

ISSUE PROJECT ROOM, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2022

WITH SUMMARIZED COMPARATIVE INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2021

ISSUE PROJECT ROOM, INC.
TABLE OF CONTENTS
DECEMBER 31, 2022
WITH SUMMARIZED COMPARATIVE INFORMATION FOR 2021

	Page No.
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-19

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, 2022, 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, 2022, 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.

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.

Auditors' 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 2021 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, 2021, 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 10, 2023

ISSUE PROJECT ROOM, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022

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

ASSETS	<u>2022</u>	<u>2021</u>
Current assets		
Cash and cash equivalents	\$ 16,213	\$ 117,293
Grants receivable	189,680	151,200
Prepaid expenses	8,695	3,202
Total current assets	<u>214,588</u>	<u>271,695</u>
Other assets		
Property and equipment, net of accumulated depreciation	3,577,124	3,308,939
Intangible assets, net of accumulated amortization	18,900	-
Total other assets	<u>3,596,024</u>	<u>3,308,939</u>
TOTAL ASSETS	<u><u>\$ 3,810,612</u></u>	<u><u>\$ 3,580,634</u></u>
 LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 49,379	\$ 69,516
Deferred revenue	-	6,510
Grant advances	12,657	74,897
Total current liabilities	<u>62,036</u>	<u>150,923</u>
Net assets		
Without donor restrictions	23,318	22,491
With donor restrictions	3,725,258	3,407,220
Total net assets	<u>3,748,576</u>	<u>3,429,711</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3,810,612</u></u>	<u><u>\$ 3,580,634</u></u>

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

ISSUE PROJECT ROOM, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022
(With summarized comparative information for the year ended December 31, 2021)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2022 Total</u>	<u>2021 Total</u>
Revenue, support and gains				
Grants and contributions				
In-kind contributions	\$ 77,914	\$ -	\$ 77,914	\$ 1,606,562
Government	130,612	378,165	508,777	1,016,034
Individual	55,753	-	55,753	87,084
Foundation	165,750	60,298	226,048	78,294
Contributed rent	-	-	-	39,922
Membership contributions	11,801	-	11,801	13,863
Special event contributions	79,273	-	79,273	26,653
Corporate	10,488	20,000	30,488	9,496
Total grants and contributions	531,591	458,463	990,054	2,877,908
Net assets released from restrictions				
Foundation	5,000	(5,000)	-	-
Government	85,050	(85,050)	-	-
Individual	50,375	(50,375)	-	-
Total net assets released from restrictions	140,425	(140,425)	-	-
Special events				
Special event revenue	22,870	-	22,870	5,750
Less: cost of direct benefits to donors	(8,854)	-	(8,854)	(8,570)
Net special events	14,016	-	14,016	(2,820)
Program service revenue				
Membership income	9,201	-	9,201	10,130
Box office and concessions	69,941	-	69,941	39,361
Total program service revenue	79,142	-	79,142	49,491
Other income (loss)				
Interest income	23	-	23	190
Miscellaneous income	2,943	-	2,943	3,306
Total other income (loss)	2,966	-	2,966	3,496
	768,140	318,038	1,086,178	2,928,075
Expenses				
Program services expense	372,433	-	372,433	407,475
Supporting services expense				
Management and general	278,274	-	278,274	413,829
Fundraising	116,606	-	116,606	152,205
Total supporting services expenses	394,880	-	394,880	566,034
Total expenses	767,313	-	767,313	973,509
Change in net assets	827	318,038	318,865	1,954,566
Net assets - beginning of year	22,491	3,407,220	3,429,711	1,475,145
Net assets - end of year	\$ 23,318	\$ 3,725,258	\$ 3,748,576	\$ 3,429,711

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, 2022
(With summarized comparative information for the year ended December 31, 2021)

