

ISSUE PROJECT ROOM, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2021

WITH SUMMARIZED COMPARATIVE INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2020

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

PETER R. RICH, CPA

JONATHAN A. BANDER, CPA

INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2021, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Issue Project Room, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Issue Project Room, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Issue Project Room, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Issue Project Room, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Issue Project Room, Inc.'s 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 19, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, 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 2, 2022

ISSUE PROJECT ROOM, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021

(With summarized comparative information for the year ended December 31, 2020)

ASSETS	2021	2020
Current assets		
Cash and cash equivalents	\$ 117,293	\$ 79,742
Accounts receivable	-	453
Contributions receivable	-	9,920
Grants receivable	151,200	109,990
Prepaid expenses	3,202	10,085
Total current assets	271,695	210,190
Property and equipment, net of accumulated depreciation	3,308,939	1,379,912
TOTAL ASSETS	\$ 3,580,634	\$ 1,590,102
 LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 69,516	\$ 41,657
Deferred revenue	6,510	5,237
Grant advances	74,897	68,063
Total current liabilities	150,923	114,957
Net assets		
Without donor restrictions	22,491	18,505
With donor restrictions	3,407,220	1,456,640
Total net assets	3,429,711	1,475,145
TOTAL LIABILITIES AND NET ASSETS	\$ 3,580,634	\$ 1,590,102

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

ISSUE PROJECT ROOM, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021
(With summarized comparative information for the year ended December 31, 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
Revenue, support and gains				
Grants and contributions				
In-kind contributions	\$ 206,562	\$ 1,400,000	\$ 1,606,562	\$ 122,164
Government	396,829	619,205	1,016,034	373,320
Individual	36,709	50,375	87,084	58,414
Foundation	73,294	5,000	78,294	383,280
Contributed rent	39,922	-	39,922	39,922
Membership contributions	13,863	-	13,863	12,301
Special event contributions	26,653	-	26,653	21,668
Corporate	9,496	-	9,496	29,845
Total grants and contributions	803,328	2,074,580	2,877,908	1,040,914
Net assets released from restrictions				
Foundation	124,000	(124,000)	-	-
Total net assets released from restrictions	124,000	(124,000)	-	-
Special events				
Special event revenue	5,750	-	5,750	-
Less: cost of direct benefits to donors	(8,570)	-	(8,570)	(2,326)
Net special events	(2,820)	-	(2,820)	(2,326)
Program service revenue				
Membership income	10,130	-	10,130	10,418
Box office and concessions	39,361	-	39,361	57,813
Total program service revenue	49,491	-	49,491	68,231
Other income (loss)				
Interest income	190	-	190	170
Rental income	-	-	-	390
Miscellaneous income	3,306	-	3,306	1,310
Total other income (loss)	3,496	-	3,496	1,870
	977,495	1,950,580	2,928,075	1,108,689
Expenses				
Program services expense	407,475	-	407,475	336,119
Supporting services expense				
Management and general	413,829	-	413,829	301,524
Fundraising	152,205	-	152,205	139,140
Total supporting services expenses	566,034	-	566,034	440,664
Total expenses	973,509	-	973,509	776,783
Change in net assets	3,986	1,950,580	1,954,566	331,906
Net assets - beginning of year	18,505	1,456,640	1,475,145	1,143,239
Net assets - end of year	\$ 22,491	\$ 3,407,220	\$ 3,429,711	\$ 1,475,145

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, 2021
(With summarized comparative information for the year ended December 31, 2020)

