

ISSUE PROJECT ROOM, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2019

WITH SUMMARIZED COMPARATIVE INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2018

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, 2019, 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, 2019, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, as of and for the year ended December 31, 2019, Issue Project Room, Inc. adopted ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), using the modified retrospective method applied to all contracts. Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the financial statements, as of and for the year ended December 31, 2019, Issue Project Room, Inc. adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the financial statements, as of and for the year ended December 31, 2019, Issue Project Room, Inc. adopted ASU 2016-15, *Statement of Cash Flows* (Topic 230), *Classification of Certain Cash Receipts and Cash Payments* and ASU 2016-18, *Statement of Cash Flows* (Topic 230), *Restricted Cash*. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited Issue Project Room, Inc.'s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 14, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Rich and Bander, LLP

New York, NY
May 1, 2020

ISSUE PROJECT ROOM, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

(With summarized comparative information for the year ended December 31, 2018)

ASSETS	<u>2019</u>	<u>2018</u>
Current assets		
Cash and cash equivalents	\$ 2,411	\$ 13,465
Contributions receivable	713	5,765
Grants receivable	-	1,000
Prepaid expenses	8,834	10,473
Other receivables	-	540
Total current assets	<u>11,958</u>	<u>31,243</u>
 Property and equipment, net of accumulated depreciation	 1,189,231	 1,033,162
 Other assets		
Security deposit	-	600
Total other assets	<u>-</u>	<u>600</u>
 TOTAL ASSETS	 <u><u>\$ 1,201,189</u></u>	 <u><u>\$ 1,065,005</u></u>
 LIABILITIES AND NET ASSETS		
 Current liabilities		
Accounts payable and accrued expenses	\$ 16,286	\$ 17,951
Deferred revenue	4,729	3,282
Grant advances	27,435	24,707
Line of credit	9,500	-
Total current liabilities	<u>57,950</u>	<u>45,940</u>
 Net assets		
Without donor restrictions	8,694	40,764
With donor restrictions	1,134,545	978,301
Total net assets	<u>1,143,239</u>	<u>1,019,065</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 1,201,189</u></u>	 <u><u>\$ 1,065,005</u></u>

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

ISSUE PROJECT ROOM, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019
(With summarized comparative information for the year ended December 31, 2018)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019 Total</u>	<u>2018 Total</u>
Revenue, support and gains				
Grants and contributions				
Government	\$ 170,903	\$ 156,244	\$ 327,147	\$ 282,451
Foundation	133,950	-	133,950	91,000
Individual and membership dues	94,040	-	94,040	83,544
In-kind contributions	87,821	-	87,821	83,868
Contributed rent	39,922	-	39,922	39,922
Corporate	38,360	-	38,360	41,600
	<u>564,996</u>	<u>156,244</u>	<u>721,240</u>	<u>622,385</u>
Special events				
Gross special events revenue	159,235	-	159,235	127,897
Less: cost of direct benefits to donors	(74,465)	-	(74,465)	(37,647)
	<u>84,770</u>	<u>-</u>	<u>84,770</u>	<u>90,250</u>
Total grants and contributions	649,766	156,244	806,010	712,635
Program service revenue				
Box office and concessions	128,910	-	128,910	127,249
Total program service revenue	128,910	-	128,910	127,249
Other income				
Rental income	28,265	-	28,265	95,427
Miscellaneous income	6,655	-	6,655	3,986
Total other income	34,920	-	34,920	99,413
Net assets released from restrictions	-	-	-	-
	<u>813,596</u>	<u>156,244</u>	<u>969,840</u>	<u>939,297</u>
Expenses				
Program services expense	418,076	-	418,076	451,423
Supporting services expense				
Management and general	293,061	-	293,061	196,847
Fundraising	134,529	-	134,529	157,152
Total supporting services expenses	427,590	-	427,590	353,999
Total expenses	845,666	-	845,666	805,422
Change in net assets	(32,070)	156,244	124,174	133,875
Net assets - beginning of year	40,764	978,301	1,019,065	885,190
Net assets - end of year	<u>\$ 8,694</u>	<u>\$ 1,134,545</u>	<u>\$ 1,143,239</u>	<u>\$ 1,019,065</u>

