

ARMED
SERVICES
ARTS
PARTNERSHIP



FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018



Independent Auditors' Report

Board of Directors
Armed Services Arts Partnership

Report on the Financial Statements

We have audited the accompanying financial statements of Armed Services Arts Partnership (ASAP), which comprise the statement of financial position as of December 31, 2018 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 the 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 from 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 auditors consider internal control relevant to ASAP'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 ASAP'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.

Board of Directors
Armed Services Arts Partnership

Report on the Financial Statements (Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Armed Services Arts Partnership, as of December 31, 2018, 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.



Bethesda, Maryland
May 17, 2019

Certified Public Accountants

Armed Services Arts Partnership
Statement of Financial Position
For the Year Ending December 31, 2018

Assets

Assets

Cash	\$ 263,802
Property and Equipment - Net	<u>998</u>
Total Assets	<u>264,800</u>

Liabilities and Net Assets

Liabilities

Accounts Payable	<u>5,047</u>
Total Liabilities	<u>5,047</u>

Net Assets

Without Donor Restrictions	215,044
With Donor Restrictions	<u>44,709</u>
Total Net Assets	<u>259,753</u>

Total Liabilities and Net Assets	<u>\$ 264,800</u>
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See accompanying Notes to Financial Statements.

Armed Services Arts Partnership
Statement of Activities
For the Year Ending December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
	<u> </u>	<u> </u>	<u> </u>
Support and Revenues			
Grants and Contributions	\$ 298,168	\$ 83,900	\$ 382,068
Performance and Events	73,606	-	73,606
Sponsorships	76,000	-	76,000
Interest Income	85	-	85
Net Assets Released from Restrictions	110,075	(110,075)	-
	<u>557,934</u>	<u>(26,175)</u>	<u>531,759</u>
Total Support and Revenues			
Expenses			
Program Services	343,093	-	343,093
	<u>343,093</u>	<u>-</u>	<u>343,093</u>
Total Program Service Expense			
Supporting Services			
General and Administration	64,522	-	64,522
Fundraising	26,829	-	26,829
	<u>91,351</u>	<u>-</u>	<u>91,351</u>
Total Supporting Service Expense			
Total Expenses	<u>434,444</u>	<u>-</u>	<u>434,444</u>
Change in Net Assets	<u>123,490</u>	<u>(26,175)</u>	<u>97,315</u>
Net Assets, Beginning of Year	91,554	70,884	162,438
Net Assets, End of Year	<u>\$ 215,044</u>	<u>\$ 44,709</u>	<u>\$ 259,753</u>

See accompanying Notes to Financial Statements.

Armed Services Arts Partnership
Statement of Functional Expense
For the Year Ending December 31, 2018

	Program Services	General & Administrative	Fundraising	Total
Personnel	\$ 165,659	\$ 22,280	\$ 13,643	\$ 201,582
Consulting and Professional Fees	53,651	28,209	1,859	83,719
Office Expense	15,701	3,740	474	19,915
Occupancy	1,644	4,346	-	5,990
Travel	8,987	10	303	9,300
Insurance	3,206	-	-	3,206
Meetings and Events	89,261	5,737	13	95,011
Advertising and Promotion	4,984	-	1,999	6,983
Donor Relations	-	-	8,538	8,538
Depreciation	-	200	-	200
Total	\$ 343,093	\$ 64,522	\$ 26,829	\$ 434,444

See accompanying Notes to Financial Statements.

Armed Services Arts Partnership
Statement of Cash Flows
For the Year Ending December 31, 2018

Cash Flows from Operating Activities	
Increase (Decrease) in Net Assets	\$ 97,315
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by (Used in) Operating Activities	
Depreciation and Amortization	200
<u>Increase (Decrease) in Liabilities</u>	
Accounts Payable and Accrued Expenses	5,047
Net Cash Provided by (Used in) Operating Activities	<u>102,562</u>
Cash Flows from Investing Activities	
Purchases of Property and Equipment	<u>(750)</u>
Net Cash Provided by (Used in) Investing Activities	<u>(750)</u>
Increase (Decrease) in Cash	101,812
Cash, Beginning of Year	<u>161,990</u>
Cash, End of Year	<u>\$ 263,802</u>

See accompanying Notes to Financial Statements.

Armed Services Arts Partnership

Notes to Financial Statements December 31, 2018

1. ORGANIZATION

Armed Services Arts Partnership (ASAP), is a 501(c)(3) exempt organization formed for the purpose of collaborative, community-driven, and deeply focused program model, to forge a new path for veterans to reintegrate into civilian life, and for communities to welcome them home. ASAP is thriving in the D.C. Metro area and Hampton Roads, VA, serving thousands of veterans and military families, and empowering its alumni to become artistic leaders in their communities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Presentation

The Society has adopted *Accounting Standards Update 2014-16, Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)* (ASU 2014-16) for the year ended March 31, 2018. This standard was issued by the Financial Accounting Standards Board (FASB) to improve the previous net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. ASU 2014-16 reduces the number of net assets classifications from three to two: with donor restrictions and without donor restrictions. The ASU also requires not-for-profits to report expenses by functional and natural classification in one location in the financial statements and requires not-for-profits to report quantitative and qualitative information about management of liquidity resources and availability of financial assets.

