

ISSUE PROJECT ROOM, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2020

WITH SUMMARIZED COMPARATIVE INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2019

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, 2020, 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, 2020, 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 1, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Rich and Bander, LLP

New York, NY
April 19, 2021

ISSUE PROJECT ROOM, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020

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

ASSETS	2020	2019
Current assets		
Cash and cash equivalents	\$ 79,742	\$ 2,411
Accounts receivable	453	-
Contributions receivable	9,920	713
Grants receivable	109,990	-
Prepaid expenses	10,085	8,834
Total current assets	210,190	11,958
Property and equipment, net of accumulated depreciation	1,379,912	1,189,231
TOTAL ASSETS	\$ 1,590,102	\$ 1,201,189
 LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 41,657	\$ 16,286
Deferred revenue	5,237	4,729
Grant advances	68,063	27,435
Line of credit	-	9,500
Total current liabilities	114,957	57,950
Net assets		
Without donor restrictions	18,505	8,694
With donor restrictions	1,456,640	1,134,545
Total net assets	1,475,145	1,143,239
TOTAL LIABILITIES AND NET ASSETS	\$ 1,590,102	\$ 1,201,189

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

ISSUE PROJECT ROOM, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020
(With summarized comparative information for the year ended December 31, 2019)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2020 Total</u>	<u>2019 Total</u>
Revenue, support and gains				
Grants and contributions				
Foundation	\$ 259,280	\$ 124,000	\$ 383,280	\$ 133,950
Government	175,225	198,095	373,320	327,147
In-kind contributions	122,164	-	122,164	87,821
Individual and membership dues	81,133	-	81,133	94,040
Contributed rent	39,922	-	39,922	39,922
Corporate	29,845	-	29,845	38,360
	<u>707,569</u>	<u>322,095</u>	<u>1,029,664</u>	<u>721,240</u>
Special events				
Gross special events revenue	21,668	-	21,668	159,235
Less: cost of direct benefits to donors	(2,326)	-	(2,326)	(74,465)
	<u>19,342</u>	<u>-</u>	<u>19,342</u>	<u>84,770</u>
Total grants and contributions	726,911	322,095	1,049,006	806,010
Program service revenue				
Box office and concessions	57,813	-	57,813	128,910
Total program service revenue	57,813	-	57,813	128,910
Other income				
Interest income	170	-	170	-
Rental income	390	-	390	28,265
Miscellaneous income	1,310	-	1,310	6,655
Total other income	1,870	-	1,870	34,920
	<u>786,594</u>	<u>322,095</u>	<u>1,108,689</u>	<u>969,840</u>
Expenses				
Program services expense	336,119	-	336,119	418,076
Supporting services expense				
Management and general	301,524	-	301,524	293,061
Fundraising	139,140	-	139,140	134,529
Total supporting services expenses	<u>440,664</u>	<u>-</u>	<u>440,664</u>	<u>427,590</u>
Total expenses	776,783	-	776,783	845,666
Change in net assets	9,811	322,095	331,906	124,174
Net assets - beginning of year	8,694	1,134,545	1,143,239	1,019,065
Net assets - end of year	<u>\$ 18,505</u>	<u>\$ 1,456,640</u>	<u>\$ 1,475,145</u>	<u>\$ 1,143,239</u>

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

ISSUE PROJECT ROOM, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(With summarized comparative information for the year ended December 31, 2019)

