

**FREE ARTS FOR ABUSED CHILDREN OF NYC, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2018 AND 2017**



LUTZ AND GARR

CERTIFIED PUBLIC ACCOUNTANTS, LLP

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Free Arts for Abused Children of NYC, Inc.

We have audited the accompanying financial statements of Free Arts for Abused Children of NYC, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits 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 auditors' 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 Free Arts for Abused Children of NYC, Inc. as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Lotz + Carr, LLP*

New York, New York  
May 24, 2019

## FREE ARTS FOR ABUSED CHILDREN OF NYC, INC.

## STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<b>Assets</b>		
Cash (Note 10)	\$373,090	\$118,214
Investments (Notes 1b, 1c and 4)	34,440	146,555
Unconditional promises to give (Notes 1d and 5)	140,680	133,448
Insurance receivable (Note 11)	-	152,022
Prepaid expenses and other assets	17,440	21,250
Property and equipment, at cost, net of accumulated depreciation (Notes 1e and 6)	60,499	24,133
Security deposits	<u>21,447</u>	<u>21,447</u>
<b>Total Assets</b>	<u><u>\$647,596</u></u>	<u><u>\$617,069</u></u>
<b>Liabilities and Net Assets</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 28,516	\$ 93,009
Deferred rent (Note 1h)	138,354	147,448
Other deferred income (Note 11)	8,000	31,855
Security deposit payable (Note 8)	4,000	4,000
Total Liabilities	<u>178,870</u>	<u>276,312</u>
Commitment (Note 7)		
Net Assets		
Without donor restrictions (Note 1g)	393,371	247,518
With donor restrictions (Notes 1g and 3)	<u>75,355</u>	<u>93,239</u>
Total Net Assets	<u>468,726</u>	<u>340,757</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$647,596</u></u>	<u><u>\$617,069</u></u>

See notes to financial statements.

## FREE ARTS FOR ABUSED CHILDREN OF NYC, INC.

## STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<b>Change in Net Assets Without Donor Restrictions</b>		
Revenues and Support		
Contributions	\$1,172,206	\$1,135,363
Donated services and materials (Note 9)	96,371	102,678
Fundraising events	746,831	595,581
Less: Direct benefit expenses	(107,029)	(111,600)
Merchandise sales	52,248	95,845
Sublet income (Note 8)	42,000	42,000
Net investment income (loss) (Note 4)	(1,524)	4,955
Miscellaneous income	1,750	4,594
	<u>2,002,853</u>	<u>1,869,416</u>
Net assets released from restrictions		
Satisfaction of time and program restrictions	<u>79,100</u>	<u>57,750</u>
Total Revenues and Support	<u>2,081,953</u>	<u>1,927,166</u>
Expenses		
Program Services		
Free arts days	737,086	709,245
Teen arts	684,976	584,475
Total Program Services	<u>1,422,062</u>	<u>1,293,720</u>
Supporting Services		
Management and general	203,787	134,719
Fundraising	310,251	385,850
Total Supporting Services	<u>514,038</u>	<u>520,569</u>
Total Expenses	<u>1,936,100</u>	<u>1,814,289</u>
Increase in Net Assets Without Donor Restrictions	<u>145,853</u>	<u>112,877</u>
<b>Changes in Net Assets With Donor Restrictions</b>		
Contributions	61,216	65,373
Net assets released from restrictions	<u>(79,100)</u>	<u>(57,750)</u>
Increase (Decrease) in Net Assets With Donor Restrictions	<u>(17,884)</u>	<u>7,623</u>
Increase in net assets	127,969	120,500
Net assets, beginning of year	<u>340,757</u>	<u>220,257</u>
<b>Net Assets, End of Year</b>	<u>\$ 468,726</u>	<u>\$ 340,757</u>

See notes to financial statements.