ISSUE PROJECT ROOM, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
(With summarized comparative information for the year ended December 31, 2018)

	Program Services	Management & General	Fundraising	Cost of Direct Benefits to Donors	2019 Total	2018 Total
Salaries and related payroll expenses	\$ 185,721	\$ 93,540	\$ 101,921	\$ -	\$ 381,182	\$ 351,624
Event and other fundraising expenses	11,469	-	5,748	74,465	91,682	51,280
Professional fees	-	89,217	-	-	89,217	6,469
Artist fees	65,550	-	-	-	65,550	63,475
Rent and occupancy costs	23,443	10,983	11,967	-	46,393	116,397
Contributed rent	19,451	9,797	10,674	-	39,922	39,922
Contract services	15,400	17,460	-	-	32,860	54,327
Fiscally sponsored grants	25,000	-	-	-	25,000	-
Travel	22,778	-	-	-	22,778	24,897
Marketing and merchandise expenses	-	14,541	-	-	14,541	10,398
Supplies	10,855	685	746	-	12,286	7,427
Honorariums and stipends	-	11,400	-	-	11,400	17,631
Insurance	-	9,952	-	-	9,952	11,721
Equipment rental	8,886	-	-	-	8,886	8,494
Office expenses	-	8,744	-	-	8,744	7,095
Bank and merchant processing fees	-	8,382	-	-	8,382	8,133
Utilities	4,040	2,035	2,217	-	8,292	3,316
Depreciation	-	7,140	-	-	7,140	5,973
Concessions	5,920	-	-	-	5,920	6,963
Printing and production	4,790	-	-	-	4,790	5,258
Telephone and internet	2,288	1,151	1,256	-	4,695	8,036
Front of house expenses	4,538	-	-	-	4,538	8,345
Curatorial fees	4,500	-	-	-	4,500	5,588
Meals and meetings	-	2,296	-	-	2,296	2,774
Permit and fees	1,989	-	-	-	1,989	3,804
Interest expense	-	1,920	-	-	1,920	599
Miscellaneous	-	1,655	-	-	1,655	4,940
Royalties	1,458	-	-	-	1,458	1,143
Postage and delivery	-	1,318	-	-	1,318	1,501
Cleaning and maintenance	-	845	-	-	845	4,270
Unrelated business income taxes	-	-	-	-	-	1,269
Total expenses by function	418,076	293,061	134,529	74,465	920,131	843,069
Less expenses included with revenues on the statement of activities						
Cost of direct benefits to donors	-	-	-	(74,465)	(74,465)	(37,647)
Total expenses included in the expense section on the statement of activities	\$ 418,076	\$ 293,061	\$ 134,529	\$ -	\$ 845,666	\$ 805,422

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, 2019
(With summarized comparative information for the year ended December 31, 2018)

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ 124,174	\$ 133,875
<i>Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:</i>		
Depreciation	7,140	5,973
NYC DCA capital expenditures made on behalf of Organization	(156,244)	(131,723)
(Increase) decrease in operating assets:		
Contributions receivable	5,052	(5,765)
Grants receivable	1,000	10,000
Prepaid expenses	1,639	(2,568)
Security deposit	600	1,650
Other receivable	540	(540)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(1,665)	1,189
Deferred revenue	1,447	(5,252)
Grant advances	2,728	977
Total adjustments	<u>(137,763)</u>	<u>(126,059)</u>
Net cash provided by (used in) operating activities	<u>(13,589)</u>	<u>7,816</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>(6,965)</u>	<u>(1,299)</u>
Net cash used in investing activities	<u>(6,965)</u>	<u>(1,299)</u>
Cash flows from financing activities:		
Line of credit advances	262,500	162,500
Line of credit repayments	<u>(253,000)</u>	<u>(162,500)</u>
Net cash provided by financing activities	<u>9,500</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(11,054)	6,517
Cash and cash equivalents, beginning of year	13,465	6,948
Cash and cash equivalents, end of year	<u><u>\$ 2,411</u></u>	<u><u>\$ 13,465</u></u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	<u>\$ 1,920</u>	<u>\$ 598</u>
Unrelated business income taxes	<u>\$ 1,269</u>	<u>\$ -</u>
Noncash investing and financing activities:		
NYC DCA capital expenditures made on behalf of Organization	<u><u>\$ 156,244</u></u>	<u><u>\$ 131,723</u></u>