	Program Services	Management & General	Fundraising	Cost of Direct Benefits to Donors	2020 Total	2019 Total
Salaries and related payroll expenses	\$ 188,848	\$ 96,224	\$ 107,824	\$ -	\$ 392,896	\$ 381,182
Professional fees	-	128,179	-	-	128,179	89,217
Artist fees, honorariums and stipends	61,826	-	-	-	61,826	76,950
Rent and occupancy costs	28,534	14,952	15,995	-	59,481	46,393
Contributed rent	19,189	9,777	10,956	-	39,922	39,922
Contract services	2,828	14,791	-	-	17,619	32,860
Travel	10,928	-	-	-	10,928	22,778
Marketing and merchandise expenses	4,458	4,572	-	-	9,030	14,541
Insurance	-	8,198	-	-	8,198	9,952
Bank and merchant processing fees	-	7,465	-	-	7,465	8,382
Depreciation	-	7,414	-	-	7,414	7,140
Utilities	2,396	1,220	1,368	-	4,984	8,292
Office expenses	-	4,743	-	-	4,743	8,744
Event and other fundraising expenses	-	-	2,022	2,326	4,348	91,682
Bad debt expense	4,300	-	-	-	4,300	1,318
Curatorial fees	4,027	-	-	-	4,027	4,500
Telephone and internet	1,283	654	733	-	2,670	4,695
Concessions	1,780	-	-	-	1,780	5,920
Printing and production	1,479	-	-	-	1,479	4,790
Postage and delivery	-	1,359	-	-	1,359	1,318
Front of house expenses	1,114	-	-	-	1,114	4,538
Equipment rental	986	-	-	-	986	8,886
Permit and fees	902	-	-	-	902	1,989
Interest expense	-	811	-	-	811	1,920
Supplies	632	84	94	-	810	12,286
Meals and meetings	298	148	148	-	594	2,296
Miscellaneous	-	533	-	-	533	1,655
Cleaning and maintenance	-	400	-	-	400	845
Royalties	311	-	-	-	311	1,458
Fiscally sponsored grants	-	-	-	-	-	25,000
Total expenses by function	336,119	301,524	139,140	2,326	779,109	921,449
Less expenses included with revenues on the statement of activities						
Cost of direct benefits to donors	-	-	-	(2,326)	(2,326)	(74,465)
Total expenses included in the expense section on the statement of activities	\$ 336,119	\$ 301,524	\$ 139,140	\$ -	\$ 776,783	\$ 846,984

ISSUE PROJECT ROOM, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020
(With summarized comparative information for the year ended December 31, 2019)

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 331,906	\$ 124,174
<i>Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:</i>		
Depreciation	7,414	7,140
NYC DCA capital expenditures made on behalf of Organization	(198,095)	(156,244)
Bad debt expense	4,300	-
(Increase) decrease in operating assets:		
Accounts receivable	(453)	-
Contributions receivable	(9,207)	5,052
Grants receivable	(114,290)	1,000
Prepaid expenses	(1,251)	1,639
Security deposit	-	600
Other receivable	-	540
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	25,371	(1,665)
Deferred revenue	508	1,447
Grant advances	40,628	2,728
Total adjustments	(245,075)	(137,763)
Net cash provided by (used in) operating activities	86,831	(13,589)
Cash flows from investing activities:		
Purchase of property and equipment	-	(6,965)
Net cash used in investing activities	-	(6,965)
Cash flows from financing activities:		
Line of credit advances	73,000	262,500
Line of credit repayments	(82,500)	(253,000)
Net cash provided by financing activities	(9,500)	9,500
Net increase (decrease) in cash and cash equivalents	77,331	(11,054)
Cash and cash equivalents, beginning of year	2,411	13,465
Cash and cash equivalents, end of year	\$ 79,742	\$ 2,411
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	\$ 811	\$ 1,920
Unrelated business income taxes	\$ -	\$ 1,269
Noncash investing and financing activities:		
NYC DCA capital expenditures made on behalf of Organization	\$ 198,095	\$ 156,244

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

**ISSUE PROJECT ROOM, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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 2020, 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 or cash equivalents held for endowments, special projects, or other long-term purposes. There was no restricted cash for the year ended December 31, 2020.

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, 2020

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 statement of activities as net assets released from restrictions.

ISSUE PROJECT ROOM, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2020

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.

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, 2020

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 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.

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.

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.

Advertising Costs

The Organization uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred.

ISSUE PROJECT ROOM, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2020

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.

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, 2019, 2018 and 2017 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, 2020, the Organization does not have any significant uncertain tax positions for which a reserve would be necessary.

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.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") No. 2016-02, *Leases* (Topic 842), which requires lessees to recognize leases on the balance sheet and disclose key information about leasing arrangements. The new ASU establishes a right-of-use ("ROU") model that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for most leases with terms longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of the expense recognition in the statement of activities. The effective date for this standard has been delayed to annual reporting periods beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. 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 that these updates will have on its financial statements.

ISSUE PROJECT ROOM, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2020

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

Comparative Data

The amounts shown for the year ended December 31, 2019 in the accompanying financial statements are included to provide a basis for comparison with 2020 and present summarized totals only. Accordingly, the 2019 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, 2019, from which the summarized information was derived.