	Program Services	Management & General	Fundraising	Cost of Direct Benefits to Donors	2022 Total	2021 Total
Salaries and related payroll expenses	\$ 226,661	\$ 99,003	\$ 106,093	\$ -	\$ 431,757	\$ 453,483
Professional fees	-	85,385	-	-	85,385	213,748
Artist fees, honorariums and stipends	75,026	-	-	-	75,026	71,968
Contract services	7,550	38,770	-	-	46,320	30,408
Rent and occupancy costs	24,965	6,979	5,394	-	37,338	80,836
Marketing and merchandise expenses	3,908	10,288	-	-	14,196	9,505
Insurance	-	14,112	-	-	14,112	8,548
Travel	13,804	-	-	-	13,804	6,335
Event and other fundraising expenses	-	-	3,796	8,854	12,650	14,207
Bank and merchant processing fees	-	9,477	-	-	9,477	7,336
Depreciation and amortization	-	6,067	-	-	6,067	6,619
Curatorial fees	4,500	-	-	-	4,500	6,415
Office expenses	-	4,396	-	-	4,396	6,295
Concessions	3,702	-	-	-	3,702	3,270
Telephone and internet	1,827	795	852	-	3,474	5,767
Front of house expenses	3,078	-	-	-	3,078	1,150
Equipment rental	2,392	-	-	-	2,392	1,684
Royalties	2,117	-	-	-	2,117	1,173
Meals and meetings	689	345	345	-	1,379	1,296
Supplies	1,090	118	126	-	1,334	1,218
Permit and fees	950	-	-	-	950	796
Cleaning and maintenance	-	840	-	-	840	-
Postage and delivery	-	776	-	-	776	1,236
Miscellaneous	-	673	-	-	673	8,590
Interest expense	-	250	-	-	250	250
Printing and production	174	-	-	-	174	24
Contributed rent	-	-	-	-	-	39,922
Total expenses by function	372,433	278,274	116,606	8,854	776,167	982,079
Less expenses included with revenues on the statement of activities						
Cost of direct benefits to donors	-	-	-	(8,854)	(8,854)	(8,570)
Total expenses included in the expense section on the statement of activities	\$ 372,433	\$ 278,274	\$ 116,606	\$ -	\$ 767,313	\$ 973,509

ISSUE PROJECT ROOM, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022
(With summarized comparative information for the year ended December 31, 2021)

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ 318,865	\$ 1,954,566
<i>Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:</i>		
Depreciation and amortization	6,067	6,619
Forgiveness of paycheck protection program	-	(136,785)
NYC DCA capital expenditures made on behalf of Organization	(247,950)	(534,156)
Contributions of capitalized assets	-	(1,400,000)
(Increase) decrease in operating assets:		
Accounts receivable	-	453
Contributions receivable	-	9,920
Grants receivable	(38,480)	(41,210)
Prepaid expenses	(5,493)	6,883
Security deposit	(18,900)	-
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(20,137)	27,859
Deferred revenue	(6,510)	1,273
Grant advances	(62,240)	143,619
Total adjustments	<u>(393,643)</u>	<u>(1,915,525)</u>
Net cash (used in) provided by operating activities	<u>(74,778)</u>	<u>39,041</u>
Cash flows from investing activities:		
Purchase of property and equipment	(26,302)	(1,490)
Purchase of intangible assets	(18,900)	-
Net cash used in investing activities	<u>(26,302)</u>	<u>(1,490)</u>
Net (decrease) increase in cash and cash equivalents	(101,080)	37,551
Cash and cash equivalents, beginning of year	117,293	79,742
Cash and cash equivalents, end of year	<u><u>\$ 16,213</u></u>	<u><u>\$ 117,293</u></u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	<u>\$ 250</u>	<u>\$ 250</u>
Supplemental disclosures of non-cash activity:		
NYC DCA capital expenditures made on behalf of Organization	<u>\$ 247,950</u>	<u>\$ 534,156</u>
Forgiveness of paycheck protection program	<u>\$ -</u>	<u>\$ 136,785</u>

**ISSUE PROJECT ROOM, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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 2022, 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

The accompanying financial statements have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

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.

Use of Estimates

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

ISSUE PROJECT ROOM, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2022

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

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 no more than a 5% administrative fee to grantees.

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. Leasehold improvements are amortized over the life of the lease. 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.

ISSUE PROJECT ROOM, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2022

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

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.

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.

ISSUE PROJECT ROOM, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2022

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

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

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.

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.

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.

Functional Allocation of Expenses

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

ISSUE PROJECT ROOM, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2022

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

Advertising Costs

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

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, 2021, 2020, and 2019 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, 2022, the Organization does not have any significant uncertain tax positions for which a reserve would be necessary.

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.

ISSUE PROJECT ROOM, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2022

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

Recent Accounting Pronouncements (Cont'd)

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

Comparative Data

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

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, 2022 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, 2022, no investments at fair value are noted in the statement of financial position.

ISSUE PROJECT ROOM, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2022

3) GRANTS RECEIVABLE

Grants receivable at December 31, 2022 totaled \$189,680. 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.

