

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

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2019 AND 2018**



**LUTZ AND GARR**

CERTIFIED PUBLIC ACCOUNTANTS, LLP

551 FIFTH AVENUE - SUITE 400, NEW YORK, NY 10176

212-697-2299 FAX: 212-949-1768

## **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, 2019 and 2018, 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, 2019 and 2018, 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.

**Emphasis of Matter**

As discussed in Note 11 to the financial statements, in March 2020, the United States of America declared the global pandemic novel coronavirus COVID-19 outbreak a national emergency. As a result, Free Arts for Abused Children of NYC, Inc. has suspended some of its program activities at the direction of state and local governmental authorities. Our opinion is not modified with respect to this matter.

*Lotz + Carr, LLP*

New York, New York  
June 15, 2020

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

## STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<b>Assets</b>		
Cash (Note 10)	\$612,863	\$369,090
Restricted cash (Notes 8 and 10)	4,000	4,000
Investments (Notes 1b, 1c and 4)	35,700	34,440
Contributions receivable (Notes 1d and 5)	130,378	140,680
Prepaid expenses and other assets	36,963	17,440
Property and equipment, at cost, net of accumulated depreciation (Notes 1e and 6)	43,895	60,499
Security deposits	<u>21,447</u>	<u>21,447</u>
<b>Total Assets</b>	<u>\$885,246</u>	<u>\$647,596</u>
<b>Liabilities and Net Assets</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 19,117	\$ 28,516
Deferred rent (Note 1h)	115,877	138,354
Other deferred income (Note 8)	4,000	8,000
Security deposit payable (Note 8)	<u>4,000</u>	<u>4,000</u>
Total Liabilities	<u>142,994</u>	<u>178,870</u>
Commitment and Contingencies (Notes 7 and 11)		
Net Assets		
Without donor restrictions (Note 1g)	502,279	393,371
With donor restrictions (Notes 1g and 3)	<u>239,973</u>	<u>75,355</u>
Total Net Assets	<u>742,252</u>	<u>468,726</u>
<b>Total Liabilities and Net Assets</b>	<u>\$885,246</u>	<u>\$647,596</u>

See notes to financial statements.

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

## STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<b>Change in Net Assets Without Donor Restrictions</b>		
Revenues and Support		
Contributions	\$1,282,074	\$1,215,080
Donated services and materials (Note 9)	82,205	96,371
Fundraising events	590,044	746,831
Less: Direct benefit expenses	(87,042)	(107,029)
Merchandise sales	5,376	9,374
Sublet income (Note 8)	48,400	42,000
Net investment income (loss) (Note 4)	1,410	(1,524)
Miscellaneous income	5,432	1,750
	<u>1,927,899</u>	<u>2,002,853</u>
Net assets released from restrictions		
Satisfaction of time and program restrictions	<u>75,355</u>	<u>79,100</u>
Total Revenues and Support	<u>2,003,254</u>	<u>2,081,953</u>
Expenses		
Program Services		
Free arts days	715,569	737,086
Teen arts	703,054	684,976
Total Program Services	<u>1,418,623</u>	<u>1,422,062</u>
Supporting Services		
Management and general	207,529	203,787
Fundraising	268,194	310,251
Total Supporting Services	<u>475,723</u>	<u>514,038</u>
Total Expenses	<u>1,894,346</u>	<u>1,936,100</u>
Increase in Net Assets Without Donor Restrictions	<u>108,908</u>	<u>145,853</u>
<b>Changes in Net Assets With Donor Restrictions</b>		
Contributions	239,973	61,216
Net assets released from restrictions	<u>(75,355)</u>	<u>(79,100)</u>
Increase (Decrease) in Net Assets With Donor Restrictions	<u>164,618</u>	<u>(17,884)</u>
Increase in net assets	273,526	127,969
Net assets, beginning of year	<u>468,726</u>	<u>340,757</u>
<b>Net Assets, End of Year</b>	<u><u>\$ 742,252</u></u>	<u><u>\$ 468,726</u></u>

See notes to financial statements.