Grant Advance - Paycheck Protection Program

The Organization has elected to account for the Paycheck Protection Program ("PPP") loan under ASU No. 2018-08 *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958) based on management's continued belief from loan inception to date that forgiveness is probable. In accordance with the standard, the Organization records the cash inflow of the PPP loan as a grant advance liability. The Organization reduces the liability by recognizing other grant income once the conditions for the grant are substantially met. The Organization has elected to recognize other grant income when the conditions for the grant are explicitly waived by the Small Business Administration ("SBA"). Loan proceeds expected and not expected to be forgiven are reported on the statement of cash flows as operating activities and financing activities, respectively. No interest or accrued interest expense is recognized.

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	\$ 43,742
Accounts receivable	713
Contributions receivable	9,920
Grants receivable	<u>86,990</u>
Total	<u>\$ 141,365</u>

The Organization is supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. 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 11).

ISSUE PROJECT ROOM, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2020

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, 2020 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) ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2020 totaled \$453. These amounts 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) CONTRIBUTIONS RECEIVABLE

Contributions receivable at December 31, 2020 totaled \$9,920. These amounts 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.

6) GRANTS RECEIVABLE

Grants receivable at December 31, 2020 totaled \$109,990. These amounts 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. During the year ended December 31, 2020, bad debt expense amounted to \$4,300.

7) DISSAGGREGATION 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, 2020:

Revenue recognized at a point in time:	
Box office and concessions	\$ 57,813
Rental income	<u>390</u>
	<u>\$ 58,203</u>

8) CONTRACT BALANCES

The Organization does not have any contract assets for the year ended December 31, 2020. The Organization has contract liabilities totaling \$5,237 for the year ended December 31, 2020 and are included in the balance sheet as deferred revenue.

ISSUE PROJECT ROOM, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2020

9) PROPERTY AND EQUIPMENT

The following is a summary of property and equipment less accumulated depreciation as of December 31, 2020. Depreciation expense for the year then ended was \$7,414.

Construction in progress	\$ 1,343,110
Leasehold improvements	66,075
Equipment	41,740
Furniture and fixtures	<u>13,186</u>
	1,464,111
Less: accumulated depreciation	<u>84,199</u>
	<u>\$ 1,379,912</u>

10) GRANT ADVANCE

Paycheck Protection Program

On April 21, 2020 the Organization was approved for loan proceeds in the amount of \$68,063 from TD Bank, N.A. (“TD”) pursuant to the PPP, established as part of the Coronavirus Aid, Relief and Economic Securities Act (“CARES Act”) and administered by the SBA. The PPP provides loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying organization.

The original terms of the loan included maturity on April 21, 2022 and bore interest at a rate of 1% per annum, payable monthly commencing on November 21, 2020. As described in the CARES Act, the PPP loan and accrued interest are forgivable if they are used for qualifying expenses such as payroll, benefits, rent and utilities, and maintains its payroll levels.

On March 16, 2021, TD informed the Organization that the SBA approved forgiveness of the entire PPP loan. The Organization is required to maintain PPP documentation for six years and must furnish them to the SBA and/or TD upon request.

11) 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, 2020, the interest rate on the line of credit was 5.25% 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. There was no outstanding balance on the line of credit as of December 31, 2020. Interest expense paid on the line of credit for the year ended December 31, 2020 was \$811. 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, 2020

12) NET ASSETS WITH DONOR RESTRICTIONS

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

Subject to asset being placed in service:	
NYC DCA capital expenditures	\$ 1,332,640
Subtotal	<u>1,332,640</u>
Subject to expenditure for specified purpose:	
Program support	29,000
Staffing and venue costs	20,000
Artist commissions	<u>10,000</u>
Subtotal	59,000
Subject to the passage of time:	
For periods after December 31, 2020	<u>65,000</u>
Subtotal	65,000
 Total net assets with donor restrictions	 <u>\$ 1,456,640</u>

13) 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 \$1,332,640 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) 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.
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DECEMBER 31, 2020

15) ECONOMIC INJURY DISASTER LOAN ADVANCE

On April 23, 2020 the Organization received loan advance proceeds in the amount of \$9,000 pursuant to the Economic Injury Disaster Loan (“EIDL”), administered by the SBA. The EIDL advance does not have to be repaid and is included in government in the statement of activities.