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:

<u>Financial assets at year-end</u>	<u>Gross amount</u>	<u>Less: Amounts not available to be used within one year</u>	<u>Financial assets available to meet general expenditures within one year</u>
Cash and cash equivalents	\$ 16,213	\$ 1,500	\$ 14,713
Pledges and contributions receivable	<u>189,860</u>	<u>114,500</u>	<u>75,180</u>
Total	<u>\$ 205,893</u>	<u>\$ 116,000</u>	<u>\$ 89,893</u>

In additional to the amount above that is not available to be used within one year, there is an additional \$1,400,000 restricted due to the donation of performance space in 2021, as well as \$2,114,745 restricted as a result of the capital expenditures made by the City of New York as described in note 11. Additionally, there is \$94,500 in cash and receivables that are restricted assets but not included in the above table as they are time restricted and will be released within one year.

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.

ISSUE PROJECT ROOM, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2022

5) PROPERTY AND EQUIPMENT

The following is a summary of property and equipment less accumulated depreciation as of December 31, 2022. Depreciation and amortization expense for the year then ended was \$6,067.

Building Improvements	\$ 2,259,460
Building	1,146,302
Land	280,000
Equipment	43,230
Furniture and fixtures	<u>13,186</u>
	3,842,178
Less: accumulated depreciation and amortization	<u>96,885</u>
	<u>\$ 3,645,293</u>

During the year ended December 31, 2022, the Organization was granted a full exemption on all real estate taxes related to its theater space.

6) INTANGIBLE ASSETS

The following is a summary of intangible assets less accumulated amortization as of December 31, 2022. There was no amortization expense for the year then ended.

Website development	<u>\$ 18,900</u>
Less: accumulated amortization	<u>-0-</u>
	<u>\$ 18,900</u>

Estimated future amortization expense are as follows:

For the year ending	
December 31,	
2023	\$ 4,725
2024	4,725
2025	4,725
2026	<u>4,725</u>
Total	<u>\$ 18,900</u>

The Organization's future cash flows are not materially impacted by its ability to extend or renew agreements related to its amortizable intangible assets.

ISSUE PROJECT ROOM, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2022

7) LINE OF CREDIT

The Organization has available a \$100,000 revolving line of credit with a bank at a variable interest rate of 3.25% 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, 2022, 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, 2022. Interest expense paid on the line of credit for the year ended December 31, 2022 was \$250. The line of credit is available for the general business operations of the Organization.

8) 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, 2022:

Revenue recognized at a point in time:	
Box office and concessions	\$ 69,941
	<u>\$ 69,941</u>

9) CONTRACT BALANCES

The Organization does not have any opening or ending contract assets for the year ended December 31, 2022.

The following tables provides information about significant changes in the contract liabilities (included in deferred revenue) for the year ended December 31, 2022:

Deferred revenue, beginning of year	\$ 6,511
Revenue recognized that was include in deferred revenue at the beginning of year	(6,511)
Increase in deferred revenue due to cash received during the period	<u>-0-</u>
Deferred revenue, end of year	<u>\$ -0-</u>

ISSUE PROJECT ROOM, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2022

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 and passage of time:	
NYC DCLA capital expenditures	\$ 2,114,745
Donated Building	<u>1,400,000</u>
Subtotal	3,514,745
Subject to expenditure for specified purpose:	
Program support	74,263
Artist Commissions	16,750
Staffing and venue costs	<u>10,000</u>
Subtotal	101,013
Subject to the passage of time:	
For periods after December 31, 2022	<u>109,500</u>
Subtotal	109,500
Total net assets with donor restrictions	<u>\$ 3,725,258</u>

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, 2022:

Expiration of time restrictions:	\$ 45,375
Satisfaction of purpose restrictions:	
Program support	<u>95,050</u>
Subtotal	95,050
Total net assets with donor restrictions released	<u>\$ 140,425</u>

ISSUE PROJECT ROOM, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2022

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 \$2,114,745 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) 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.

13) 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.

14) ADVERTISING COSTS

For the year ended December 31, 2022, advertising expense amounted to \$3,908 and is included in marketing and merchandise expenses on the statement of functional expenses.

ISSUE PROJECT ROOM, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2022

15) 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, 2022, 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, 2022, the Organization's top four donors provided approximately 51% of total grants and contributions (approximately 28% is related to current year capital contributions referenced in Note 11). In addition, grants receivable from two of those donors accounted for approximately 81% of total grants receivable at year-end.

16) LEASE COMMITMENTS

The Organization leases small office space on a fiscal year basis, with the related rent and occupancy costs for the year ended December 31, 2022 totaling \$37,338. Included in rent and occupancy costs was the small office space lease for \$17,400 and common use charges of \$4,551.

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

17) 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.

18) SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 10, 2023, which is the date the financial statements were available to be issued.