ISSUE PROJECT ROOM, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2018

WITH SUMMARIZED COMPARATIVE INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2017

RB | RICH & BANDER

CERTIFIED PUBLIC ACCOUNTANTS

ISSUE PROJECT ROOM, INC.
TABLE OF CONTENTS
DECEMBER 31, 2018 WITH SUMMARIZED COMPARATIVE INFORMATION FOR 2017

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, 2018, 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.

79 MADISON AVENUE FIFTH FLOOR NEW YORK, NY 10016
Tel: (212) 684-2470 Fax: (646) 218-4132 EMAIL: INFO@RICHANDBANDER.COM

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, 2018, 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 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 9, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, 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 14, 2019

RICH AND BANDER, LLP
CERTIFIED PUBLIC ACCOUNTANTS

ISSUE PROJECT ROOM, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018
(With summarized comparative information for the year ended December 31, 2017)

ASSETS	2018	2017
Current assets		
Cash and cash equivalents	$ 13,465	$ 6,948
Contributions receivable	5,765	-
Grants receivable	1,000	11,000
Prepaid expenses	10,473	7,905
Other receivables	540	-
Total current assets	**31,243**	**25,853**
Property and equipment, net of accumulated depreciation	**1,033,162**	**906,113**
Other assets		
Security deposit	600	2,250
Total other assets	**600**	**2,250**
TOTAL ASSETS	**$ 1,065,005**	**$ 934,216**

LIABILITIES AND NET ASSETS	2018	2017
Current liabilities		
Accounts payable and accrued expenses	$ 16,682	$ 16,762
Unrelated business income taxes payable	1,269	-
Deferred revenue	3,282	8,534
Grant advances	24,707	23,730
Total current liabilities	**45,940**	**49,026**
Net assets		
Without donor restrictions	40,764	38,613
With donor restrictions	978,301	846,577
Total net assets	**1,019,065**	**885,190**
TOTAL LIABILITIES AND NET ASSETS	**$ 1,065,005**	**$ 934,216**

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

ISSUE PROJECT ROOM, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018
(With summarized comparative information for the year ended December 31, 2017)

	Without Donor Restrictions	With Donor Restrictions	2018 Total	2017 Total
Revenue, support and gains				
Grants and contributions				
Government	$ 150,727	$ 131,724	$ 282,451	$ 174,816
Foundation and other	91,000	-	91,000	86,479
In-kind contributions	83,868	-	83,868	37,789
Individuals	83,544	-	83,544	81,456
Corporate	41,600	-	41,600	39,742
Contributed rent	39,922	-	39,922	39,922
	490,661	131,724	622,385	460,204
Special events				
Direct benefits to donors	44,072	-	44,072	22,770
Less: cost of direct benefits to donors	(37,647)	-	(37,647)	(29,723)
Contributions:				
Excess ticket sales revenue and other contributions	83,825	-	83,825	78,620
	90,250	-	90,250	71,667
Total grants and contributions	**580,911**	**131,724**	**712,635**	**531,871**
Program service revenue				
Box office and concessions	127,249	-	127,249	105,210
Total program service revenue	**127,249**	-	**127,249**	**105,210**
Other income				
Rental income	95,427	-	95,427	76,344
Interest income	-	-	-	45
Miscellaneous income	3,986	-	3,986	5,851
Total other income	**99,413**	**-**	**99,413**	**82,240**
Net assets released from restrictions	-	-	-	-
	807,573	**131,724**	**939,297**	**719,321**
Expenses				
Program services expense	451,423	-	451,423	347,243
Supporting services expense				
Management and general	196,847	-	196,847	195,287
Fundraising	157,152	-	157,152	135,002
Total supporting services expenses	353,999	-	353,999	330,289
Total expenses	**805,422**	**-**	**805,422**	**677,532**
Change in net assets	2,151	131,724	133,875	41,789
Net assets - beginning of year	38,613	846,577	885,190	843,401
Net assets - end of year	**$ 40,764**	**$ 978,301**	**$ 1,019,065**	**$ 885,190**

ISSUE PROJECT ROOM, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(With summarized comparative information for the year ended December 31, 2017)

