation recognizes the contributions and related expense for the period it occupies the free space.

(j) EXPENSE ALLOCATION

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 by management among the programs and supporting services.

(k) INCOME TAXES

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and accordingly, is not subject to Federal or state income taxes. In addition, the Foundation has been determined by the Internal Revenue Service not to be a private foundation as defined in Section 509(a) of the Code. The Foundation does not have any unrelated business income and accordingly, in the opinion of management, does not have any uncertain tax positions.

(l) SUBSEQUENT EVENTS

For the year ended December 31, 2019, the Foundation has evaluated subsequent events for potential recognition or disclosure through July 7, 2020, the date the financial statements were available for issuance.

(m) RECLASSIFICATIONS

Certain reclassifications have been made to the 2018 financial statements in order to conform to the current year presentation.

**CAVE CANEM FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019**

(n) RECENT ACCOUNTING POLICIES

*ASU 2016-14 Presentation of Financial Statements of Not-for-Profit Entities*

The Financial Accounting Standards Board (“FASB”) added a project to its agenda to improve the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity’s (“NFP’s”) liquidity, financial performance, and cash flows. The main provisions of this update, which amends the requirement for financial statements and notes in Topic 958, *Not-for-Profit Entities*, require an NFP to:

- 1) Report amounts for net assets with restrictions and net assets without restrictions, as well as the currently required amount for total net assets.
- 2) Presents on the face of the statement of activities the amount of the change in each of the two classes of net assets.
- 3) Continue to present on the face of the statement of cash flows the net amount for operating cash flows using either the direct or indirect method of reporting but no longer requires the presentation or disclosure of the indirect method if using the direct method.
- 4) Provide enhanced disclosures about a number of qualitative and quantitative items.
- 5) Report investment return net of external and direct internal investment expenses and no longer requires disclosure of those netted expenses.
- 6) Use, in the absence of explicit stipulations, the placed-in-service approach for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset and reclassify any amounts from net assets with restrictions to net assets without restrictions for such long-lived assets that have been placed in service as of the beginning of the period of adoption.

The amendments in this update are effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 31, 2018. The Organization has adopted the update and applied its provisions retrospectively.

**Note 2. GRANTS AND ACCOUNTS RECEIVABLE**

These amounts are recorded at their estimated fair value with amounts due later than one year at the present value of estimated future cash flows. Grants receivable at December 31, 2019 and 2018 are as follows:

	<b>2019</b>	<b>2018</b>
Grants receivable expected to be collected in:		
Less than one year	\$ 175,000	\$ 267,425
One to five years	40,000	40,000
	\$ 215,000	\$ 307,425

**CAVE CANEM FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019**

**Note 3. CONTRIBUTED SERVICES AND USE OF FACILITIES**

The Foundation received in-kind contributions of services that are recorded in the accompanying Statements of Activities. Such in-kind contributions consisted of the following for the years ended December 31:

	<u>2019</u>	<u>2018</u>
Artistic fees	\$ 12,300	\$ 18,000
Residencies room and board	18,480	22,405
Lecture services	-	2,000
Facility use	13,482	19,320
Meals and entertainment	68	-
Travel and accomodations	284	2,300
Supplies	-	-
Fees	-	-
	<u>\$ 44,614</u>	<u>\$ 64,025</u>

**Note 4. NET ASSETS WITH DONOR RESTRICTIONS**

Donor restricted net assets at December 31 are applicable to the following:

	<u>2019</u>	<u>2018</u>
Workshops	\$ 47,500	\$ 14,583
Retreat	120,000	175,000
Time restricted - general operating support	<u>43,500</u>	<u>172,063</u>
	<u>\$ 211,000</u>	<u>\$ 361,646</u>

**Note 5. NET ASSETS RELEASED FROM DONOR RESTRICTIONS**

Net assets with donor restrictions were released from restriction for the years ended December 31 by the passage of time or by incurring expenses satisfying the restricted purposes specified by the donors as follows:

	<u>2019</u>	<u>2018</u>
Workshops	\$ 40,646	\$ 14,583
Retreat	40,000	40,000
Time restricted - general operating support	<u>113,500</u>	<u>175,995</u>
	<u>\$ 194,146</u>	<u>\$ 230,578</u>

**CAVE CANEM FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019**

**Note 6. LEASES**

The Foundation leases office space in Brooklyn, New York under a lease agreement that expires in December 2020. Rental expense charged to operations was approximately \$31,000 and \$26,000 for the years ended December 31, 2019 and 2018, respectively. Rent is calculated at \$12 per square foot, plus individual utilities and share of common charges for trash and real estate escalation.

**Note 7. BORROWINGS**

The Foundation has a line of credit with a bank that allows it to borrow up to \$20,000 that is renewed annually. Interest on the line is 8.15% over the prime rate, 12.90% and 13.65% as of December 31, 2019 and 2018, respectively. There was no outstanding balance on the line as of December 31, 2019 and 2018, respectively. Interest expense for the years ended December 31, 2019 and 2018 was \$0.

**Note 8. FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS**

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

Financial assets, at year-end	
Cash	\$ 260,791
Accounts receivable	115,427
Grants receivable	<u>99,573</u>
Financial assets available at December 31, 2019	475,791
Less those unavailable for general expenditure within one year, due to:	
Grants expected to be collected in more than one year	<u>(40,000)</u>
Amounts available for general expenditures within one year	<u>\$ 435,791</u>

In addition, as indicated in Note 7, the Foundation has a bank line of credit in the amount of \$20,000 available to meet liquidity needs when and if necessary.

**Note 9. CONTINGENCIES**

From time to time, the Foundation may become involved in legal claims arising in the ordinary course of its activities. In the opinion of management, the outcome of any legal proceedings would be covered by the Foundation's insurance policies, subject to normal deductibles, and accordingly, would not have a material effect on its financial position or changes in net assets.

**Note 10. FAIR VALUE MEASUREMENTS**

The framework for measuring fair value 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) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described as follows:

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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.
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**CAVE CANEM FOUNDATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2019**

- 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 assets or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

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- Level 3            Inputs to the valuation methodology are unobservable and significant to the fair value measurement.
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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 maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

In determining the appropriate levels, the Foundation performs a detailed analysis of the assets and liabilities that are subject to fair value measurements.

All assets and liabilities of the Foundation that are subject to fair value measurements are classified as Level 1.

Cash, accounts and grants receivable, accounts payable and accrued expenses, and deferred revenue approximate fair value due to the short-term nature of these assets and liabilities.

**Note 11. RESTATEMENT**

The Company had an adjustment to the opening net assets without donor restrictions as follows:

Originally filed	Adjustment	As Restated
\$264,374	(\$9,000)	\$255,374