

ISSUE PROJECT ROOM, INC.

REPORT ON AUDIT OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2015

WITH SUMMARIZED COMPARATIVE INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2014

ISSUE PROJECT ROOM, INC.
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RICH AND BANDER, LLP
CERTIFIED PUBLIC ACCOUNTANTS

PETER R. RICH, CPA

JONATHAN A. BANDER, CPA

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Issue Project Room, Inc.
Brooklyn, NY

We have audited the accompanying financial statements of Issue Project Room, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended, 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 audit. We conducted our audit 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 of 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 auditor's 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 Issue Project Room, Inc. as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Issue Project Room, Inc.'s 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 21, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Rich and Bander, LLP

New York, NY
March 29, 2016

ISSUE PROJECT ROOM, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015

(With summarized comparative information for the year ended December 31, 2014)

	<u>2015</u>	<u>2014</u>
Assets		
Cash and cash equivalents	\$ 8,677	\$ 16,753
Contributions receivable	-	5,706
Grants receivable	297,634	16,160
Other receivables	3,785	-
Prepaid expenses	5,342	6,755
Property and equipment, net of accumulated depreciation	772,322	420,816
Security deposit	2,250	-
Artwork held for sale	-	1,350
Total Assets	<u><u>\$ 1,090,010</u></u>	<u><u>\$ 467,540</u></u>
 Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 34,725	\$ 19,432
Line of credit	89,929	99,929
Due to fiscally sponsored projects	36,200	11,200
Total liabilities	<u><u>160,854</u></u>	<u><u>130,561</u></u>
 Net assets		
Unrestricted	(51,603)	(19,444)
Temporarily restricted	980,759	356,423
Total net assets	<u><u>929,156</u></u>	<u><u>336,979</u></u>
 Total Liabilities and Net Assets	 <u><u>\$ 1,090,010</u></u>	 <u><u>\$ 467,540</u></u>

ISSUE PROJECT ROOM, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015
(With summarized comparative information for the year ended December 31, 2014)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2015 Total</u>	<u>2014 Total</u>
Revenue and support				
Grants and contributions				
Government	\$ 77,001	\$ 624,336	\$ 701,337	\$ 340,152
Foundations and other	118,881	-	118,881	123,911
Individuals	167,575	-	167,575	183,747
Corporate	36,075	-	36,075	17,500
Contributed rent	39,922	-	39,922	39,922
	<u>439,454</u>	<u>624,336</u>	<u>1,063,790</u>	<u>705,232</u>
Special events				
Direct benefits to donors	25,845	-	25,845	9,195
<i>Less: costs of direct benefits to donors</i>	(20,380)	-	(20,380)	(6,866)
Contributions:				
Excess ticket sales revenue	34,327	-	34,327	5,249
In-kind contributions	5,311	-	5,311	2,324
	<u>45,103</u>	<u>-</u>	<u>45,103</u>	<u>9,902</u>
Total grants and contributions	484,557	624,336	1,108,893	715,134
Program service revenue				
Box office and concessions	143,699	-	143,699	204,261
Rental income	3,230	-	3,230	44,996
Total program service revenue	146,929	-	146,929	249,257
Other income				
Interest income	1	-	1	4
Miscellaneous income	15	-	15	2,351
Total other income	16	-	16	2,355
Net assets released from restrictions	-	-	-	-
	<u>631,502</u>	<u>624,336</u>	<u>1,255,838</u>	<u>966,746</u>
Expenses				
Program services	471,965	-	471,965	565,891
Supporting services				
Management and general	107,884	-	107,884	95,304
Fundraising	83,812	-	83,812	21,422
	<u>663,661</u>	<u>-</u>	<u>663,661</u>	<u>682,617</u>
Increase (decrease) in net assets	(32,159)	624,336	592,177	284,129
Net assets - beginning of year	(19,444)	356,423	336,979	52,850
Net assets - end of year	<u>\$ (51,603)</u>	<u>\$ 980,759</u>	<u>\$ 929,156</u>	<u>\$ 336,979</u>

