

ISSUE PROJECT ROOM, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 2017

WITH SUMMARIZED COMPARATIVE INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2016

RB | RICH &
BANDER

CERTIFIED PUBLIC ACCOUNTANTS

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, 2017, 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, 2017, 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 12, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Rich and Bander, LLP

New York, NY
March 9, 2018

ISSUE PROJECT ROOM, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017

(With summarized comparative information for the year ended December 31, 2016)

	<u>2017</u>	<u>2016</u>
Assets		
Cash and cash equivalents	\$ 6,948	\$ 1,149
Contributions receivable	-	3,839
Grants receivable	11,000	21,000
Prepaid expenses	7,905	6,130
Security deposit	2,250	2,250
Property and equipment, net of accumulated depreciation	906,113	882,359
Total Assets	<u>\$ 934,216</u>	<u>\$ 916,727</u>
 Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 16,762	\$ 32,276
Line of credit	-	12,500
Deferred revenue	8,534	5,500
Grant advances	23,730	23,050
Total liabilities	<u>49,026</u>	<u>73,326</u>
 Net assets		
Unrestricted	38,613	13,640
Temporarily restricted	846,577	829,761
Total net assets	<u>885,190</u>	<u>843,401</u>
 Total Liabilities and Net Assets	<u>\$ 934,216</u>	<u>\$ 916,727</u>

ISSUE PROJECT ROOM, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017
(With summarized comparative information for the year ended December 31, 2016)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2017 Total</u>	<u>2016 Total</u>
Revenue and support				
Grants and contributions				
Government	\$ 148,000	\$ 26,816	\$ 174,816	\$ 235,286
Foundations and other	86,479	-	86,479	95,895
Individuals	81,456	-	81,456	133,519
Contributed rent	39,922	-	39,922	39,922
Corporate	39,742	-	39,742	60,390
In-kind contributions	37,789	-	37,789	33,524
	<u>433,388</u>	<u>26,816</u>	<u>460,204</u>	<u>598,536</u>
Special events				
Direct benefits to donors	22,770	-	22,770	12,750
<i>Less: costs of direct benefits to donors</i>	(29,723)	-	(29,723)	(28,825)
Contributions:				
Excess ticket sales revenue and other contributions	78,620	-	78,620	100,000
	<u>71,667</u>	<u>-</u>	<u>71,667</u>	<u>83,925</u>
Total grants and contributions	505,055	26,816	531,871	682,461
Program service revenue				
Box office and concessions	105,210	-	105,210	51,626
Total program service revenue	105,210	-	105,210	51,626
Other income				
Rental income	76,344	-	76,344	57,837
Interest income	45	-	45	-
Miscellaneous income	5,851	-	5,851	8,774
Total other income	82,240	-	82,240	66,611
Net assets released from restrictions	10,000	(10,000)	-	-
	<u>702,505</u>	<u>16,816</u>	<u>719,321</u>	<u>800,698</u>
Expenses				
Program services	347,243	-	347,243	328,078
Supporting services				
Management and general	195,287	-	195,287	182,905
Fundraising	135,002	-	135,002	121,836
	<u>677,532</u>	<u>-</u>	<u>677,532</u>	<u>632,819</u>
Change in net assets	24,973	16,816	41,789	167,879
Net assets - beginning of year	13,640	829,761	843,401	675,522
Net assets - end of year	<u>\$ 38,613</u>	<u>\$ 846,577</u>	<u>\$ 885,190</u>	<u>\$ 843,401</u>

ISSUE PROJECT ROOM, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017
(With summarized comparative information for the year ended December 31, 2016)