	Program Services	Management & General	Fundraising	Direct Costs of Special Events	2018 Total	2017 Total
Salaries and related payroll expenses	$ 142,461	$ 95,559	$ 113,604	$ -	$ 351,624	$ 310,095
Rent and occupancy costs	69,797	22,383	24,217	-	116,397	25,424
Artist fees	63,475	-	-	-	63,475	67,414
Contract services	38,172	16,155	-	-	54,327	42,533
Contributed rent	37,926	1,996	-	-	39,922	39,922
Cost of direct benefits to donors	-	-	-	37,647	37,647	29,723
Travel	24,897	-	-	-	24,897	20,346
Honorariums and stipends	17,631	-	-	-	17,631	15,000
Event and other fundraising expenses	470	-	13,163	-	13,633	10,754
Insurance	-	11,721	-	-	11,721	12,295
Marketing and merchandise expenses	-	10,398	-	-	10,398	11,966
Equipment rental	8,494	-	-	-	8,494	8,405
Front of house expenses	8,345	-	-	-	8,345	7,956
Bank and merchant processing fees	3,800	4,333	-	-	8,133	7,926
Telephone and internet	3,262	2,181	2,593	-	8,036	6,400
Supplies	4,021	1,556	1,850	-	7,427	4,120
Office expenses	-	7,095	-	-	7,095	6,177
Concessions	6,963	-	-	-	6,963	7,106
Professional fees	-	6,469	-	-	6,469	26,144
Depreciation	4,570	748	655	-	5,973	6,538
Curatorial fees	5,588	-	-	-	5,588	11,920
Printing and production	5,258	-	-	-	5,258	7,373
Miscellaneous	-	4,940	-	-	4,940	1,409
Cleaning and maintenance	-	4,270	-	-	4,270	2,907
Permit and fees	3,804	-	-	-	3,804	5,001
Utilities	1,346	900	1,070	-	3,316	906
Meals and meetings	-	2,774	-	-	2,774	2,145
Postage and delivery	-	1,501	-	-	1,501	786
Unrelated business income taxes	-	1,269	-	-	1,269	-
Royalties	1,143	-	-	-	1,143	1,863
Interest expense	-	599	-	-	599	1,845
Bad debt expense	-	-	-	-	-	4,856
Total expenses by function	**451,423**	**196,847**	**157,152**	**37,647**	**843,069**	**707,255**
Less expenses included with revenues on the statement of activities						
Cost of direct benefits to donors	-	-	-	(37,647)	(37,647)	(29,723)
Total expenses included in the expense section on the statement of activities	**$ 451,423**	**$ 196,847**	**$ 157,152**	**$ -**	**$ 805,422**	**$ 677,532**

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

ISSUE PROJECT ROOM, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
(With summarized comparative information for the year ended December 31, 2017)

	2018	2017
Cash flows from operating activities:		
Change in net assets	$ 133,875	$ 41,789
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	5,973	6,538
NYC DCA capital expenditures made on behalf of Organization	(131,723)	(26,816)
Bad debt expense	-	4,856
(Increase) decrease in operating assets:		
Contributions receivable	(5,765)	(1,017)
Grants receivable	10,000	10,000
Prepaid expenses	(2,568)	(1,775)
Security deposit	1,650	-
Other receivable	(540)	-
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(80)	(15,514)
Deferred revenue	(5,252)	3,034
Grant advances	977	680
Unrelated business income taxes payable	1,269	-
Total adjustments	(126,059)	(20,014)
Net cash provided by operating activities	7,816	21,775
Cash flows from investing activities:		
Purchase of property and equipment	(1,299)	(3,476)
Net cash used in investing activities	(1,299)	(3,476)
Cash flows from financing activities:		
Proceeds from loans payable - Fund for the City of New York	-	18,000
Repayments of loans payable - Fund for the City of New York	-	(18,000)
Line of credit advances	162,500	230,000
Line of credit repayments	(162,500)	(242,500)
Net cash used in financing activities	-	(12,500)
Net increase in cash and cash equivalents	6,517	5,799
Cash and cash equivalents, beginning of year	6,948	1,149
Cash and cash equivalents, end of year	**$ 13,465**	**$ 6,948**
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	$ 598	$ 1,845
Unrelated business income taxes	$ -	$ -
Noncash investing and financing activities:		
NYC DCA capital expenditures made on behalf of Organization	$ 131,723	$ 26,816

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

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 new works in partnership with the Organization over the course of the year.