ISSUE PROJECT ROOM, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015
(With summarized comparative information for the year ended December 31, 2014)

	Program Services	Management & General	Fundraising	2015 Total	2014 Total
Salaries and related payroll expenses	\$ 200,483	\$ 54,598	\$ 57,630	\$ 312,711	\$ 260,853
Artist fees	109,476	-	-	109,476	148,671
Contributed rent	25,595	6,970	7,357	39,922	39,922
Rent and occupancy costs	21,652	3,682	3,887	29,221	14,725
Travel	28,859	-	-	28,859	68,254
Promotional expenses	11,704	3,178	3,355	18,237	6,245
Event and other fundraising expenses	6,462	-	9,596	16,058	4,737
Contract services	7,593	8,270	-	15,863	24,283
Bank and merchant processing fees	12,863	-	-	12,863	11,807
Equipment rental	10,408	-	-	10,408	10,504
Depreciation	-	8,988	-	8,988	11,198
Concessions	8,383	-	-	8,383	14,386
Insurance	8,106	-	-	8,106	6,332
Supplies	4,181	1,139	1,202	6,522	10,409
Interest expense	-	6,480	-	6,480	6,899
Professional fees	-	6,000	-	6,000	9,074
Front of house expenses	5,530	-	-	5,530	8,731
Telephone and internet	2,073	564	596	3,233	4,268
Cleaning and maintenance	-	2,919	-	2,919	2,725
Curatorial fees	2,401	-	-	2,401	2,573
Printing and production	2,240	-	-	2,240	1,435
Office expenses	-	1,972	-	1,972	4,860
Postage and delivery	-	1,934	-	1,934	1,158
Royalties	1,725	-	-	1,725	2,283
Permit and fees	1,575	-	-	1,575	5,689
Utilities	656	179	189	1,024	-
Meals and meetings	-	602	-	602	-
Miscellaneous	-	409	-	409	596
	<u>\$ 471,965</u>	<u>\$ 107,884</u>	<u>\$ 83,812</u>	<u>\$ 663,661</u>	<u>\$ 682,617</u>

ISSUE PROJECT ROOM, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015
(With summarized comparative information for the year ended December 31, 2014)

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Increase in net assets	\$ 592,177	\$ 284,129
<i>Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:</i>		
Depreciation	8,988	11,198
Discount on grants receivable	21,366	-
NYC DCA capital expenditures made on behalf of Organization	(351,703)	(255,177)
Repayment of FCNY loan by NYC DCA on behalf of Organization	(44,800)	-
(Increase) decrease in operating assets:		
Contributions receivable	5,706	(706)
Grants receivable	(302,840)	24,685
Accounts receivable	(3,785)	-
Prepaid expenses	1,412	(79)
Security deposit	(2,250)	-
Artwork held for sale	1,350	350
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	15,293	(1,246)
Line of credit	(10,000)	-
Interest payable	-	(7,236)
Due to fiscally sponsored projects	25,000	11,200
Deferred revenue	-	(1,300)
Total adjustments	<u>(636,263)</u>	<u>(218,311)</u>
Net cash provided by (used in) operating activities	<u>(44,086)</u>	<u>65,818</u>
Cash flows from investing activities:		
Acquisition of leasehold improvements	(8,790)	(1,680)
Net cash used in investing activities	<u>(8,790)</u>	<u>(1,680)</u>
Cash flows from financing activities:		
Proceeds from loans payable - Fund for the City of New York	64,800	55,710
Repayments of loans payable - Fund for the City of New York	(20,000)	(78,710)
Repayments of loans payable - related party	-	(71,000)
Net cash provided by (used in) financing activities	<u>44,800</u>	<u>(94,000)</u>
Net decrease in cash and cash equivalents	(8,076)	(29,862)
Cash and cash equivalents, beginning of year	16,753	46,615
Cash and cash equivalents, end of year	<u>\$ 8,677</u>	<u>\$ 16,753</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	\$ 6,480	\$ 6,899
Income taxes	\$ -	\$ -
Noncash investing and financing activities:		
NYC DCA capital expenditures made on behalf of Organization	\$ 351,703	\$ 255,177
Repayment of FCNY loans by NYC DCA on behalf of Organization	\$ 44,800	\$ -