	Program Services	Management & General	Fundraising	2017 Total	2016 Total
Salaries and related payroll expenses	\$ 124,280	\$ 87,516	\$ 98,299	\$ 310,095	\$ 314,937
Artist fees	67,414	-	-	67,414	56,763
Contract services	23,322	16,171	3,040	42,533	31,932
Contributed rent	18,364	9,981	11,577	39,922	39,922
Professional fees	-	26,144	-	26,144	26,483
Rent and occupancy costs	12,896	5,800	6,728	25,424	24,251
Travel	20,346	-	-	20,346	10,388
Honorariums and stipends	-	15,000	-	15,000	3,150
Insurance	8,785	3,510	-	12,295	11,539
Marketing and merchandise expenses	8,410	1,646	1,910	11,966	4,138
Curatorial fees	11,920	-	-	11,920	21,321
Event and other fundraising expenses	620	-	10,134	10,754	13,105
Equipment rental	8,405	-	-	8,405	13,160
Front of house expenses	7,956	-	-	7,956	3,800
Bank and merchant processing fees	7,926	-	-	7,926	5,562
Printing and production	7,373	-	-	7,373	2,268
Concessions	7,106	-	-	7,106	3,884
Depreciation	-	6,538	-	6,538	7,210
Telephone and internet	2,944	1,600	1,856	6,400	5,862
Office expenses	-	6,177	-	6,177	2,118
Permit and fees	5,001	-	-	5,001	5,562
Bad debt expense	-	4,856	-	4,856	3,650
Supplies	1,895	1,030	1,195	4,120	5,974
Cleaning and maintenance	-	2,907	-	2,907	1,411
Meals and meetings	-	2,145	-	2,145	1,437
Royalties	1,863	-	-	1,863	1,390
Interest expense	-	1,845	-	1,845	7,427
Utilities	417	226	263	906	1,156
Postage and delivery	-	786	-	786	555
Miscellaneous	-	1,409	-	1,409	2,464
	<u>\$ 347,243</u>	<u>\$ 195,287</u>	<u>\$ 135,002</u>	<u>\$ 677,532</u>	<u>\$ 632,819</u>

ISSUE PROJECT ROOM, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017
(With summarized comparative information for the year ended December 31, 2016)

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 41,789	\$ 167,879
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities:</i>		
Depreciation	6,538	7,210
Bad debt expense	4,856	3,650
NYC DCA capital expenditures made on behalf of Organization	(26,816)	(111,636)
Donated equipment capitalized	-	(1,250)
(Increase) decrease in operating assets:		
Contributions receivable	(1,017)	(7,489)
Grants receivable	10,000	23,000
Accounts receivable	-	3,785
Prepaid expenses	(1,775)	(788)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(15,514)	(2,449)
Deferred revenue	3,034	5,500
Grant advances	680	23,050
Due to fiscally sponsored projects	-	(36,200)
Total adjustments	<u>(20,014)</u>	<u>(93,617)</u>
Net cash provided by operating activities	<u>21,775</u>	<u>74,262</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>(3,476)</u>	<u>(4,362)</u>
Net cash used in investing activities	<u>(3,476)</u>	<u>(4,362)</u>
Cash flows from financing activities:		
Proceeds from loans payable - Fund for the City of New York	18,000	55,200
Repayments of loans payable - Fund for the City of New York	(18,000)	(55,200)
Line of credit advances	230,000	148,697
Line of credit repayments	<u>(242,500)</u>	<u>(226,125)</u>
Net cash used in financing activities	<u>(12,500)</u>	<u>(77,428)</u>
Net increase (decrease) in cash and cash equivalents	5,799	(7,528)
Cash and cash equivalents, beginning of year	1,149	8,677
Cash and cash equivalents, end of year	<u><u>\$ 6,948</u></u>	<u><u>\$ 1,149</u></u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	<u>\$ 1,845</u>	<u>\$ 7,427</u>
Income taxes	<u>\$ -</u>	<u>\$ -</u>
Noncash investing and financing activities:		
NYC DCA capital expenditures made on behalf of Organization	<u>\$ 26,816</u>	<u>\$ 111,636</u>
Donated equipment capitalized	<u>\$ -</u>	<u>\$ 1,250</u>

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

ISSUE PROJECT ROOM, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

1) NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization

Issue Project Room, Inc. (the “Organization”) was organized as a not-for-profit corporation on November 4, 2003 under the laws of the State of New York. The mission of the Organization is to provide established and emerging artists a platform to challenge and expand conventional practices in art through innovative programs, events, exhibitions, performances, talks and concerts. The Organization’s programs are as follows:

Artists-In-Residence – offers artists an opportunity to develop significant works in partnership with the Organization over the course of the year.

Live Music Performances – performance series featuring young 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.

Financial Statement Presentation

The Organization presents its financial statements under the guidelines of Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 958, *Not-for-Profit Entities*. Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

Cash and Cash Equivalents

The Organization considers all highly liquid investments, except those held for long-term investment, with maturities of three months or less when purchased to be cash equivalents.