## FREE ARTS FOR ABUSED CHILDREN OF NYC, INC.

## STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018							2017						
	Program Services			Supporting Services			Total Expenses	Program Services			Supporting Services			Total Expenses
	Free Arts Days	Teen Arts	Total	Management and General	Fundraising	Total		Free Arts Days	Teen Arts	Total	Management and General	Fundraising	Total	
Salaries, payroll taxes and benefits	\$347,784	\$365,525	\$ 713,309	\$ 103,123	\$ 96,636	\$199,759	\$ 913,068	\$403,366	\$380,418	\$783,784	\$ 54,428	\$ 93,308	\$147,736	\$ 931,520
Consultants	45,524	56,283	101,807	6,888	15,437	22,325	124,132	18,632	28,391	47,023	15,422	47,358	62,780	109,803
Counselor artist fees and workshops	3,025	200	3,225	-	2,575	2,575	5,800	15,959	1,972	17,931	-	-	-	17,931
Art supplies	48,636	21,784	70,420	-	10,074	10,074	80,494	58,451	5,887	64,338	-	-	-	64,338
Professional facilitators	8,445	-	8,445	-	-	-	8,445	4,680	-	4,680	-	-	-	4,680
Program food and refreshments	26,515	7,529	34,044	-	-	-	34,044	19,923	5,720	25,643	-	-	-	25,643
Volunteer, training and screening	1,522	2,957	4,479	487	172	659	5,138	248	1,028	1,276	148	-	148	1,424
Postage and materials transport	37,032	8,484	45,516	1,428	3,313	4,741	50,257	30,024	4,862	34,886	423	1,839	2,262	37,148
Workshops and conferences	1,517	1,412	2,929	212	388	600	3,529	5,908	511	6,419	24	-	24	6,443
Marketing and advertising	3,688	3,595	7,283	449	604	1,053	8,336	2,206	2,207	4,413	-	-	-	4,413
Printing expense	2,585	2,585	5,170	945	1,345	2,290	7,460	3,896	3,616	7,512	-	1,997	1,997	9,509
Occupancy	138,018	138,019	276,037	7,264	7,264	14,528	290,565	93,920	89,746	183,666	12,522	12,523	25,045	208,711
Office expenses	1,539	1,539	3,078	171	171	342	3,420	3,559	3,559	7,118	395	395	790	7,908
Insurance	11,712	11,711	23,423	616	616	1,232	24,655	11,749	11,227	22,976	1,566	1,567	3,133	26,109
Telephone	4,242	4,242	8,484	223	223	446	8,930	5,604	5,355	10,959	747	747	1,494	12,453
Software/hardware maintenance	16,270	16,271	32,541	856	856	1,712	34,253	1,987	7,949	9,936	10,839	863	11,702	21,638
Equipment rental	11,760	12,783	24,543	1,218	2,227	3,445	27,988	10,590	11,120	21,710	2,405	1,480	3,885	25,595
Travel	4,666	5,016	9,682	455	3,081	3,536	13,218	1,865	4,140	6,005	158	3,990	4,148	10,153
Supplies	2,882	2,882	5,764	320	320	640	6,404	3,170	3,170	6,340	432	432	864	7,204
Accounting	-	-	-	68,380	-	68,380	68,380	-	-	-	15,887	-	15,887	15,887
Indirect benefit expense	-	-	-	-	151,051	151,051	151,051	-	-	-	-	216,989	216,989	216,989
Gifts and recognition	4,371	4,371	8,742	230	1,520	1,750	10,492	2,956	2,894	5,850	417	696	1,113	6,963
Dues and subscriptions	1,048	199	1,247	1,164	309	1,473	2,720	1,724	1,724	3,448	232	194	426	3,874
Bank and credit card fees	3,933	3,933	7,866	203	7,995	8,198	16,064	-	-	-	7,793	-	7,793	7,793
Miscellaneous expenses	516	516	1,032	57	57	114	1,146	-	-	-	1,074	-	1,074	1,074
Bad debt	-	-	-	5,813	-	5,813	5,813	-	-	-	9,001	-	9,001	9,001
Meals	1,395	4,679	6,074	2,840	3,572	6,412	12,486	3,056	2,933	5,989	-	666	666	6,655
Depreciation	8,461	8,461	16,922	445	445	890	17,812	5,772	6,046	11,818	806	806	1,612	13,430
<b>Total Expenses</b>	<b>\$737,086</b>	<b>\$684,976</b>	<b>\$1,422,062</b>	<b>\$ 203,787</b>	<b>\$ 310,251</b>	<b>\$514,038</b>	<b>\$1,936,100</b>	<b>\$709,245</b>	<b>\$584,475</b>	<b>\$1,293,720</b>	<b>\$ 134,719</b>	<b>\$ 385,850</b>	<b>\$520,569</b>	<b>\$1,814,289</b>

See independent auditors' report on supplementary information.