As required by ASU 2014-16, the Foundation applied the requirements on a retrospective basis in the year of adoption. As a result, certain amounts presented in the prior year have been reclassified to conform to the new presentation. All amounts previously reported as "Unrestricted net assets" have been reclassified to be presented as "Net assets without donor restrictions." Similarly, all amounts previously reported as "Temporarily restricted net assets" and "Permanently restricted net assets" have been reclassified to be presented as "Net assets with donor restrictions." The changes in net assets have been similarly reclassified. There was no change in total net assets or total change in net assets as a result of the adoption of ASU 2014-16.

The financial statements of ASAP have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which requires the Foundation 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 Foundation. These net assets may be used at the discretion of management and the Board of Directors.

Armed Services Arts Partnership

Notes to Financial Statements December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (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 ASAP or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Property and Equipment

Property and equipment are capitalized at cost if unit costs exceed \$1,000. Otherwise the items are expensed when paid, including repairs and maintenance. Depreciation and amortization is computed on the straight-line method over the estimated useful lives ranging from three to twenty years.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends, or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, occupancy and office expenses, depreciation, information technology costs, and insurance have been allocated among the programs and supporting services benefits allocated on the basis of employee time and effort.

Income Taxes

ASAP is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, ASAP may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of ASAP and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

Armed Services Arts Partnership

Notes to Financial Statements December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

There were no unrecognized tax benefits identified or recorded as liabilities for at December 31, 2018.

ASAP's policy would be to recognize interest and penalties, if any, on tax positions related to its unrecognized tax benefits in income tax expense in the financial statements. No interest and penalties were assessed or recorded during 2018.

Upcoming Accounting Pronouncements

In May 2014, the FASB issued a new standard, ASU 2014-09, Revenue from Contracts with Customers, which outlines a single comprehensive standard for revenue recognition across all industries and supersedes most existing revenue recognition guidance. The core principle of the standard is that an entity should recognize revenue when it satisfies a performance obligation at an amount that reflects the consideration the entity expects to receive in exchange for transferring goods or services. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The standard will be effective for the fiscal year beginning January 1, 2019.

In February 2016, the FASB issued ASU 2016-02, Lease Amendments to the FASB Accounting Standards Codification (Topic 842), which amends the recognition of lease assets by organizations. The new standards require a lessee to recognize assets and liabilities for leases with lease terms of 12 or more months, in addition to modifications improvements on lessor accounting, in conjunction with the new guidance on revenue recognition noted above in ASU-2014-09. Additional disclosures will be required for the amount, timing, and uncertainty of cash flows arising from leases, and the standard will be effective for fiscal years beginning January 1, 2020.

Subsequent Events

Management has evaluated subsequent events through May 17, 2019 the date which the financial statements were available to be issued. The accompanying financial statements recognize the effects of subsequent events that provided evidence about conditions that existed at the statement of financial position date, including the estimates inherent in the process of preparing financial statements. The accompanying financial statements do not recognize the effect of subsequent events with conditions that did not exist at the statement of financial position date, but disclosures of such events, if any, are included in the accompanying notes.

3. CONCENTRATION OF CREDIT RISK

ASAP maintains its cash balances in banks insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank. As of December 31, 2018, ASAP's balances exceeded the FDIC insured limit by approximately \$8,000.

Armed Services Arts Partnership

**Notes to Financial Statements
December 31, 2018**

4. PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2018 consisted of the following:

Equipment	\$ 1,375
Less: Accumulated Depreciation and Amortization	<u>(377)</u>
Property and Equipment - Net	<u>\$ 998</u>

Depreciation and amortization expense for the year ended December 31, 2018 was \$200.

5. NET ASSETS

Net assets with donor restrictions activity during the year ended December 31, 2018 was as follows:

	<u>Beginning of Year</u>	<u>Contributions</u>	<u>Releases</u>	<u>End of Year</u>
Comedy Bootcamp	\$ 30,000	\$ 16,900	\$ (37,241)	\$ 9,659
Program Impact Evaluation	-	27,000	(17,524)	9,476
Storytelling 101	-	15,000	(11,028)	3,972
Hampton Roads Programs	37,285	-	(32,663)	4,622
Washington DC Programs	-	25,000	(8,020)	16,980
Other	<u>3,599</u>	<u>-</u>	<u>(3,599)</u>	<u>-</u>
	<u>\$ 70,884</u>	<u>\$ 83,900</u>	<u>\$ (110,075)</u>	<u>\$ 44,709</u>

Net assets without donor restrictions for the year ended December 31, 2018 were undesignated.

6. OPERATING LEASE

ASAP leases office space in Washington D.C under a non-cancellable lease that terminates in January 2019. Initially, the lease has monthly rent payments of \$8,909 and 2.5% annual escalations. The first three monthly rental payments were abated.

Future minimum lease payments at December 31, 2018, are as follows:

2019	\$ 110,261
2020	9,360
	<u>\$ 119,621</u>

Rent expense for the year ended December 31, 2018 was \$5,990.

Armed Services Arts Partnership

**Notes to Financial Statements
December 31, 2018**

7. AVAILABILITY AND LIQUIDITY

The following represents ASAP's financial assets at December 31, 2018:

Financial Assets at Year End:

Cash	<u>\$ 263,802</u>
Total Financial Assets	<u>263,802</u>
Less Amounts Not Available To Be Used Within One Year:	
Net Assets With Donor Restrictions	44,709
Less: Net Assets With Purpose Restrictions To Be Met in Less Than a Year	<u>(44,709)</u>
	<u>-</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 263,802</u>

As part of ASAP's liquidity management plan, cash in excess of daily requirements is transferred to income-generating accounts, when practical.