Accounts Receivable

Program service revenue earned but not yet received that is expected to be collected within one year is recorded as accounts receivable at net realizable value. If amounts become uncollectible, they will be charged to operations when that determination is made.

ISSUE PROJECT ROOM, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2017

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

Contributions Receivable

Unconditional promises to give from individuals that are expected to be collected within one year are recorded as contributions receivable at net realizable value. The Organization uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Grants Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows using an appropriate risk-adjusted rate of return at the date of the promise to give. Amortization of the discount is included in contribution revenue. The Organization uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

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.

Donations of property and equipment are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

ISSUE PROJECT ROOM, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2017

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

Advertising Costs

The Organization uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. For the year ended December 31, 2017, advertising expense amounted to \$3,401.

Contributed Services

A number of volunteers have donated significant amounts of their time to the Organization in connection with its programs. Directors and officers have made a significant contribution of their time to develop the Organization and its programs. These donated services are not reflected in the financial statements since they do not meet the criteria for recognition as contributed services.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. Support that is not restricted by the donor is reported as an increase in unrestricted net assets. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (this is when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restricted contributions whose restrictions are met in the reporting period are recorded as unrestricted contributions.

Foundation and other grant awards received for specific purposes are recognized as support to the extent of the related expenses incurred in compliance with the specific restrictions, if any. The unexpended funds are reported as temporarily restricted net assets.

In-kind contributions are reflected as contributions at their fair value at date of donation and are offset by like amounts included in expenses or assets.

Program service revenues are recognized when earned.

ISSUE PROJECT ROOM, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2017

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

Revenue Recognition (cont'd)

Ticket sales from the Organization's special events are allocated based on the fair value of the benefit provided to the donors and is reported on the statement of activities as direct benefits to donors. The difference between the amounts paid by the donors and the fair value of the benefit received by the donors is considered contribution revenue and is reported as excess ticket sales revenue.

Costs of Direct Benefits to Donors

The costs of the items and services furnished to donors as inducements to attend the Organization's special events are presented as a deduction from direct benefits to donors on the statement of activities.

Functional Allocation of Expenses

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

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 has no obligation for any unrelated business income tax.

The Organization's Forms 990, *Return of Organizations Exempt from Income Tax*, for the years ended December 31, 2016, 2015 and 2014 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, 2017, the Organization does not have any significant uncertain tax positions for which a reserve would be necessary.

Reclassifications

Certain reclassifications have been made to the 2016 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

Date of Management's Review

Management has evaluated subsequent events through March 9, 2018, which is the date the financial statements were available to be issued.

ISSUE PROJECT ROOM, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2017

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

Comparative Data

The amounts shown for the year ended December 31, 2016 in the accompanying financial statements are included to provide a basis for comparison with 2017 and present summarized totals only. Accordingly, the 2016 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, 2016, from which the summarized information was derived.

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 May 2014, the Financial Accounting Standards Board ("FASB") issued an accounting standard update which affects the revenue recognition of entities that enter into either (1) certain contracts to transfer goods or services to customers or (2) certain contracts for the transfer of nonfinancial assets. The update indicates an entity should recognize revenue in an amount that reflects the consideration the entity expects to be entitled to in exchange for the goods or services transferred by the entity. The update is to be applied to the beginning of the year of implementation or retrospectively and is effective for annual periods beginning after December 15, 2018 and in interim periods in annual periods beginning after December 15, 2019. Early application is permitted but no earlier than annual reporting periods beginning after December 31, 2016. The Organization is currently evaluating the effect the update will have on its financial statements.

In August 2016, the FASB issued an accounting standard update which affects the presentation of financial statements of not-for-profit entities. Among other changes, the update reduces the number of net asset classifications from three to two categories: (1) assets with donor restrictions and (2) those without donor restrictions, expands disclosure requirements for net assets with donor restrictions or board designations, and includes several new reporting requirements related to expenses. The update is to be applied to the beginning of the year of implementation or retrospectively and is effective for annual periods beginning after December 31, 2017 and in interim periods in annual periods beginning after December 31, 2018. Early application is permitted. The Organization is currently evaluating the effect the update will have on its financial statements.