	Program Services	Management & General	Fundraising	Cost of Direct Benefits to Donors	2021 Total	2020 Total
Salaries and related payroll expenses	\$ 244,576	\$ 96,833	\$ 112,074	\$ -	\$ 453,483	\$ 392,896
Professional fees	-	213,748	-	-	213,748	128,179
Rent and occupancy costs	39,551	20,609	20,676	-	80,836	59,481
Artist fees, honorariums and stipends	71,968	-	-	-	71,968	61,826
Contributed rent	18,446	9,955	11,521	-	39,922	39,922
Contract services	3,975	26,433	-	-	30,408	17,619
Event and other fundraising expenses	-	-	5,637	8,570	14,207	4,348
Marketing and merchandise expenses	4,157	5,348	-	-	9,505	9,030
Miscellaneous	-	8,590	-	-	8,590	533
Insurance	-	8,548	-	-	8,548	8,198
Bank and merchant processing fees	-	7,336	-	-	7,336	7,465
Depreciation	-	6,619	-	-	6,619	7,414
Curatorial fees	6,415	-	-	-	6,415	4,027
Travel	6,335	-	-	-	6,335	10,928
Office expenses	-	6,295	-	-	6,295	4,743
Telephone and internet	2,665	1,438	1,664	-	5,767	2,670
Concessions	3,270	-	-	-	3,270	1,780
Equipment rental	1,684	-	-	-	1,684	986
Meals and meetings	648	324	324	-	1,296	594
Postage and delivery	-	1,236	-	-	1,236	1,359
Supplies	642	267	309	-	1,218	810
Royalties	1,173	-	-	-	1,173	311
Front of house expenses	1,150	-	-	-	1,150	1,114
Permit and fees	796	-	-	-	796	902
Interest expense	-	250	-	-	250	811
Printing and production	24	-	-	-	24	1,479
Utilities	-	-	-	-	-	4,984
Bad debt expense	-	-	-	-	-	4,300
Cleaning and maintenance	-	-	-	-	-	400
Total expenses by function	407,475	413,829	152,205	8,570	982,079	779,109
Less expenses included with revenues on the statement of activities						
Cost of direct benefits to donors	-	-	-	(8,570)	(8,570)	(2,326)
Total expenses included in the expense section on the statement of activities	\$ 407,475	\$ 413,829	\$ 152,205	\$ -	\$ 973,509	\$ 776,783

ISSUE PROJECT ROOM, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021
(With summarized comparative information for the year ended December 31, 2020)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,954,566	\$ 331,906
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities:</i>		
Depreciation	6,619	7,414
Bad debt expense	-	4,300
Forgiveness of paycheck protection program	(136,785)	-
NYC DCA capital expenditures made on behalf of Organization	(534,156)	(198,095)
Contributions of capitalized assets	(1,400,000)	-
(Increase) decrease in operating assets:		
Accounts receivable	453	(453)
Contributions receivable	9,920	(9,207)
Grants receivable	(41,210)	(114,290)
Prepaid expenses	6,883	(1,251)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	27,859	25,371
Deferred revenue	1,273	508
Grant advances	143,619	40,628
Total adjustments	<u>(1,915,525)</u>	<u>(245,075)</u>
Net cash provided by operating activities	<u>39,041</u>	<u>86,831</u>
Cash flows from investing activities:		
Purchase of property and equipment	(1,490)	-
Net cash used in investing activities	<u>(1,490)</u>	<u>-</u>
Cash flows from financing activities:		
Line of credit advances	-	73,000
Line of credit repayments	-	(82,500)
Net cash used in financing activities	<u>-</u>	<u>(9,500)</u>
Net increase in cash and cash equivalents	37,551	77,331
Cash and cash equivalents, beginning of year	79,742	2,411
Cash and cash equivalents, end of year	<u>\$ 117,293</u>	<u>\$ 79,742</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	<u>\$ 250</u>	<u>\$ 811</u>
Supplemental disclosures of non-cash activity:		
NYC DCA capital expenditures made on behalf of Organization	<u>\$ 534,156</u>	<u>\$ 198,095</u>
Forgiveness of paycheck protection program	<u>\$ 136,785</u>	<u>\$ -</u>

**ISSUE PROJECT ROOM, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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 2021, 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 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.

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, 2021

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>
Building	39.5
Building improvements	39.5
Equipment	5
Furniture and fixtures	5
Land	-

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, 2021

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. 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 at fair value of direct benefits to donors when the event occurs. The excess amount received is the contribution element, which is recognized immediately, unless there is a right of return if the special event does not take place.