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

## STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019							2018						
	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	\$341,065	\$351,870	\$ 692,935	\$ 130,291	\$ 150,036	\$280,327	\$ 973,262	\$343,533	\$365,525	\$ 709,058	\$ 103,123	\$ 96,636	\$199,759	\$ 908,817
Consultants	25,059	61,123	86,182	39,359	16,532	55,891	142,073	46,040	56,283	102,323	6,888	15,437	22,325	124,648
Counselor artist fees and workshops	2,400	-	2,400	-	-	-	2,400	3,025	200	3,225	-	2,575	2,575	5,800
Art supplies	48,386	37,232	85,618	-	18,460	18,460	104,078	48,636	21,784	70,420	-	10,074	10,074	80,494
Professional facilitators	11,792	9,075	20,867	-	-	-	20,867	12,180	-	12,180	-	-	-	12,180
Program food and refreshments	32,345	9,123	41,468	-	-	-	41,468	26,515	7,529	34,044	-	-	-	34,044
Volunteer, training and screening	1,787	3,454	5,241	536	179	715	5,956	1,522	2,957	4,479	487	172	659	5,138
Postage and materials transport	33,692	7,740	41,432	1,139	2,959	4,098	45,530	37,032	8,484	45,516	1,428	3,313	4,741	50,257
Workshops and conferences	1,698	1,579	3,277	237	434	671	3,948	1,517	1,412	2,929	212	388	600	3,529
Marketing and advertising	3,746	3,746	7,492	425	596	1,021	8,513	3,688	3,595	7,283	449	604	1,053	8,336
Printing expense	1,893	1,893	3,786	649	974	1,623	5,409	2,585	2,585	5,170	945	1,345	2,290	7,460
Occupancy	135,838	135,838	271,676	7,149	7,149	14,298	285,974	138,018	138,019	276,037	7,264	7,264	14,528	290,565
Office expenses	1,170	1,170	2,340	130	130	260	2,600	1,539	1,539	3,078	171	171	342	3,420
Insurance	9,113	9,113	18,226	479	480	959	19,185	11,712	11,711	23,423	616	616	1,232	24,655
Telephone	4,547	4,547	9,094	239	239	478	9,572	4,242	4,242	8,484	223	223	446	8,930
Software/hardware maintenance	18,558	18,558	37,116	977	977	1,954	39,070	16,270	16,271	32,541	856	856	1,712	34,253
Equipment rental	10,882	11,919	22,801	1,036	2,073	3,109	25,910	11,760	12,783	24,543	1,218	2,227	3,445	27,988
Travel	7,281	7,905	15,186	728	4,889	5,617	20,803	4,666	5,016	9,682	455	3,081	3,536	13,218
Supplies	2,639	2,639	5,278	294	293	587	5,865	2,882	2,882	5,764	320	320	640	6,404
Accounting	-	-	-	16,936	-	16,936	16,936	-	-	-	68,380	-	68,380	68,380
Indirect benefit expense	-	-	-	-	48,564	48,564	48,564	-	-	-	-	151,051	151,051	151,051
Gifts and recognition	2,689	2,689	5,378	128	896	1,024	6,402	4,371	4,371	8,742	230	1,520	1,750	10,492
Dues and subscriptions	1,921	345	2,266	2,117	542	2,659	4,925	1,048	199	1,247	1,164	309	1,473	2,720
Bank and credit card fees	3,045	3,045	6,090	123	6,214	6,337	12,427	3,933	3,933	7,866	203	7,995	8,198	16,064
Miscellaneous expenses	-	-	-	-	-	-	-	516	516	1,032	57	57	114	1,146
Bad debt	-	-	-	-	-	-	-	-	-	-	5,813	-	5,813	5,813
Meals	1,873	6,301	8,174	3,917	4,939	8,856	17,030	1,395	4,679	6,074	2,840	3,572	6,412	12,486
Depreciation	12,150	12,150	24,300	640	639	1,279	25,579	8,461	8,461	16,922	445	445	890	17,812
<b>Total Expenses</b>	<b>\$715,569</b>	<b>\$703,054</b>	<b>\$1,418,623</b>	<b>\$ 207,529</b>	<b>\$ 268,194</b>	<b>\$475,723</b>	<b>\$1,894,346</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>

See notes to financial statements.