ISSUE PROJECT ROOM, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2017

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, 2017 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.

3) PROPERTY AND EQUIPMENT

The following is a summary of property and equipment less accumulated depreciation as of December 31, 2017. Depreciation expense for the year then ended was \$6,538.

Construction in progress	\$ 857,047
Leasehold improvements	66,075
Equipment	36,675
Furniture and fixtures	<u>9,987</u>
	969,784
Less: accumulated depreciation	<u>63,671</u>
	<u>\$ 906,113</u>

4) CONTRIBUTIONS RECEIVABLE

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

5) GRANTS RECEIVABLE

Grants receivable at December 31, 2017 consists of the following:

New York State Council on the Arts	<u>\$ 11,000</u>
	<u>\$ 11,000</u>

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, 2017

6) LINE OF CREDIT

The Organization has a revolving line of credit with a bank at a variable interest rate of 3.25 percentage points over the Wall Street Journal Prime Index Rate per annum. Under no circumstances will the interest rate on the line of credit be less than 4.25% per annum. The current interest rate on the line of credit is 6.5% per annum. The line of credit is collateralized by all of the current and future assets of the Organization and is payable on demand. The line of credit is reviewed annually and its renewal is at the sole discretion of the bank. The bank has a term note conversion option on the line of credit at any time prior to demanding payment on the line of credit. The outstanding balance on the line of credit as of December 31, 2017 was \$0. Interest expense paid on the line of credit for the year ended December 31, 2017 was \$1,765. The line of credit is available for the general business operations of the Organization.

7) LOANS PAYABLE

During the year ended December 31, 2017, the Organization received an \$18,000 short-term loan from the Fund for the City of New York (the "Fund") which was repaid to the Fund by year-end. Interest expense on the loan was \$270.

8) OCCUPANCY – CONTRIBUTED RENT

The Organization rents a 4,800 square-foot performance space under a 20 year lease agreement expiring November 30, 2028. 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 being paid at a rate of \$1,000 per month. 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 accompany statement of activities.

9) NET ASSETS RELEASED FROM RESTRICTIONS

The amounts released from restrictions during the year ended December 31, 2017 are for the following:

General operating support for 2017	<u>\$ 10,000</u>
Total	<u>\$ 10,000</u>

10) TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2017 are available for the following:

NYC DCA capital expenditures (undepreciated balance)	<u>\$ 846,577</u>
Total	<u>\$ 846,577</u>

For the year ended December 31, 2017, restricted NYC DCA capital expenditures recognized were \$26,816. For the year ended December 31, 2016, restricted NYC DCA capital expenditures recognized were \$111,636.

ISSUE PROJECT ROOM, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2017

11) 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.

12) IN-KIND CONTRIBUTIONS

During the year ended December 31, 2017, 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	\$ 17,998
Gifts for benefit	6,720
Hotel	3,507
Beverages for programming and benefit	3,300
Building permit fees	3,000
Equipment	2,064
Equipment rental	600
Printing	<u>600</u>
Total	<u>\$ 37,789</u>

13) CAPITAL CONTRIBUTIONS – CITY OF NEW YORK

The Organization was identified as the recipient of services valued at approximately \$5.4 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 construction in progress and support when expended by The City of New York. Undepreciated City capital contributions are reflected in Temporarily Restricted Net Assets.

To date, The City of New York's investment of capital funding totaling \$846,577 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) CONCENTRATION OF CREDIT RISK

The Organization maintains its cash balances at a major financial institution. The balances are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. As of December 31, 2017, there were no uninsured balances.

ISSUE PROJECT ROOM, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2017

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 salary and related payroll expenses, rent and occupancy costs, contributed rent, utilities, telephone and internet, supplies, and marketing and merchandise expenses, which are allocated on the basis of estimates of time and effort.

16) CONTINGENCIES

The Organization is currently disputing amounts totaling approximately \$494,962 that were assessed by the landlord on its rental space at 22 Boerum Place, Brooklyn. The amounts assessed are for common charges and real estate taxes on the space dating back to late 2011. The Board does not believe the additional assessments to be valid charges. The Organization has historically paid \$1,001 per month in rent and maintenance charges. Accordingly, no provision has been made for any liability that might arise from unsuccessful negotiations.