## FREE ARTS FOR ABUSED CHILDREN OF NYC, INC.

## STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<b>Cash Flows From Operating Activities</b>		
Increase in net assets	\$127,969	\$120,500
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	17,812	13,430
Bad debt	5,813	9,001
Realized (gain) loss on investments	2,437	(1,388)
Unrealized (gain) loss on investments	1,659	(1,252)
(Increase) decrease in:		
Unconditional promises to give	(13,045)	34,433
Insurance receivable	152,022	(152,022)
Prepaid expenses and other assets	3,810	(291)
Security deposit	-	49
Increase (decrease) in:		
Accounts payable and accrued expenses	(64,493)	75,430
Deferred rent	(9,094)	(65,703)
Other deferred income	(23,855)	31,855
Security deposit payable	-	4,000
Net Cash Provided By Operating Activities	<u>201,035</u>	<u>68,042</u>
<b>Cash Flows From Investing Activities</b>		
Acquisition of property and equipment	(54,178)	(5,963)
Purchase of investments	(2,857)	(145,962)
Proceeds from sale of investments	<u>110,876</u>	<u>43,797</u>
Net Cash Provided (Used) By Investing Activities	<u>53,841</u>	<u>(108,128)</u>
Net increase (decrease) in cash	254,876	(40,086)
Cash, beginning of year	<u>118,214</u>	<u>158,300</u>
<b>Cash, End of Year</b>	<u>\$373,090</u>	<u>\$118,214</u>

See notes to financial statements.

**FREE ARTS FOR ABUSED CHILDREN OF NYC, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2018 AND 2017**

**Note 1 - Organization and Summary of Significant Accounting Policies**

a - Organization

Free Arts for Abused Children of NYC, Inc. (the "Organization") was established to provide under-served children and families with a unique combination of educational arts and mentoring programs that help them to foster the self-confidence and resiliency needed to realize their fullest potential.

b - Investments

Investments are measured at fair value on a recurring basis. Investments with fair values that are based on quoted market prices in active markets are, therefore, classified within Level 1, and include active listed equity securities, mutual funds and money market funds.

Investments that trade in markets that are not considered to be active, but are valued based on quoted prices, dealer quotations, or alternative pricing sources with observable inputs are classified within Level 2. These include certain debt securities, certificates of deposit and government agency and municipal obligations.

Interest, dividends and gains and losses on investments are reflected in the statement of activities as increases and decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Gains and other investment income that are limited to specific uses by donor-imposed restrictions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

c - Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-based measurement. Generally accepted accounting principles establish a framework for measuring fair value which maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those the market participants would use in pricing the asset based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization's assumptions about the inputs market participants would use in pricing the asset developed based on the best information available in the circumstances.

Fair value measurements are categorized into three levels as follows:

- Level 1     Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.



**FREE ARTS FOR ABUSED CHILDREN OF NYC, INC.****NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2018 AND 2017****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****c - Fair Value Measurements (continued)**

Level 2 Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 Inputs that are unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

**d - Contributions and Unconditional Promises to Give**

Contributions are recognized when the donor makes a promise to give to the Organization, that is in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

**e - Property and Equipment**

Property and equipment are recorded at cost, if purchased, and at fair value at date of donation, if contributed, and is being depreciated using the straight-line method over the estimated useful life of the asset.

**f - Advertising and Marketing**

Advertising and marketing costs are charged to operations when incurred. Advertising expense incurred during the years ended December 31, 2018 and 2017 was \$8,336 and \$4,413, respectively.

**g - Financial Statement Presentation**

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles, which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

**Net Assets Without Donor Restrictions**

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and Board of Directors.