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

ISSUE PROJECT ROOM, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

1) NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization

Issue Project Room, Inc. (the “Organization”) was organized as a not-for-profit corporation on November 4, 2003 under the laws of the State of New York. The mission of the Organization is to provide established and emerging artists a platform to challenge and expand conventional practices in art through innovative programs, events, exhibitions, performances, talks and concerts. The Organization’s programs are as follows:

Artists-In-Residence – offers artists an opportunity to develop significant works in partnership with the Organization over the course of the year.

Live Music Performances – performance series featuring young and emerging artists and musicians.

The Organization’s programs are supported primarily by government, foundation, individual, and corporate donor contributions.

Basis of Accounting

Revenues and expenses are recorded on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

The Organization presents its financial statements under the guidelines of Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 958, *Not-for-Profit Entities*. Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

Cash and Cash Equivalents

The Organization considers all highly liquid investments, except those held for long-term investment, with maturities of three months or less when purchased to be cash equivalents.

Accounts Receivable

Program service revenue earned but not yet received that is expected to be collected within one year is recorded as accounts receivable at net realizable value. If amounts become uncollectible, they will be charged to operations when that determination is made.

ISSUE PROJECT ROOM, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2015

1) NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Contributions Receivable

Unconditional promises to give from individuals that are expected to be collected within one year are recorded as contributions receivable at net realizable value. If amounts become uncollectible, they will be charged to operations when that determination is made.

Grants Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows using an appropriate risk-adjusted rate of return at the date of the promise to give. Amortization of the discount is included in contribution revenue. An allowance for uncollectible grants is recorded based on estimated amounts not expected to be collected. At December 31, 2015, there was no reserve for uncollectible amounts recorded.

Property and Equipment

The Organization capitalizes all expenditures for property and equipment in excess of \$1,000 at cost, if purchased, or at fair value on the date of receipt, if donated. Depreciation for property and equipment is provided using the straight-line method for financial reporting purposes at rates based on the following estimated useful lives:

	<u>Years</u>
Equipment	5
Furniture and fixtures	5
Leasehold improvements	Lease term

Upon sale or retirement, the cost and related accumulated depreciation are eliminated from the respective accounts, and the resulting gain or loss is reported. Expenditures for major renewals and improvements that extend the useful lives of the property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Donations of property and equipment are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

ISSUE PROJECT ROOM, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2015

1) NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Agency Transactions

As a fiscal agent, the Organization agrees to pass assets (cash) received from donors to an entity or individual specified by those donors. The Organization has little or no discretion in determining the use of assets transferred to them. The Organization's policy is to recognize the cash received and an offsetting liability, "Due to Fiscally Sponsored Projects", until the funds are fully distributed to the ultimate beneficiary, at which time the liability is removed from the Organization's books.

Advertising Costs

The Organization uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. For the year ended December 31, 2015, advertising expense amounted to \$5,514.

Contributed Services

A number of volunteers have donated significant amounts of their time to the Organization in connection with its programs. Directors and officers have made a significant contribution of their time to develop the Organization and its programs. These donated services are not reflected in the financial statements since they do not meet the criteria for recognition as contributed services.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. Support that is not restricted by the donor is reported as an increase in unrestricted net assets. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (this is when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restricted contributions whose restrictions are met in the reporting period are recorded as unrestricted contributions.

Foundation and other grant awards received for specific purposes are recognized as support to the extent of the related expenses incurred in compliance with the specific restrictions, if any. The unexpended funds are reported as temporarily restricted net assets.

In-kind contributions are reflected as contributions at their fair value at date of donation and are offset by like amounts included in expenses or assets.

ISSUE PROJECT ROOM, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2015

1) NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Revenue Recognition (cont'd)

Program service revenues are recognized when earned.