16) IN-KIND CONTRIBUTIONS

During the year ended December 31, 2020, 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	\$ 121,194
Beverages, CDs, DVDs, magazines, and other for gala	2,033
Beverages and CDs for programming	490
Hotel	<u>480</u>
	124,197
Less amounts included in cost of direct benefits to donors	<u>2,033</u>
Total	<u>\$ 122,164</u>

17) 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.

18) CONCENTRATIONS OF RISK

Credit Risk

The Organization maintains its cash balances at a major financial institution. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. As of December 31, 2020, there were no uninsured balances. The Organization has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk regarding its cash balances.

Concentrations

During the year ended December 31, 2020, the top Organization’s top five donors provided approximately 57% of total grants and contributions (approximately 19% is related to current year capital contributions referenced in Note 13). In addition, grants receivable from the same donors accounted for approximately 79% of total grants receivable at year-end.

ISSUE PROJECT ROOM, INC.
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19) 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.

20) ADVERTISING COSTS

For the year ended December 31, 2020, advertising expense amounted to \$4,458 and is included in marketing and merchandise expenses on the statement of functional expenses.

21) LEASE COMMITMENTS

The Organization has a noncancelable lease agreement for its performance located at 22 Boerum Place in Brooklyn 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.

On June 2020, the existing lease agreement for office space located at 140 2nd Avenue in New York City which expired. From July 2020 to December 2020, the Organization rented on a month-to-month basis. Subsequent to year end the Organization signed a non-cancelable lease extension for the month of January 2021 and February 1, 2021 through December 31, 2021 for monthly payments of \$1,450 and \$930, respectively. Organization has the option to renew on an annual basis.

Rent and occupancy costs for the year ended December 31, 2020 was \$59,481. Included in rent and occupancy costs were real estate taxes amounting to \$39,066, of which \$29,201 remain payable at year-end (see Note 22).

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,	
2021	\$ 16,402
2022	4,936
2023	5,084
2024	5,237
2025	5,394
Thereafter	<u>67,421</u>
Total	<u>\$ 104,474</u>

ISSUE PROJECT ROOM, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
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22) CONTINGENCIES

New York State Department of Labor

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.

Real Estate Taxes – 22 Boerum Place

The Organization is currently awaiting the application of approved abatement as part of real estate tax balance that the landlord claims is owed. The Organization believes that the applicable tax abatement has not been applied to the real estate taxes levied on the 22 Boerum theater. The Organization has recognized the full amount of the real estate taxes in the financial statements (see Note 21), but believes that this amount will be reduced in the future after the tax calculation is corrected.

23) KEY EVENT DISCUSSION AND SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization recognized the novel strain of coronavirus COVID-19, as a pandemic. In direct response, on March 22, 2020, the Governor of New York State issued executive order *New York State on PAUSE*, which closed all non-essential businesses state-wide. The coronavirus outbreak has severely impacted economic activity across the world. The Organization's Board of Directors and Management are in discussion to identify and limit the negative long-term implications of this pandemic to the Organization.

Since the start of the pandemic, the Organization has implemented a host of protocols in order to provide a safe working environment including remote working for the staff, plus specific health & safety protocols for any person on site including, but not limited to mandatory mask wearing and social distancing at their performance and office space, when either space was accessible.

From the point in which in-person events were suspended in March 2020, through until the completion of 2020, the Organization continued presenting work via free online programs in which, over the course of the 9 months, the Organization commissioned 45 public programs that involved 110 artists.

To date, the Organization was able to secure a total of \$145,785 in federal COVID-19 related relief, which include a PPP loan totaling \$68,063 (approved on April 21, 2020 – see Note 10), an EIDL loan advance totaling \$9,000 (received on April 23, 2020 – see Note 15), and a second PPP loan totaling \$68,722 (approved on March 1, 2021). The EIDL loan advance and first PPP loan do not have to be repaid. The Organization intends to apply for loan forgiveness for the second PPP loan as soon as it is eligible to do so. The Organization believes that it will receive full forgiveness of the second PPP loan.

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23) KEY EVENT DISCUSSION AND SUBSEQUENT EVENTS (CONT'D)

The Organization believes that this money will help alleviate effects of the pandemic on potential short-term cash requirements. Given the uncertainty of the spread and long-term impacts of COVID-19, the related financial impact to the Organization, if any, cannot be determined at this time.

Management has evaluated subsequent events through April 19, 2021, which is the date the financial statements were available to be issued.