

**ARTS IN THE ARMED FORCES, INC.**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**DECEMBER 31, 2021**

**ARTS IN THE ARMED FORCES, 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  
Arts in the Armed Forces, Inc.  
Brooklyn, NY

**Opinion**

We have audited the accompanying financial statements of Arts in the Armed Forces, 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 Arts in the Armed Forces, 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.

**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 Arts in the Armed Forces, 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 Arts in the Armed Forces, 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 Arts in the Armed Forces, 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 Arts in the Armed Forces, 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.

*Rich and Bander, LLP*

New York, NY  
September 9, 2022

**ARTS IN THE ARMED FORCES, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2021**

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**ASSETS**

**Current assets**

Cash and cash equivalents	\$ 922,078
Grants and contributions receivable	106,157
Prepaid expenses and other	5,332
<b>Total current assets</b>	<b><u>1,033,567</u></b>

<b>Security deposits</b>	<b>3,942</b>
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<b>Property and equipment, net of accumulated depreciation</b>	<b>5,312</b>
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<b>TOTAL ASSETS</b>	<b><u><u>\$ 1,042,821</u></u></b>
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**LIABILITIES AND NET ASSETS**

**Current liabilities**

Accounts payable and accrued expenses	46,932
Grant advance - paycheck protection program	4,092
<b>Total current liabilities</b>	<b><u>51,024</u></b>

<b>Total liabilities</b>	<b><u>51,024</u></b>
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**Net assets**

Without donor restrictions	951,797
With donor restrictions	40,000
<b>Total net assets</b>	<b><u>991,797</u></b>

<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u><u>\$ 1,042,821</u></u></b>
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**ARTS IN THE ARMED FORCES, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenue and support</b>			
<b>Grants and contributions</b>			
Individual	\$ 378,889	\$ 40,000	\$ 418,889
Corporate	188,589	-	188,589
Foundation	125,255	-	125,255
Government	180,184	-	180,184
Special events contributions	69,100	-	69,100
In-kind contributions	16,500	-	16,500
<b>Total grants and contributions</b>	<b>958,517</b>	<b>40,000</b>	<b>998,517</b>
<b>Direct benefits to donors</b>			
Direct benefits to donors	28,700	-	28,700
Less: costs of direct benefits to donors	(11,803)	-	(11,803)
<b>Direct benefits to donors, net</b>	<b>16,897</b>	<b>-</b>	<b>16,897</b>
<b>Other income</b>			
Interest income	298	-	298
Miscellaneous income	5,859	-	5,859
<b>Total other income</b>	<b>6,157</b>	<b>-</b>	<b>6,157</b>
Net assets released from restrictions	10,000	(10,000)	-
	<b>991,571</b>	<b>30,000</b>	<b>1,021,571</b>
<b>Expenses</b>			
<b>Program services</b>	612,777	-	612,777
<b>Supporting services</b>			
Management and general	187,512	-	187,512
Fundraising	131,018	-	131,018
	<b>931,307</b>	<b>-</b>	<b>931,307</b>
<b>Change in net assets</b>	60,264	30,000	90,264
<b>Net assets - beginning of year</b>	891,533	10,000	901,533
<b>Net assets - end of year</b>	<b>\$ 951,797</b>	<b>\$ 40,000</b>	<b>\$ 991,797</b>

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

**ARTS IN THE ARMED FORCES, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	<b>Program Services</b>	<b>Management &amp; General</b>	<b>Fundraising</b>	<b>Cost of Direct Benefits to Donors</b>	<b>Total</b>
<b>Wages and salaries</b>	\$ 299,375	\$ 27,918	\$ 96,678	\$ -	\$ 423,971
<b>Payroll taxes and employee benefits</b>	43,834	4,000	14,667	-	62,501
<b>Occupancy</b>	16,320	1,466	4,445	-	22,231
<b>Entertainment and production</b>	90,909	-	-	-	90,909
<b>Depreciation</b>	-	1,876	-	-	1,876
<b>Professional fees</b>	74,716	77,105	2,678	-	154,499
<b>Catering and hospitality</b>	27,829	5,051	-	11,803	44,683
<b>Travel and meetings</b>	25,830	19,697	1,406	-	46,933
<b>Advertising and promotion</b>	-	5,299	-	-	5,299
<b>Insurance</b>	2,924	263	796	-	3,983
<b>Telephone and internet</b>	1,029	1,487	343	-	2,859
<b>Office expenses</b>	17,368	25,088	5,790	-	48,246
<b>Dues and subscriptions</b>	6,921	9,996	2,307	-	19,224
<b>Miscellaneous</b>	5,722	8,266	1,908	-	15,896
	<b>612,777</b>	<b>187,512</b>	<b>131,018</b>	<b>11,803</b>	<b>943,110</b>
<b>Less expenses included with revenues on the statement of activities</b>					
<b>Cost of direct benefits to donors</b>	-	-	-	(11,803)	(11,803)
<b>Total expenses included in the expense section on the statement of activities</b>	<b>\$ 612,777</b>	<b>\$ 187,512</b>	<b>\$ 131,018</b>	<b>\$ -</b>	<b>\$ 931,307</b>