Curatorial Fellowship – supports an emerging curator in realizing ambitious new projects over the course of the year.

Live Performances – performance series featuring pioneering 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.

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.

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. The Organization uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

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. The Organization uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

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:

	Years
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.

Fiscal Sponsorship

As a fiscal sponsor, the Organization agrees to receive tax-deductible charitable gifts, grants and contributions to be awarded by donors to certain grantees for the benefit and use of the grantees' projects. Because the Organization retains full legal ownership and control over the funds contributed under its fiscal sponsorship arrangements, contributions received are treated as temporarily restricted and all income and expenses are reported in the activities of the Organization. The Organization charges a 5% administrative fee to grantees.

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, 2018, advertising expense amounted to $7,603 and is included in marketing and merchandise expenses on the statement of functional expenses.

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

Net Assets

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor - (or certain grantor) - imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

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 and do not receive compensation or reimbursement for such volunteer contributions. These donated services are not reflected in the financial statements since they do not meet the criteria for recognition as contributed services.

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.

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

Revenue Recognition

Revenue is recognized when earned. Program service fees received in advance are deferred to the applicable period in which the related services are performed. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

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.

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.

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 pays unrelated business income taxes on qualified transportation benefits provided to its employees under a compensation reduction agreement.

The Organization's Forms 990, *Return of Organizations Exempt from Income Tax*, for the years ended December 31, 2017, 2016 and 2015 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, 2018, the Organization does not have any significant uncertain tax positions for which a reserve would be necessary.

Reclassifications

Certain reclassifications have been made to the 2017 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

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.

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

Comparative Data

The amounts shown for the year ended December 31, 2017 in the accompanying financial statements are included to provide a basis for comparison with 2018 and present summarized totals only. Accordingly, the 2017 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, 2017, from which the summarized information was derived.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued an accounting standard update which affects the revenue recognition of entities that enter into either (1) certain contracts to transfer goods or services to customers or (2) certain contracts for the transfer of nonfinancial assets. The update indicates an entity should recognize revenue in an amount that reflects the consideration the entity expects to be entitled to in exchange for the goods or services transferred by the entity. The update is to be applied to the beginning of the year of implementation or retrospectively and is effective for annual periods beginning after December 15, 2018 and in interim periods in annual periods beginning after December 15, 2019. The Organization is currently evaluating the effect the update will have on its financial statements.

On November 17, 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The new standard requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Entities will also be required to reconcile such total to amounts on the balance sheet and disclose the nature of the restrictions. This new standard is effective for fiscal years beginning after December 15, 2018. Early adoption is permitted. The Organization is currently evaluating the effect the update will have on its financial statements.

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, *Leases*. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. This new standard is effective for fiscal years beginning after December 15, 2019. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Organization is currently evaluating the effect the update will have on its financial statements.

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

Recent Accounting Pronouncements (cont'd)

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies and improves guidance concerning, 1) the determination whether a transaction should be accounted for as an exchange transaction or as a contribution, and 2) whether a contribution received is conditional. ASU 2018-08 is effective for annual periods beginning after December 15, 2018 for entities that are resource recipients and for annual periods beginning after December 15, 2019 for entities that are resource providers, with early adoption permitted. ASU 2018-08 should be applied on a modified prospective basis. The Organization is currently evaluating the effect the update will have on its financial statements.

Change in Accounting Principle

Effective January 1, 2018, the Organization adopted Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. Implementation of ASU 2016-14 did not require restatement of any opening balances related to the period presented. However, the net asset balances as of December 31, 2017 included in the prior year summarized comparative information presented have been reclassified to conform with ASU 2016-14. The Organization's net assets previously reported as temporarily restricted are now reported as net assets with donor restrictions. Likewise, the Organization's net assets previously reported as unrestricted are now reported as net assets without donor restrictions. The Organization did not have any permanently restricted net assets.

Date of Management's Review

Management has evaluated subsequent events through March 14, 2019, which is the date the financial statements were available to be issued.

2) LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restriction limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	$ 13,465
Contributions receivable	5,765
Grants receivable	1,000
Other receivables	540
Total	$ 20,770

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Should the organization not have any liquid, available financial assets it has the ability to draw on its line of credit up to $100,000 (Refer to Note 7).

