



***FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORT***

***YEARS ENDED
DECEMBER 31, 2009 AND 2008***

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INDEPENDENT AUDITORS' REPORT

To The Board of Directors
Artists Striving to End Poverty, Inc.
New York, New York

We have audited the accompanying statements of financial position of Artists Striving to End Poverty, Inc. as of December 31, 2009 and 2008, and the related statements of activities, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of the Organization's management. 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Artists Striving to End Poverty, Inc. as of December 31, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Dorfman Abrams Music, LLC

Saddle Brook, New Jersey

November 5, 2010



ARTISTS STRIVING TO END POVERTY, INC.

STATEMENTS OF FINANCIAL POSITION

ASSETS

	<u>December 31,</u>	
	<u>2009</u>	<u>2008</u>
Cash	\$ 193,362	\$ 216,509
Pledges receivable, net	62,575	90,933
Other assets	7,618	5,859
Property and equipment	<u>1,183</u>	<u>2,365</u>
	<u>\$ 264,738</u>	<u>\$ 315,666</u>

LIABILITIES AND NET ASSETS

Accounts payable	<u>\$ 15,595</u>	<u>\$ 37,230</u>
Net assets:		
Unrestricted	190,566	194,268
Temporarily restricted	<u>58,577</u>	<u>84,168</u>
	<u>249,143</u>	<u>278,436</u>
	<u>\$ 264,738</u>	<u>\$ 315,666</u>

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

ARTISTS STRIVING TO END POVERTY, INC.

STATEMENTS OF CASH FLOWS

	<u>Year ended December 31,</u>	
	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Change in net assets	\$ (29,293)	\$ 14,133
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Contribution of fixed assets		(3,547)
Depreciation	1,182	2,408
Discount on pledges receivable	(1,424)	(1,527)
Contribution of other assets	(1,759)	(859)
Changes in operating assets and liabilities:		
Decrease in:		
Pledges receivable	29,782	26,720
Increase (decrease) in:		
Accounts payable	<u>(21,635)</u>	<u>30,132</u>
Net cash provided (used) by operating activities	<u>(23,147)</u>	<u>67,460</u>
Net increase (decrease) in cash	(23,147)	67,460
Cash, beginning	<u>216,509</u>	<u>149,049</u>
Cash, ending	<u>\$ 193,362</u>	<u>\$ 216,509</u>

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

ARTISTS STRIVING TO END POVERTY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES

	Year ended December 31, 2009			Year ended December 31, 2008		
	Program services	Supporting services Management and general	Total	Program services	Supporting services Management and general	Total
Payroll	\$ 83,960	\$ 9,329	\$ 93,289	\$ 69,641	\$ 7,738	\$ 77,379
Payroll taxes and benefits	30,333	3,370	33,703	24,546	2,727	27,273
Total personnel costs	114,293	12,699	126,992	94,187	10,465	104,652
Office supplies and expense	4,426	646	5,072	5,711	300	6,011
Printing and postage	542		542	1,283		1,283
Travel	28,083		28,083	18,621		18,621
Boarding expenses	28,339		28,339		5,385	5,385
Meetings and conferences	2,500		2,500	334		334
Professional fees		14,500	14,500		6,820	6,820
Events expense	11,089		11,089	4,625		4,625
Occupancy	4,173	464	4,637	4,020	447	4,467
Food	8,854		8,854	17,480		17,480
Insurance	1,250		1,250			
Volunteer and student expenses	6,312		6,312	172		172
Business registration fees	2,080		2,080	125		125
Depreciation expense		1,182	1,182		2,408	2,408
Other operating expenses	7,565	16	7,581	9,414		9,414
	\$ 219,506	\$ 29,507	\$ 249,013	\$ 155,972	\$ 25,825	\$ 181,797
Percentage of total	88%	12%	100%	86%	14%	100%

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

ARTISTS STRIVING TO END POVERTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

1. Summary of significant accounting policies

This summary of significant accounting policies of Artists Striving to End Poverty, Inc. (the Organization) is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management, which is responsible for their integrity and objectivity. 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.

Nature of the Organization

Artists Striving to End Poverty, Inc. was established in 2006 as a not-for-profit agency in the State of New York. The Organization's mission is to use the arts as a tool to empower young people with creativity, knowledge, and a strong sense of self-esteem.

Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting. Under this method, revenues are recognized when earned, and expenses are recognized when incurred.

Net assets are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. The Organization had no permanently restricted net assets at December 31, 2009 or 2008.