**ARTS IN THE ARMED FORCES, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

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<b>Cash flows from operating activities:</b>	
Change in net assets	\$ 90,264
<i>Adjustments to reconcile change in net assets to to net cash used in operating activities:</i>	
Depreciation	1,876
Forgiveness of paycheck protection program	(109,027)
Loss on disposal of office equipment	348
(Increase) decrease in operating assets:	
Grants and contributions receivable	(52,609)
Prepaid expenses and other	2,008
Increase (decrease) in operating liabilities:	
Accounts payable and accrued expenses	(4,174)
Grant advance - paycheck protection program	(47,645)
Total adjustments	<u>(209,223)</u>
<b>Net cash used in operating activities</b>	<u>(118,959)</u>
<b>Cash flows from investing activities:</b>	
Purchase of office equipment	<u>(3,038)</u>
<b>Net cash used in investing activities</b>	<u>(3,038)</u>
<b>Cash flows from financing activities:</b>	
Proceeds from Paycheck Protection Program	<u>109,027</u>
<b>Net cash provided by financing activities</b>	<u>109,027</u>
<b>Net decrease in cash, cash equivalents, and restricted cash</b>	(12,970)
<b>Cash, cash equivalents, and restricted cash, beginning of year</b>	935,048
<b>Cash, cash equivalents, and restricted cash, end of year</b>	<u><u>\$ 922,078</u></u>
<b>Supplemental disclosures of cash flow information:</b>	
Cash paid during the year for:	
Interest	<u>\$ -</u>
Income taxes	<u>\$ -</u>
<b>Supplemental disclosure of non-cash activity</b>	
Forgiveness of paycheck protection program	<u><u>\$ 109,027</u></u>



**ARTS IN THE ARMED FORCES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021**

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

*Nature of the Organization*

Arts in the Armed Forces, Inc. (the “Organization”) is a Delaware not-for-profit organization, incorporated in 2009. The mission of the Organization is to use the powerful shared experience of the arts to start conversations between military and civilian, service member and family members, the world of the arts and the world of practical action.

The Organization’s programs are supported primarily by individual, corporate, government and foundation donor grants and contributions.

*Basis of Accounting*

Revenue 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.

*Property and Equipment*

Property and equipment are recorded at cost. It is the Organization’s policy to capitalize expenditures for these items in excess of \$1,000. Lesser amounts are expensed. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. 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>
Computer equipment	5
Furniture and fixtures	5
Software	3

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.

**ARTS IN THE ARMED FORCES, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**DECEMBER 31, 2021**

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

*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 those 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*

*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.

*Government and Foundation* – Grant income is comprised of government and foundation grants. Revenue from grants, depending on the terms of the grants, is recognized when an unconditional promise to give has been made to the Organization or to the extent of eligible costs incurred, up to the maximum grant amount at which time the Organization has completed its performance obligation. Grant advances include unexpended amounts received.

*Special Events* – Gross special event revenue is generated from donations, ticket sales, plus non-attendee donations. The exchange portion of special events is recognized at the 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.

**ARTS IN THE ARMED FORCES, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**DECEMBER 31, 2021**

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

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

*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. Organization uses the allowance method to determine uncollectible accounts receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

*In-kind Contributions* – 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 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.

*Grants and Contributions* – Grants and contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. A portion of grant revenue is derived from cost-reimbursable government contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as grant advance in the statement of financial position. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of release/return, are not recognized until the conditions on which they depend have been substantially met.

*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, or when the Organization has the right to bill a customer before satisfying any or some of the performance obligations. Contract liabilities are recognized when the Organization has an obligation to perform services to a customer for which the Organization has received advanced consideration or when payment is due prior to satisfying any or some of the performance obligations.

*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.

**ARTS IN THE ARMED FORCES, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**DECEMBER 31, 2021**

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

*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.

*Recent Accounting Pronouncements*

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842), which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The new standard establishes a right-of-use (“ROU”) model that requires a lessee to recognize a ROU asset and lease liability on the statement of financial position for most leases with a term 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 No. 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 these updates will have on its financial statements.