**FREE ARTS FOR ABUSED CHILDREN OF NYC, INC.****NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2018 AND 2017****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****g - Financial Statement Presentation (continued)****Net Assets With Donor Restrictions**

Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

**h - Deferred Rent**

The Organization records rent expense associated with its office leases on a straight-line basis over the life of the lease (Note 7). The difference between the straight-line amount and the amount actually paid during the year is recorded as a decrease to the liability and the occupancy expense in the accompanying financial statements.

**i - Functional Allocation of Expenses**

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Expenses are applied directly to programs where applicable or allocated on a reasonable and consistent basis. A substantial portion of the Organization's expenses are directly related to program activities. Certain other expenses are attributable to more than one program or supporting function and require allocation on a reasonable basis. The expenses that are allocated include salaries, payroll taxes and benefits, which are allocated on the basis of estimates of employee time and effort, and depreciation, interest, insurance, general office expenses, and occupancy costs, which are allocated based on square footage.

**j - Estimates**

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

**k - Tax Status**

The Organization is a not-for-profit organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation.

**l - Subsequent Events**

The Organization has evaluated subsequent event through May 24, 2019, the date that the financial statements are considered available to be issued.

**FREE ARTS FOR ABUSED CHILDREN OF NYC, INC.****NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2018 AND 2017****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****m - New Accounting Pronouncements**

In 2018, the Organization adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”; (b) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources; (c) requiring that all nonprofits present an analysis of expenses by function and nature and disclose the methods used to allocate costs; (d) modifying the presentation of underwater endowment funds and related disclosures; and (e) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. As permitted under the ASU in the year of adoption, the Organization opted to not disclose liquidity and availability information for 2017.

In February 2016, the FASB issued ASU 2016-02, “Leases (Topic 842)”. The core principles of ASU 2016-02 change the way organizations will account for their leases by recognizing lease assets and related liabilities on the statements of financial position for all leases with terms longer than twelve months and disclosing key information about leasing arrangements. ASU 2016-02 is effective for fiscal years beginning after December 15, 2019. The Organization is currently evaluating the impact of ASU 2016-02 on its financial statements.

**Note 2 - Information Regarding Liquidity and Availability**

The Organization operates with a balanced budget based on the revenues expected to be available to fund anticipated expenses. A substantial portion of annual revenue is comprised of contribution revenue raised during the current year, and revenue from other sources earned during the year. The Organization considers general expenditures to consist of all expenses related to its ongoing program activities, and the expenses related to general and fundraising activities undertaken to support those services.

The Organization regularly monitors liquidity to meet its operating needs and other commitments and obligations, while seeking to maximize the investment of its available fund. Management prepares regular cash flow projections to determine liquidity needs. Financial assets in excess of daily cash requirements are invested in short term investments and growing this fund is a priority for the Organization.

**FREE ARTS FOR ABUSED CHILDREN OF NYC, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2018 AND 2017**

**Note 2 - Information Regarding Liquidity and Availability (continued)**

The Organization's financial assets as of December 31, 2018 and those available within one year to meet cash needs for general expenditures are summarized as follows:

Financial Assets at Year End:	
Cash	\$373,090
Investments	34,440
Unconditional promises to give	<u>140,680</u>
Total Financial Assets	548,210
Less: Amounts not Available to be Used within One Year:	
Net assets with donor restrictions, subject to expenditure for specific purposes or passage of time	(75,355)
Plus: Net assets with donor restrictions expected to be met in less than one year	<u>75,355</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$548,210</u>

**Note 3 - Net Assets**

Net assets with donor restrictions are restricted for future programs and periods.