**ISSUE PROJECT ROOM, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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 present projects by interdisciplinary artists that expand the boundaries of artistic practice and stimulate critical dialogue in the broader community. The Organization serves as a leading cultural incubator, facilitating the commission and premiere of innovative new works spanning genres of music, dance, literature and film. During 2019, the Organization commissioned multiple works and presented numerous events bringing recognition to creative practitioners whose important contributions to the artistic field are underrepresented. 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, Cash Equivalents, and Restricted Cash

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. Restricted cash consists of cash equivalents held for donor restrictions or other similar purposes. As of December 31, 2019, there was no material restricted cash.

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 donor restricted and all income and expenses are reported in the activities of the Organization. The Organization charges a 5% administrative fee to grantees.

ISSUE PROJECT ROOM, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2019

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

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.

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.

ISSUE PROJECT ROOM, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2019

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

Revenue, Revenue Recognition, and Receivables

Government and Foundation – Grant income is comprised of foundation and government grants. Revenue from grants, depending on the terms of the grants, is recognized when an unconditional promise to give has been made to the Organization or to the extent of eligible costs incurred, up to the maximum grant amount at which time the Organization has completed its performance obligation. Grant advances include unexpended amounts received. Donated assets from governmental donors are capitalized at fair value at the date of donation and recorded as government revenue with or without donor restrictions, depending on the wishes of the donor.

Individual and Corporate – Contributions are recognized as revenue when received or unconditionally pledged. Contributions subject to donor-imposed restrictions for use in a future period or for a specific purpose are reported as net assets with donor restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as contributions without donor restrictions. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Special Events – Special event revenue is generated from sponsorships, ticket sales, plus non-attendee donations and are recognized when the events occur which is the completion of the Organization's performance obligation.

Grants and Contributions Receivable – Government and foundation revenues that are not yet collected are recorded as grants receivable. Individual and corporate contributions that are not yet collected are recorded as contributions receivable. Amounts expected to be collected within one year are recorded at net realizable value. Amounts that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The Organization determines collectability of grants and contributions receivable when they are promised. During the year ended December 31, 2019, the Organization determined that all grants and contributions promised would be collectible. Accordingly, the Organization has determined that no allowance for doubtful accounts is necessary.

Contributed Services – A number of volunteers have donated significant amounts of 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 contributions. These services are not reflected in the financial statements since they do not meet criteria for recognition as contributed services.

Box Office and Concessions – Box office revenues are generated from the sale of tickets for admission to performances presented by the Organization. Box office revenues are recognized when the performance occurs which is the completion of the Organization's performance obligation. Concession revenues are generated from the sale of concessions sold at the venue of the performance, which is the completion of the Organization's performance obligation.

ISSUE PROJECT ROOM, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2019

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

Revenue, Revenue Recognition, and Receivables (Cont'd)

In-kind Contributions and Contributed Rent – The value of products and services, facilities, and non-capitalized equipment donated is recorded as contributions with or without donor restrictions and expensed in the year donated. These contributions are valued at the estimated fair value of similar services and materials. Donated assets from nongovernmental donors are recognized and, where applicable, capitalized at fair value at the date of donation and recorded as in-kind contributions with or without donor restrictions, depending on the wishes of the donor.