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

## STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<b>Cash Flows From Operating Activities</b>		
Increase in net assets	\$273,526	\$127,969
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	25,579	17,812
Bad debt	-	5,813
Realized loss on investments	-	2,437
Unrealized (gain) loss on investments	(29)	1,659
(Increase) decrease in:		
Contributions receivable	10,302	(13,045)
Insurance receivable	-	152,022
Prepaid expenses and other assets	(19,523)	3,810
Decrease in:		
Accounts payable and accrued expenses	(9,399)	(64,493)
Deferred rent	(22,477)	(9,094)
Other deferred income	(4,000)	(23,855)
Net Cash Provided By Operating Activities	<u>253,979</u>	<u>201,035</u>
<b>Cash Flows From Investing Activities</b>		
Acquisition of property and equipment	(8,975)	(54,178)
Purchase of investments	(1,374)	(2,857)
Proceeds from sale of investments	143	110,876
Net Cash Provided (Used) By Investing Activities	<u>(10,206)</u>	<u>53,841</u>
Net increase in cash	243,773	254,876
Cash and restricted cash, beginning of year	<u>373,090</u>	<u>118,214</u>
<b>Cash and Restricted Cash, End of Year</b>	<u><u>\$616,863</u></u>	<u><u>\$373,090</u></u>

See notes to financial statements.

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

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2019 AND 2018**

**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 in the United States of America (GAAP) 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, 2019 AND 2018****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 Contributions Receivable**

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.

Conditional contributions receivable, that have a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

**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, 2019 and 2018 was \$8,513 and \$8,336, respectively.

**g - Financial Statement Presentation**

The financial statements of the Organization have been prepared in accordance with GAAP, 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, 2019 AND 2018****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 GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

k - Prior Year Information

Certain 2018 amounts have been reclassified for comparative purposes.

l - 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.

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

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2019 AND 2018**

**Note 1 - Organization and Summary of Significant Accounting Policies (continued)**

m - Subsequent Events

The Organization has evaluated subsequent event through June 15, 2020, the date that the financial statements are considered available to be issued.

n - New Accounting Pronouncements

In 2019, the Organization adopted Accounting Standards Update (ASU) No 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and ASU 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)*. Analysis of the various provisions of these standards resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

In 2019, the Organization adopted Accounting Standards Update (ASU) No. 2016-18 *Statement of Cash Flows (Topic 230)*. ASU 2016-18 provides guidance on restricted cash when preparing the statement of cash flows. GAAP will now require restricted cash accounts to be included with cash in the beginning-of-period and end-of-period cash balances.

The following table provides a reconciliation of cash and restricted cash reported within the statement of financial position that sum to the total of the same such amounts shown in the statement of cash flows at December 31.

	<b>2019</b>	<b>2018</b>
Cash	\$612,863	\$369,090
Restricted cash	4,000	4,000
Total Cash and Restricted Cash Shown in the Statement of Cash Flows	<b>\$616,863</b>	<b>\$373,090</b>

In February 2016, the Financial Accounting Standards Board 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, 2021. The Organization is currently evaluating the impact of ASU 2016-02 on its financial statements.