**Note 4 - Investments**

Investments are reported at fair value and consist of the following:

	<u>2018</u>		<u>2017</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Money market funds	\$ 1,965	\$ 1,965	\$ 1,264	\$ 1,264
Equities	<u>33,902</u>	<u>32,475</u>	<u>145,059</u>	<u>145,291</u>
	<u>\$35,867</u>	<u>\$34,440</u>	<u>\$146,323</u>	<u>\$146,555</u>

**FREE ARTS FOR ABUSED CHILDREN OF NYC, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2018 AND 2017**

**Note 4 - Investments (continued)**

Net investment income for the years ended December 31, 2018 and 2017 is summarized as follows:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 2,572	\$2,315
Realized gain (loss) on investments	(2,437)	1,388
Unrealized gain (loss) on investments	<u>(1,659)</u>	<u>1,252</u>
	<u>\$(1,524)</u>	<u>\$4,955</u>

All investments are classified as Level 1 in the fair value hierarchy as of December 31, 2018 and 2017.

**Note 5 - Unconditional Promises to Give**

Unconditional promises to give are due as follows:

	<u>2018</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Due in less than one year	<u>\$120,881</u>	<u>\$19,799</u>	<u>\$140,680</u>
	<u>2017</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Due in less than one year	\$82,209	\$37,100	\$119,309
Due in one to five years	<u>-</u>	<u>15,000</u>	<u>15,000</u>
	82,209	52,100	134,309
Less: Discount	<u>-</u>	<u>(861)</u>	<u>(861)</u>
	<u>\$82,209</u>	<u>\$51,239</u>	<u>\$133,448</u>

Uncollectible promises to give are expected to be insignificant. Unconditional promises to give due in excess of one year are discounted to net present value using a discount rate of 3%. At December 31, 2018, approximately 50% of unconditional promises to give were due from two individuals and two foundations. At December 31, 2017, approximately 22% of unconditional promises to give were due from one foundation.

**FREE ARTS FOR ABUSED CHILDREN OF NYC, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2018 AND 2017**

**Note 6 - Property and Equipment**

Property and equipment consist of the following:

	<u>Life</u>	<u>2018</u>	<u>2017</u>
Furniture, fixture and equipment	5-7 years	\$ 70,114	\$ 64,430
Leasehold improvements	10 years	73,652	73,652
Computers and software	3-5 years	<u>85,806</u>	<u>37,940</u>
		229,572	176,022
Less: Accumulated depreciation		<u>(169,073)</u>	<u>(151,889)</u>
		<u>\$ 60,499</u>	<u>\$ 24,133</u>

Depreciation expense for the years ended December 31, 2018 and 2017 totaled \$17,812 and \$13,430, respectively.

**Note 7 - Lease Commitment**

The Organization leases its office space under the terms of a lease through May 31, 2023. In addition to base rent, the lease requires additional rent for utilities and increases in real estate taxes. Minimum annual rental payments are as follows:

<u>Year Ending December 31,</u>	
2019	\$254,215
2020	261,892
2021	269,867
2022	277,962
Thereafter, through May 31, 2023	117,240

Rent expense for the years ended December 31, 2018 and 2017 was \$233,239 and \$162,174, respectively.

**Note 8 - Sublet Income**

During 2017, the Organization commenced subleasing a portion of its office space through September 2019. The Organization holds a security deposit from the subtenant of \$4,000. Minimum annual rental income for the year ending December 31, 2019 is \$32,000.

Sublet income was \$42,000 for the years ended December 31, 2018 and 2017.

**FREE ARTS FOR ABUSED CHILDREN OF NYC, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2018 AND 2017**

**Note 9 - Donated Services, Materials, Advertising and Marketing**

Donated services, materials, advertising and marketing consist of:

	<u>2018</u>	<u>2017</u>
Donated services	\$56,804	\$ 31,510
Donated materials	<u>39,567</u>	<u>71,168</u>
	<u>\$96,371</u>	<u>\$102,678</u>

**Note 10 - Concentration of Credit Risk**

The Organization's cash is on deposit with a financial institution located in New York. The balances, at times, may exceed federally insured limits.

**Note 11 - Insurance Receivable**

Between July 2017 and February 2018, the Organization experienced theft by an employee of approximately \$157,000. The Organization's insurance covered \$152,022, which was reflected as a receivable as of December 31, 2017. The insurance deductible and other costs not covered by the insurance company totaling \$5,254 was expensed as miscellaneous expenses during the year ended December 31, 2017. Of the total insurance proceeds, approximately \$28,000 was related to 2018 and was deferred.