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 and as part of the year end close.

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, 2021

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 Income – Membership income is recognized over time at the fair value of benefits provided to the donors. The excess is the contribution element which is recognized immediately.

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. Rental income is scoped out of Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers* (Topic 606).

Accounts Receivable – Program service revenue and rental income 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 and as part of the year end close.

Employee Retention Credit

The Organization has elected to account for the Employee Retention Credit ("ERC") under ASU 2018-08 *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958) based on management's continued belief from the application to receipt of the credit that approval is probable. In accordance with the standard, the Organization recognizes an employee retention credit receivable on the statement of financial position when the conditions for the credit are substantially met. The Organization elected to consider approval of the ERC by the Internal Revenue Service ("IRS") a formality and not a barrier; accordingly, government grant income is recognized on the statement of activities at the end of the quarter that the gross receipt test is met. Receipt of the credit (via cash or as a credit to future payroll taxes) is reported on the statement of cash flows as operating activities.

ISSUE PROJECT ROOM, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2021

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.

Paycheck Protection Program

The Organization has elected to account for the Paycheck Protection Program (“PPP”) loan under ASU 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.

Functional Allocation of Expenses

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

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. It is also exempt from state income taxes. However, any unrelated business income may be subject to taxation. Currently, the Organization 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, 2020, 2019, and 2018 are subject to examination by the 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, 2021, the Organization does not have any significant uncertain tax positions for which a reserve would be necessary.

ISSUE PROJECT ROOM, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2021

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

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board issued ASU 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.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958) which requires not-for-profits to present contributed nonfinancial assets as a separate line item in the statement activities and provide additional disclosures about contributions of nonfinancial assets. Contributed nonfinancial assets, commonly referred to as gifts-in-kind, include fixed assets (such as land, buildings, and equipment), use of fixed assets or utilities, materials and supplies, intangible assets, services, and unconditional promises of those assets. The ASU is effective for annual periods beginning after June 15, 2021 and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted.

The Organization is currently evaluating the effect that these updates will have on its financial statements.

Advertising Costs

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

Comparative Data

The amounts shown for the year ended December 31, 2020 in the accompanying financial statements are included to provide a basis for comparison with 2021 and present summarized totals only. Accordingly, the 2020 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, 2020, from which the summarized information was derived.

ISSUE PROJECT ROOM, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2021

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

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.

Reclassifications

Certain reclassifications have been made to the 2020 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to the reclassifications.

2) FAIR VALUE MEASUREMENTS

The Organization has a number of financial instruments, none of which are held for trading purposes. The Organization estimates that the fair value of all financial instruments at December 31, 2021 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. Although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions.

Accounting Standards Codification 820, *Fair Value Measurement*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1, inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions. The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. At December 31, 2021, no investments at fair value are noted in the statement of financial position.

3) GRANTS RECEIVABLE

Grants receivable at December 31, 2021 totaled \$151,200. 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.

ISSUE PROJECT ROOM, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2021

4) LIQUIDITY AND AVAILABILITY

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

Cash and cash equivalents	\$ 62,293
Grants receivable	<u>106,150</u>
Total	<u>\$ 168,443</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.

5) 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, 2021:

Revenue recognized at a point in time:	
Box office and concessions	<u>\$ 39,361</u>
	<u>\$ 39,361</u>

6) PROPERTY AND EQUIPMENT

The following is a summary of property and equipment less accumulated depreciation as of December 31, 2021. Depreciation expense for the year then ended was \$6,619.

Building Improvements	\$ 1,943,341
Building	1,120,000
Land	280,000
Equipment	43,230
Furniture and fixtures	<u>13,186</u>
	3,399,757
Less: accumulated depreciation	<u>90,818</u>
	<u>\$ 3,308,939</u>

On December 29, 2021, the Organization received donated performance space valued at \$1,400,000. The building is still undergoing renovations as part of the project described in note 11. Depreciation of the building will commence once the performance space is placed in service.