Property and equipment

Property and equipment that is purchased is stated at cost. Donated property and equipment is recorded at its fair market value at the date of the gift. Depreciation is computed on the straight-line method over the estimated useful lives of the assets.

ARTISTS STRIVING TO END POVERTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

1. Summary of significant accounting policies (continued)

Functional expenses allocation

The cost of providing for the Organization's various programs and supporting services has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income taxes

The Organization is a tax-exempt entity as defined by Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provisions for federal or state income taxes have been made.

Uncertain tax positions

The Organization adopted the uncertainty in income taxes guidance as described in FASB ASC 740-10-50-15 on January 1, 2009. The adoption of that guidance resulted in no change to financial statements of prior periods. As of December 31, 2009, management believes that based on evaluation of the Organization's tax positions that any additional liability as a result of uncertain tax positions would not be material. Management continually evaluates expiring statutes of limitations, changes in tax law, and new authoritative rulings to assist in evaluating the Organization's tax positions. Accrued interest and penalties associated with uncertain tax positions, if any, would be recognized as a part of the income tax provision. Income tax returns are filed in the U.S. federal jurisdiction, and state jurisdictions. U.S. federal and state income tax returns for the years ended December 31, 2006 through 2009 are subject to audit.

Donated materials and services

The Organization records the value of donated goods or services when there is an objective basis available to measure their value and when donated services enhance non-financial assets or require a specialized skill which the Organization would otherwise need to purchase.

Estimates

The preparation of financial statements in conformity with the accrual basis of accounting 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 period. Accordingly, actual results could differ from those estimates.

ARTISTS STRIVING TO END POVERTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

1. Summary of significant accounting policies (continued)

Reclassifications

Certain amounts in the 2008 financial statements have been reclassified to conform to the 2009 presentation.

2. Risks and uncertainties

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and pledges receivable. The Organization maintains its cash in various high-quality financial institutions, the balances of which, at times, may exceed federally insured limits. Exposure to risk related to pledges receivable is reduced due to the fact that amounts are due from prominent philanthropists.

3. Contributed services and material

The Organization received the following in-kind contributions:

	<u>2009</u>	<u>2008</u>
Rent	\$ 4,637	\$ 4,235
Fixed assets		1,400
Production costs	3,000	
Fundraising supplies	1,210	
Salary	<u>8,500</u>	<u>8,500</u>
	<u>\$ 17,347</u>	<u>\$ 14,135</u>

The above amounts were included as unrestricted contributions.

ARTISTS STRIVING TO END POVERTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

4. Pledges receivable

During the year 2007, the Organization received a pledge in the amount of \$150,000 and collected cumulatively \$90,000 as of December 31, 2009. The terms of the pledge called for payments of \$30,000 over the remaining four years. The balances of \$60,000 at December 31, 2009, and \$90,000 at December 31, 2008 have been recorded at their present values of \$28,576 and \$57,153, respectively, discounted at the mid-term AFR rate of 4.86%. The pledge is collectible over the following periods:

	<u>2009</u>	<u>2008</u>
Current:		
Less than 1 year	\$ 30,000	\$ 30,000
Long-term:		
1 – 3 years	30,000	60,000
Less discount to net present value	<u>(1,423)</u>	<u>(2,847)</u>
	<u>28,577</u>	<u>57,153</u>
Other pledges due in less than one year	<u>3,998</u>	<u>3,780</u>
	<u>\$ 62,575</u>	<u>\$ 90,933</u>

5. Property and equipment

Property and equipment consists of the following:

	<u>2009</u>	<u>2008</u>
Computer equipment	\$ 7,225	\$ 7,225
Less accumulated depreciation	<u>6,042</u>	<u>4,860</u>
	<u>\$ 1,183</u>	<u>\$ 2,365</u>

ARTISTS STRIVING TO END POVERTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

6. Temporarily restricted net assets

Temporarily restricted net assets consist of the following:

	<u>2009</u>	<u>2008</u>
Restricted by time and purpose	<u>\$ 58,577</u>	<u>\$ 84,168</u>

Temporarily restricted net assets were released from restrictions as follows:

	<u>2009</u>	<u>2008</u>
South Africa project	\$ 2,500	\$
New York programs	22,500	
India project	1,200	
Expiration of purpose restriction	<u>27,591</u>	<u>81,458</u>
	<u>\$ 53,791</u>	<u>\$ 81,458</u>

7. Subsequent events

Subsequent events have been evaluated through November 5, 2010, which is the date the financial statements were available to be issued.