Membership Dues – Membership dues are generally recognized when memberships are issued as the benefits provided to members are nominal in nature and the revenues are, in effect, contributions to the Organization. A small portion of membership dues are recognized monthly as members pay month to month for benefits, which are also nominal.

Rental Income – Rental income is generated from providing the 22 Boerum performance space to various individuals or organizations. The space is typically rented for rehearsals, recordings and productions which typically last a short period of time with no impact on the Organization's own activities. Rental income is recognized when the rental period ends and the individuals or organizations have vacated the space which is the completion of the Organization's obligation.

Accounts Receivable – Pledges and rental revenues that are not yet collected are recorded as accounts receivable and stated at the amounts expected to be collected. The Organization determines collectability of accounts receivable when recognized. During the year ended December 31, 2019, the Organization determined that all accounts receivable would be collectible. Accordingly, the Organization has determined that no allowance for doubtful accounts is necessary.

Disaggregation of Revenue from Contracts with Customers

The following table disaggregates the Organization's revenue based on the timing of satisfaction of performance obligations for the year ended December 31, 2019:

Revenue recognized at a point in time:	
Box office and concessions	\$ 128,910
Rental income	<u>28,265</u>
	<u>\$ 157,175</u>

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.

ISSUE PROJECT ROOM, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2019

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

Contract Balances

Contract assets are recognized when the Organization has satisfied a contract obligation but must satisfy other performance obligations before being entitled to payment. Contract liabilities are recognized when the Organization has an obligation to transfer goods to a customer for which the Organization has received consideration from the customer (or payment is due), but the transfer has not yet been completed. The Organization does not have any contract assets for the year ended December 31, 2019. The Organization has contract liabilities totaling \$4,729 for the year ended December 31, 2019 and are included in the balance sheet as deferred revenue.

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, 2019, advertising expense amounted to \$6,461 and is included in marketing and merchandise expenses on the statement of functional expenses.

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 does not have any unrelated business income.

The Organization's Forms 990, *Return of Organizations Exempt from Income Tax*, for the years ended December 31, 2018, 2017 and 2016 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, 2019, 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 2018 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.

ISSUE PROJECT ROOM, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2019

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

Change in Accounting Principle

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) and issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958) in June 2018. These standards replace existing revenue recognition rules with a comprehensive revenue measurement and recognition standard and expanded disclosure requirements. These standards became effective for annual reporting periods beginning after December 31, 2018 for non-public entities. On January 1, 2019, the Organization adopted ASU 2014-09, using the modified retrospective method applied to all contracts, and ASU 2018-08. There were no material changes to the timing of recognition of revenue and therefore no material impact to the statement of financial position upon adoption.

In August 2016, FASB issued ASU 2016-15, *Statement of Cash Flows* (Topic 230), *Classification of Certain Cash Receipts and Cash Payments*. This guidance is intended to reduce the diversity in practice in how certain transactions are classified in the statement of cash flows. In addition, in November 2016, FASB issued ASU 2016-18, *Statement of Cash Flows* (Topic 230), *Restricted Cash*. This ASU provides additional guidance related to transfers between cash and restricted cash and how entities present, in their statements of cash flows, the cash receipts and cash payments that directly affect the restricted cash accounts. The Organization has adopted these provisions in the accompanying financial statements. Implementation of ASU 2016-15 and ASU 2016-18 did not require restatement of reclassification of any opening balances related to the period presented.

Recent Accounting Pronouncements

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, 2020. 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 this update will have on its financial statements.

Date of Management's Review

Management has evaluated subsequent events through May 1, 2020, which is the date the financial statements were available to be issued.

ISSUE PROJECT ROOM, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2019

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

Comparative Data

The amounts shown for the year ended December 31, 2018 in the accompanying financial statements are included to provide a basis for comparison with 2019 and present summarized totals only. Accordingly, the 2018 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, 2018, from which the summarized information was derived.

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	\$ 2,411
Contributions receivable	<u>713</u>
Total	<u>\$ 3,124</u>

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 6).

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, 2019 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) 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.