ISSUE PROJECT ROOM, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2021

7) GRANT ADVANCE

Paycheck Protection Program

On April 21, 2020 and March 11, 2021, the Organization was approved for loan proceeds in the amount of \$68,063 and \$68,722, respectively, 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 loans included maturity on April 21, 2022 and March 1, 2026. Both loans bore interest at a rate of 1% per annum, payable monthly commencing on November 21, 2020 and March 1, 2021, respectively. 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 and October 27, 2021, TD informed the Organization that the SBA approved forgiveness of the each of the two entire PPP loans. The Organization is required to maintain PPP documentation for six years and must furnish them to the SBA and/or TD upon request.

Conditional Grant

At December 31, 2021 a grant totaling \$99,863 has not been fully recognized because the conditions on which it depends on had only been partially met. The grant requires incurring eligible expenses laid out in the grant agreement. A total of \$74,897 has been received in advance.

8) 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, 2021, 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, 2021. Interest expense paid on the line of credit for the year ended December 31, 2021 was \$250. 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, 2021

9) CONTRACT BALANCES

The Organization does not have any opening or ending contract assets for the year ended December 31, 2021.

The following tables provides information about significant changes in the contract liabilities (included in deferred revenue) for the year ended December 31, 2021:

Deferred revenue, beginning of year	\$ 5,237
Revenue recognized that was include in deferred revenue at the beginning of year	(5,237)
Increase in deferred revenue due to cash received during the period	<u>6,510</u>
Deferred revenue, end of year	<u>\$ 6,510</u>

10) 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 DCLA capital expenditures	\$ <u>1,866,795</u>
Subtotal	1,866,795
Subject to expenditure for specified purpose:	
Program support	95,050
Staffing and venue costs	<u>5,000</u>
Subtotal	100,050
Subject to the passage of time:	
For periods after December 31, 2021	<u>40,375</u>
Subtotal	40,375
Subject to asset being placed in service and passage of time:	
Donated Building (10 years after placed in service)	<u>1,400,000</u>
Subtotal	1,400,000
Total net assets with donor restrictions	<u>\$ 3,407,220</u>

ISSUE PROJECT ROOM, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2021

10) NET ASSETS WITH DONOR RESTRICTIONS (CONT'D)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended December 31, 2021:

Expiration of time restrictions:	\$ 65,000
Satisfaction of purpose restrictions:	
Program support	29,000
Staffing and venue costs	20,000
Artist commissions	<u>10,000</u>
Subtotal	59,000
 Total net assets with donor restrictions released	 <u>\$ 124,000</u>

11) 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 were previously recognized as leasehold improvements and support when expended by The City of New York. Since the performance space was donated to the Organization by the landlord, new capital expenditures will be recognized as building improvements. To date, The City of New York's investment of capital funding totaling \$1,866,795 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.

12) FEDERAL CREDITS

Employee Retention Credit

The Consolidated Appropriations Act 2021 was signed into law on December 27, 2020. One of the provisions was an extension and expansion of the Employee Retention Credit ("ERC") first created under the CARES Act. Eligible employers had the opportunity to claim the ERC against federal payroll taxes, including federal withholding taxes and the employer's and employee's share of social security and Medicare taxes. During the year ended December 31, 2021, the Organization applied for ERCs totaling \$58,901 for qualified wages for the period January 1, 2021 – June 30, 2021. Businesses that were either fully or partially suspended by a COVID-19 lockdown order or had gross receipts less than 50% of gross receipts for the same quarter in 2019 attained ERC eligibility for this wage period and continued to qualify in the next quarter after becoming eligible as long as gross receipts were not more than 80% of the same quarter in 2019.