3) 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, 2018 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) CONTRIBUTIONS RECEIVABLE

Contributions receivable are generally collected within one year. The Organization believes its receivables to be fully collectible; accordingly, no allowance for doubtful accounts was recorded for the year then ended.

5) GRANTS RECEIVABLE

Grants receivable at December 31, 2018 consists of the following:

Lehman Foundation	$ 1,000
	$ 1,000

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

6) PROPERTY AND EQUIPMENT

The following is a summary of property and equipment less accumulated depreciation as of December 31, 2018. Depreciation expense for the year then ended was $5,973.

Construction in progress	$ 988,771
Leasehold improvements	66,075
Equipment	37,974
Furniture and fixtures	9,987
	1,102,807
Less: accumulated depreciation	69,645
	$ 1,033,162

7) LINE OF CREDIT

The Organization has available a $100,000 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 7.5% 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, 2018 was $0. Interest expense paid on the line of credit for the year ended December 31, 2018 was $598. The line of credit is available for the general business operations of the Organization.

8) 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.

9) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes:

Subject to asset being placed in service:	
NYC DCA capital expenditures	$ 978,301
Total	$ 978,301

10) CONCENTRATION 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, 2018, there were no uninsured balances.

11) OCCUPANCY – CONTRIBUTED RENT

The Organization rents a 4,800 square-foot performance space under a 20-year lease agreement expiring June 30, 2036. 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. 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 accompanying statement of activities and statement of functional expenses.

12) IN-KIND CONTRIBUTIONS

During the year ended December 31, 2018, the Organization received the following in-kind donations in support of its programs and activities. The fair market value has been recorded in the accompanying financial statements. In-kind contributions were as follows:

Donated office space	$ 74,150
Rugs, catalogs, flowers, and hotel	5,263
Beverages for programming and benefit	2,630
Equipment rental	1,575
Building permit fees	250
Total	$ 83,868

13) CAPITAL CONTRIBUTIONS – CITY OF NEW YORK

The Organization was identified as the recipient of services valued at approximately $8.0 million (includes $2.6 million of amounts awarded in 2018) 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.

To date, The City of New York's investment of capital funding totaling $978,301 obligates the Organization to maintain and 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) FUNCTIONALIZED EXPENSES

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include rent and occupancy costs (including contributed rent) related to the performance space, and depreciation (performance space leasehold improvements) as well as salaries and related payroll expenses, rent and occupancy costs (including contributed rent) related to the office space, telephone and internet, supplies, depreciation (equipment and furniture and fixtures), and utilities, which are allocated on the basis of estimates of time and effort.

15) LEASE COMMITMENTS

During the year, the Organization signed a lease extension for its performance space located at 22 Boerum Place in Brooklyn. The agreement extends the noncancelable term through June 30, 2036. The lease calls for monthly rent payments of $1 and monthly common charges. The Organization is also responsible for its proportionate share of real estate taxes.

During the year, the Organization signed a non-cancelable operating lease for office space located at 140 2nd Avenue in New York City which expires on June 30, 2019. The lease calls for monthly payments of $1,350. The Organization has the option to renew on an annual basis thereafter at a 3% annual rental increase.

Rent and occupancy costs for the year ended December 31, 2018 was $116,397. Included in rent and occupancy costs were real estate taxes amounting to $22,907.

Future minimum lease payments under the non-cancelable lease are as follows:

Years ending December 31,	
2019	$ 4,277
2020	4,177
2021	8,094
2022	12,012
2023	12,012
Thereafter	150,150
Total	$ 190,622

16) CONTINGENCIES

The Organization is currently disputing amounts with the New York State Department of Labor totaling approximately $17,000 for unpaid unemployment insurance contributions dating back to January 2013 plus penalties of approximately $8,000. The Organization does not agree with New York State's employee classification and is appealing the determination. Accordingly, no provision has been made for any liability that might arise from unsuccessful negotiations.

17) UNRELATED BUSINESS INCOME TAXES

The Organization is subject to taxes on its unrelated business income. For the year ended December 31, 2018, the Organization was obligated for the following income tax expense in connection with the qualified transportation benefits provided to its employees under a compensation reduction agreement:

Federal	$ 1,269
	$ 1,269