Contributed artwork is recorded as contributions at fair market value on the date of receipt and recorded as artwork held for sale. Artwork is sold on a specific identification basis. Any difference between the item's initial fair value and the amount ultimately received is recognized as an increase or decrease to contributions.

Ticket sales from the Organization's special events are allocated based on the fair value of the benefit provided to the donors and is reported on the statement of activities as direct benefits to donors. The difference between the amounts paid by the donors and the fair value of the benefit received by the donors is considered contribution revenue and is reported as excess ticket sales revenue.

Costs of Direct Benefits to Donors

The costs of the items and services furnished to donors as inducements to attend the Organization's special events are presented as a deduction from direct benefits to donors on the statement of activities.

Functional Allocation of Expenses

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

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. It is also exempt from state income taxes. However, any unrelated business income may be subject to taxation. Currently, the Organization has no obligation for any unrelated business income tax.

The Organization's Forms 990, *Return of Organizations Exempt from Income Tax*, for the years ended December 31, 2014, 2013 and 2012 are subject to examination by the Internal Revenue Service ("IRS"), generally for three years after they were filed.

The Organization has evaluated its current tax positions and has concluded that as of December 31, 2015, the Organization does not have any significant uncertain tax positions for which a reserve would be necessary.

ISSUE PROJECT ROOM, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2015

1) NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Comparative Data

The amounts shown for the year ended December 31, 2014 in the accompanying financial statements are included to provide a basis for comparison with 2015 and present summarized totals only. Accordingly, the 2014 totals are not intended to present all information necessary for a fair presentation in conformity with accounting principles generally accepted in the United States of America. Such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2014, from which the summarized information was derived.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management of the Organization to use estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Date of Management's Review

Management has evaluated subsequent events through March 29, 2016 which is the date the financial statements were available to be issued.

2) FAIR VALUE MEASUREMENTS

The Organization has a number of financial instruments, none of which are held for trading purposes. The Organization estimates that the fair value of all financial instruments at December 31, 2015 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position. The estimated fair value amounts have been determined by the Organization using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and accordingly, the estimates are not necessarily indicative of the amounts that the Organization could realize in a current market exchange.

4) PROPERTY AND EQUIPMENT

The following is a summary of property and equipment less accumulated depreciation as of December 31, 2015. Depreciation expense for the year then ended was \$11,198.

Leasehold improvements	\$ 784,671
Equipment	31,063
Furniture and fixtures	<u>6,511</u>
	461,752
Less: accumulated depreciation	<u>49,924</u>
	<u>\$ 772,322</u>

ISSUE PROJECT ROOM, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2015

3) GRANTS RECEIVABLE

Grants receivable represents primarily grant commitments received at December 31, 2015 but not collected as of the financial statement date, and consists of the following:

New York State Council on the Arts	\$ 305,000
New York City Department of Cultural Affairs	<u>14,000</u>
	319,000
Less: unamortized discount (4%)	<u>21,366</u>
	<u>\$ 297,634</u>
Amounts due in:	
Less than one year	\$ 99,000
One to five years	<u>220,000</u>
	<u>\$ 319,000</u>

The Organization believes its receivables to be fully collectible; accordingly, no allowance for doubtful accounts was recorded for the year then ended.

4) PROPERTY AND EQUIPMENT

The following is a summary of property and equipment less accumulated depreciation as of December 31, 2015. Depreciation expense for the year then ended was \$8,988.

Leasehold improvements	\$ 784,671
Equipment	31,063
Furniture and fixtures	<u>6,511</u>
	822,245
Less: accumulated depreciation	<u>49,923</u>
	<u>\$ 772,322</u>

5) LINE OF CREDIT

The Organization has a revolving line of credit with a bank at a variable interest rate of 3.25 percentage points over the Wall Street Journal Prime Index Rate per annum. Under no circumstances will the interest rate on the line of credit be less than 4.25% per annum. The current interest rate on the line of credit is 5.50% per annum. The line of credit is collateralized by all of the current and future assets of the Organization and is payable on demand. The line of credit is reviewed annually and its renewal is at the sole discretion of the bank. The bank has a term note conversion option on the line of credit at any time prior to demanding payment on the line of credit. The outstanding balance on the line of credit as of December 31, 2015 was \$89,929. Interest expense paid on the line of credit for the year ended December 31, 2015 was \$6,480. The line of credit is available for the general business operations of the Organization.