ISSUE PROJECT ROOM, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2021

12) FEDERAL CREDITS (CONT'D)

Shuttered Venue Operators Grant

On September 22, 2021 the Organization was awarded the Shuttered Venue Operators Grant (“SVOG”) in the amount of \$99,863 for the period June 29, 2021 to June 28, 2022. \$99,863 pursuant to the Economic Aid to Hard-Hit Small Business, Nonprofits and Venues Act, as amended by the American Rescue Plan Act and administered by the SBA. Live venue operators or promoters, theatrical producers, live performing arts organization operators, museum operators, motion picture theater operators or owners, and talent representatives that were in operation on January 1, 2019 are eligible to receive a grant in the amount equal to 45 percent of their 2019 gross revenue earned or \$10 million, whichever is less. The Organization recognized the amount expended as of December 31, 2021 of \$24,966 within government grants in the statement of activities.

13) OCCUPANCY – CONTRIBUTED RENT AND DONATED BUILDING

The Organization rented a 4,800 square-foot performance space under a 20-year lease agreement that was scheduled to expire on 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.

On December 29, 2021, the landlord of the performance space donated the building to the Organization. The fair market value of this building was independently assessed \$1,400,000 and allocated between building (80% - \$1,120,000) and land (20% - \$280,000).

Management considers the capital funding of building improvements of \$1.9 million (as described in note 11) to be wholly separate from the above assessed building and property because they are soft costs of which their value has not yet been realized.

14) IN-KIND CONTRIBUTIONS

During the year ended December 31, 2021, 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 building and land	\$ 1,400,000
Legal services	205,122
Beverages, CDs, DVDs, magazines, and other for gala	3,403
Beverages and CDs for programming	<u>1,440</u>
	1,609,965
Less amounts included in cost of direct benefits to donors	<u>3,403</u>
Total	<u>\$ 1,606,562</u>

ISSUE PROJECT ROOM, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2021

15) 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.

16) 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, 2021, 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, 2021, the Organization's top five donors provided approximately 89% of total grants and contributions (approximately 48% is related to current year capital contributions referenced in Note 11). In addition, grants receivable from the same donors accounted for approximately 93% of total grants receivable at year-end.

17) 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.

18) ADVERTISING COSTS

For the year ended December 31, 2021, advertising expense amounted to \$4,157 and is included in marketing and merchandise expenses on the statement of functional expenses.

19) LEASE COMMITMENTS

The Organization had a lease agreement for its performance located at 22 Boerum Place in Brooklyn through June 30, 2036. The lease called for monthly rent payments of \$1 and monthly common charges. The Organization was also responsible for its proportionate share of real estate taxes. 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.

ISSUE PROJECT ROOM, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2021

19) LEASE COMMITMENTS (CONT'D)

On December 29, 2021 the Organization completed the transfer of the property at 22 Boerum Place from the previous landlord directly to the Organization. The fair market value of the building and land was independently appraised at \$1,400,000 – see Note 13.

Rent and occupancy costs for the year ended December 31, 2021 was \$74,336. Included in rent and occupancy costs were real estate taxes amounting to \$38,421 and title insurance of \$10,499.

The was no future minimum lease payments under non-cancelable leases at year end.

20) 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. During the year, an Administrative Law Judge found the Organization liable for the contributions and penalties. On appeal to the Unemployment Insurance Appeal Board, the previous ruling was sustained, and the Organization was still found to be liable for the above amounts. The Organization has further appealed and reopened the Unemployment Insurance Appeal Board's case, with the decision still pending. As the Organization has so far been twice found to owe the amounts, a provision has been made for the above liability that might arise from unsuccessful negotiations.

21) 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.

ISSUE PROJECT ROOM, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2021

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

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. During 2021, the Organization continued presenting work via free online programs - commissioning 45 public programs that involved more than 175 artists - plus moved back to some in-person presentations in the Fall of 2021, coordinating approx. 10 in-person events involving almost 50 artists.

To date, the Organization was able to secure a total of \$251,648 in federal COVID-19 related relief, which include a PPP loan totaling \$68,063 (approved on April 21, 2020 – see Note 10), an Economic Injury Disaster Loan supplemental advances totaling \$15,000, a second PPP loan totaling \$68,722 (approved on March 1, 2021), and an SVOG award totaling \$99,863 (approved June 29, 2021 – see Note 12). None of the amounts have to be repaid.

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 May 2, 2022, which is the date the financial statements were available to be issued.