**ARTS IN THE ARMED FORCES, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**DECEMBER 31, 2021**

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**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.

*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 Internal Revenue Service, 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.

*Advertising and Promotion Costs*

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

**2) LIQUIDITY AND AVAILABILITY**

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

Cash and cash equivalents	\$ 922,078
Grants and contributions receivable	<u>88,911</u>
Total	<u>\$ 1,010,989</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.

**ARTS IN THE ARMED FORCES, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**DECEMBER 31, 2021**

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**3) FAIR VALUE MEASUREMENTS**

The Organization has a number of financial instruments, none of which are held for trading purposes. The Organization estimates that the fair value of all financial instruments at December 31, 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.

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.

**4) GRANTS AND CONTRIBUTIONS RECEIVABLE**

Grants and contributions receivable consists of the following at December 31, 2021:

Individual contributions	\$ 40,000
Corporate contributions	36,561
Government grants	24,596
Foundation contributions	<u>5,000</u>
	<u>\$ 106,157</u>

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

**5) 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 \$1,876.

Furniture and fixtures	\$ 10,261
Less: accumulated depreciation	<u>4,949</u>
	<u>\$ 5,312</u>

During the year ended December 31, 2021, the Organization disposed of fully depreciated property and equipment with an original cost of \$1,306.

**ARTS IN THE ARMED FORCES, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**DECEMBER 31, 2021**

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**6) ADVERTISING AND PROMOTION COSTS**

For the year ended December 31, 2021, advertising and promotion expense was \$5,299.

**7) IN-KIND CONTRIBUTIONS**

The Organization received donated use of facilities during the year ended December 31, 2021 in support of its programs. The fair market values have been recorded in the accompanying financial statements. Donated use of facilities for the year ended December 31, 2021 amounted to \$16,500.

**8) PAYCHECK PROTECTION PROGRAM**

During 2020 and 2021 the Organization was approved for loan proceeds in the amount of \$51,737 ("PPP #1") and \$61,382 ("PPP #2") respectively, from J.P. Morgan Chase Bank ("Chase") pursuant to the PPP, established as part of the Coronavirus Aid, Relief and Economic Securities Act ("CARES Act") and administered by the SBA. On November 19, 2021 and November 26, 2021, Chase informed the Organization that the SBA approved forgiveness of PPP #1 in the amount of \$47,645 and PPP #2 in full, respectively. PPP #1 balance after forgiveness of \$4,092 was paid subsequent to year end. The Organization is required to maintain PPP documentation for six years and must furnish them to the SBA and/or SB upon request.

**9) NET ASSETS WITH DONOR RESTRICTIONS**

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

Subject to expenditure for purpose or purpose/time:	
Fisher Family Fund/ Cleveland Foundation	<u>\$ 40,000</u>
Total	<u>\$ 40,000</u>

Net assets with donor restrictions of \$10,000 were released from donor restrictions by incurring expenses satisfying the passage of time specified by the donors for the year ended December 31, 2021.

**10) 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 wages and salaries, payroll taxes and employee benefits which are allocated on the basis of estimates of time and effort.

**ARTS IN THE ARMED FORCES, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**DECEMBER 31, 2021**

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**11) CONCENTRATION OF CREDIT RISK**

The Organization maintains its cash balances at a major financial institution. The balances, at times, may exceed federally insured limits. As of December 31, 2021, the total uninsured balance was \$690,201. 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.

During the year ended December 30, 2021, the Organization received approximately 11% of its total contributions from one donor.

**12) LEASE COMMITMENTS AND DEFERRED RENT**

The Organization leases office space at 220 36<sup>th</sup> Steet in Brooklyn, New York under a non-cancelable operating lease expiring on February 29, 2024 that provides for approximate minimum annual rental payments as follows:

For the year ending	
December 31,	
2022	\$ 23,019
2023	23,571
2024	<u>3,942</u>
Total	<u>\$ 50,532</u>

Rent expense (included in occupancy in the statement of functional expenses) for the year ended December 31, 2021 was \$22,231.

**13) COVID-19 AND SUBSEQUENT EVENTS**

On March 11, 2021, 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 and Management are in discussion to identify and limit the negative long-term implications of this pandemic to the Organization.

In March 2022 the Organization paid off the PPP #1 balance after forgiveness of \$4,092. The Organization is required to maintain PPP documentation for six years and must furnish them to the SBA and/or SB upon request.

Management has evaluated subsequent events through September 9, 2022, which is the date the financial statements were available to be issued.