ISSUE PROJECT ROOM, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2015

6) LOANS PAYABLE

During the year ended December 31, 2015, the Organization received \$64,800 in short-term interest-free loans from the Fund for the City of New York (the "Fund") which were repaid to the Fund by year-end.

7) AGENCY TRANSACTIONS

Amounts due to ultimate beneficiaries in relation to agency transactions during the year are as follows:

<u>Recipient</u>	<u>Project</u>	<u>Amount</u> <u>Due</u>
Toni Dove	The Dress: A Dark Mirror	\$ 25,000
Yasunao Tone	Neural Network	11,200
Total		<u>\$ 36,200</u>

8) OCCUPANCY – CONTRIBUTED RENT

The Organization rents a 4,800 square-foot performance space under a 20 year lease agreement expiring November 30, 2028. The space is historically and architecturally significant. Annual rent is charged at a rate of \$1 per month. The Organization is also responsible for paying its share of real estate taxes and common charges throughout the lease term at a rate of \$1,000 per month. Management has determined the fair market value of the rent on this space is approximately \$39,922 and it has been recorded as contributed rent revenue and expense in the accompany statement of activities.

9) TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2015 are available for the following:

NYC DCA equipment (undepreciated balance)	\$ 708,125
General support for years 2016-2020	253,634
Other programs	<u>19,000</u>
Total	<u>\$ 980,759</u>

10) COMPENSATED ABSENCES

Employees of the Organization are entitled to paid vacation, paid sick days, and personal days off, depending on job classification, length of service, and other factors. It is impracticable to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying financial statements. The Organization's policy is to recognize the costs of compensated absences when actually paid to employees.

ISSUE PROJECT ROOM, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2015

11) EMPLOYEE BENEFIT PLAN

Employees of the Organization may participate in an Internal Revenue Code section 403(b) retirement savings plan. The plan is funded solely by employee contributions to the plan, pursuant to a salary reduction agreement.

12) IN-KIND CONTRIBUTIONS

During the year ended December 31, 2015, the Organization received in-kind donations in the form of donated beverages for its special events which have been reflected in the accompanying financial statements at an estimated fair value of \$5,311.

13) CAPITAL CONTRIBUTIONS – CITY OF NEW YORK

The Organization was identified as the recipient of services valued at approximately \$3.8 million from The City of New York to renovate its current performance space. These funds are maintained by The City of New York and will be paid directly to the architects and contractors renovating the space. These funds are not controlled and/or maintained by the Organization. The capital expenditures made on behalf of the Organization are recognized as leasehold improvements and support when expended by The City of New York. Undepreciated City capital contributions are reflected in Temporarily Restricted Net Assets.

In 2015, The City of New York's investment of capital funding totaling \$351,703 (\$708,126 total-to-date) obligated the Organization to maintain operate the facility for the respective bonding term as a non-profit entity, open to and used and maintained for the benefit of the people of The City of New York for cultural, educational or artistic uses and/or related purposes approved by the City of New York.

14) CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash balances at a major financial institution. The balances are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. As of December 31, 2015, there were no uninsured balances.

During the year ended December 31, 2015, the Organization received approximately 62% of its total grants and contributions from New York City departmental agencies and the New York State Council on the Arts.

15) CONTINGENCIES

The Organization is currently disputing amounts totaling approximately \$263,000 that were assessed in November 2015 by the landlord on its rental space at 22 Boerum Place, Brooklyn. The amounts assessed are for common charges and real estate taxes on the space dating back to late 2011. The Board does not believe the additional assessments to be valid charges. The Organization has historically paid \$1,001 per month in maintenance charges. Accordingly, no provision has been made for any liability that might arise from unsuccessful negotiations.