ISSUE PROJECT ROOM, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2019

5) PROPERTY AND EQUIPMENT

The following is a summary of property and equipment less accumulated depreciation as of December 31, 2019. Depreciation expense for the year then ended was \$7,140.

Construction in progress	\$ 1,145,015
Leasehold improvements	66,075
Equipment	41,740
Furniture and fixtures	<u>13,186</u>
	1,266,016
Less: accumulated depreciation	<u>76,785</u>
	<u>\$ 1,189,231</u>

6) 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% 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. On December 31, 2019, the interest rate on the line of credit was 6.75% 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, 2019 was \$9,500. Interest expense paid on the line of credit for the year ended December 31, 2019 was \$1,920. The line of credit is available for the general business operations of the Organization.

7) 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	\$ 1,134,545
Total	<u>\$ 1,134,545</u>

8) 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.

ISSUE PROJECT ROOM, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2019

9) IN-KIND CONTRIBUTIONS

During the year ended December 31, 2019, 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:

Legal services	\$ 82,247
Studio prints for gala	50,000
Equipment rental	3,755
Beverages, CDs, DVDs, magazines, and other for gala	2,903
Beverages for programming	1,580
Rugs, catalogs, flowers, and hotel	<u>239</u>
	140,724
Less amounts included in cost of direct benefits to donors	<u>52,903</u>
Total	<u>\$ 87,821</u>

10) CAPITAL CONTRIBUTIONS – CITY OF NEW YORK

The Organization was identified as the recipient of services valued at approximately \$8.0 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.

To date, The City of New York's investment of capital funding totaling \$1,134,545 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.

11) 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, as well as salaries and related payroll expenses, rent and occupancy costs related to the office space, telephone and internet, supplies, and utilities, which are allocated on the basis of estimates of time and effort.

ISSUE PROJECT ROOM, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2019

12) FISCALLY SPONSORED GRANTS

The Organization received a grant in the amount of \$25,000 in January 2019 from a governmental entity. The Organization paid an artist in February 2019 in the amount of \$23,750 to accomplish the grant's goals. The \$25,000 fiscally sponsored grant is recognized in the statement of activities as government revenue and in the statement of functional expenses as fiscally sponsored grants. The Organization recognized the 5% fiscal sponsorship fee in the amount of \$1,250 in the statement of activities as miscellaneous income. The Artist joined the Organization's Board of Directors in June 2019.

13) 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, 2020. The lease calls for monthly payments of \$1,400. The Organization has the option to renew on an annual basis.

Rent and occupancy costs for the year ended December 31, 2019 was \$46,393. Included in rent and occupancy costs were real estate taxes amounting to \$23,888.

For the purposes of the future minimum lease payments, the Organization estimates an increase of 3% per year of monthly common charges. Future minimum lease payments under the non-cancelable lease are as follows:

Years ending	
December 31,	
2020	\$ 12,577
2021	4,367
2022	4,564
2023	4,701
2024	4,842
Thereafter	<u>67,329</u>
Total	<u>\$ 98,380</u>

14) CONTINGENCIES

The Organization is currently disputing amounts with the New York State Department of Labor totaling approximately \$11,000 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.

ISSUE PROJECT ROOM, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2019

15) 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, 2019, there were no uninsured balances.

16) SUBSEQUENT EVENTS

In March 2020, the World Health Organization recognized the novel strain of coronavirus COVID-19, as a pandemic. The coronavirus outbreak has severely impacted economic activity across the world. The Organization’s Board of Directors and Executive Director are in discussion to identify and limit the negative long-term implications of this pandemic to the Organization. Given the uncertainty of the spread and long-term impacts of the coronavirus, the related financial impact to the Organization, if any, cannot be determined at this time.

Subsequent to the year-end, the Organization applied for and received emergency COVID-19-related grant contributions, plus stimulus support through the Paycheck Protection Program and Economic Injury Disaster Loans. The Organization believes that this combination of funding, in addition to ongoing contributions, alleviates any going concern risk.