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

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2019 AND 2018**

**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.

The Organization's financial assets as of December 31, 2019 and 2018 and those available within one year to meet cash needs for general expenditures are summarized as follows:

	<u>2019</u>	<u>2018</u>
Financial Assets at Year End:		
Cash	\$612,863	\$369,090
Restricted cash	4,000	4,000
Investments	35,700	34,440
Contributions receivable	<u>130,378</u>	<u>140,680</u>
Total Financial Assets	782,941	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	(239,973)	(75,355)
Plus: Net assets with donor restrictions expected to be met in less than one year	239,973	75,355
Restricted cash	<u>(4,000)</u>	<u>(4,000)</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$778,941</u>	<u>\$544,210</u>

**Note 3 - Net Assets With Donor Restrictions**

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

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

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

**Note 4 - Investments**

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

	<u>2019</u>		<u>2018</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Money market funds	\$ 1,822	\$ 1,822	\$ 1,965	\$ 1,965
Equities	<u>35,276</u>	<u>33,878</u>	<u>33,902</u>	<u>32,475</u>
	<u>\$37,098</u>	<u>\$35,700</u>	<u>\$35,867</u>	<u>\$34,440</u>

Net investment income (loss) for the years ended December 31, 2019 and 2018 is summarized as follows:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 1,381	\$ 2,572
Realized loss on investments	-	(2,437)
Unrealized gain (loss) on investments	<u>29</u>	<u>(1,659)</u>
	<u>\$1,410</u>	<u>\$(1,524)</u>

All investments are classified as Level 1 in the fair value hierarchy as of December 31, 2019 and 2018.

**Note 5 - Contributions Receivable**

Contributions receivable are due as follows:

	<u>2019</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Due in less than one year	<u>\$112,507</u>	<u>\$17,871</u>	<u>\$130,378</u>
	<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>

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

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2019 AND 2018**

**Note 5 - Contributions Receivable (continued)**

Uncollectible contributions receivable are expected to be insignificant. Contributions receivable due from three donors at December 31, 2019 and four donors at December 31, 2018, approximated 42% and 50%, respectively, of the Organization's total contributions receivable.

**Note 6 - Property and Equipment**

Property and equipment consist of the following:

	<u>Life</u>	<u>2019</u>	<u>2018</u>
Furniture, fixture and equipment	5-7 years	\$ 70,114	\$ 70,114
Leasehold improvements	10 years	73,652	73,652
Computers and software	3-5 years	<u>94,781</u>	<u>85,806</u>
		238,547	229,572
Less: Accumulated depreciation		<u>(194,652)</u>	<u>(169,073)</u>
		<u>\$ 43,895</u>	<u>\$ 60,499</u>

**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>	
2020	\$261,892
2021	269,867
2022	277,962
Thereafter, through May 31, 2023	117,240

Rent expense for the years ended December 31, 2019 and 2018 was \$231,898 and \$233,239, respectively.

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

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2019 AND 2018**

**Note 8 - Sublet Income**

The Organization subleases a portion of its office space through a lease terminating in June 2020. The Organization holds a security deposit from the subtenant of \$4,000. Minimum annual rental income for the year ending December 31, 2020 is \$24,600.

Sublet income was \$48,400 and \$42,000 for the years ended December 31, 2019 and 2018, respectively.

**Note 9 - Donated Services and Materials**

Donated services and materials consist of:

	<u>2019</u>	<u>2018</u>
Donated services	\$10,223	\$56,804
Donated materials	<u>71,982</u>	<u>39,567</u>
	<u>\$82,205</u>	<u>\$96,371</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 - Subsequent Event**

In March 2020, the United States of America declared the global pandemic novel coronavirus COVID-19 outbreak a national emergency. As a result, the Organization has suspended some of its program activities at the direction of state and local governmental authorities. Management is currently evaluating the potential impact that the resulting economic uncertainties will have on the Organization's operations.

In May 2020, the Organization was approved for the Small Business Administration (SBA) Paycheck Protection Program loan in the amount of \$184,855. The Organization can obtain forgiveness on the loan if the funds are used towards costs specified by the SBA. The Organization expects to apply for forgiveness on the entire loan proceeds.