

ARMED
SERVICES
ARTS
PARTNERSHIP



FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021



Independent Auditors' Report

Board of Directors
Armed Services Arts Partnership

Opinion

We have audited the accompanying financial statements of Armed Services Arts Partnership (ASAP), 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 ASAP as of December 31, 2021, 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.

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 ASAP 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 ASAP'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 ASAP'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 ASAP'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.



Bethesda, Maryland
April 25, 2022

Certified Public Accountants

Armed Services Arts Partnership
Statement of Financial Position
December 31, 2021

Assets

Assets

Cash	\$ 255,905
Grants and Contributions Receivable	24,040
Property and Equipment - Net	<u>4,178</u>
Total Assets	<u>\$ 284,123</u>

Liabilities and Net Assets

Liabilities

Accounts Payable	\$ 31,519
Deferred Revenue	<u>8,000</u>
Total Liabilities	<u>39,519</u>

Net Assets

Without Donor Restrictions	133,417
With Donor Restrictions	<u>111,187</u>
Total Net Assets	<u>244,604</u>
Total Liabilities and Net Assets	<u>\$ 284,123</u>

See accompanying Notes to Financial Statements.

Armed Services Arts Partnership
Statement of Activities
For the Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues			
Grants and Contributions	\$ 360,907	\$ 177,500	\$ 538,407
Contribution - PPP Forgivable Loan	101,749	-	101,749
Performance and Events	20,627	-	20,627
Interest Income	16	-	16
Net Assets Released from Restrictions	113,600	(113,600)	-
Total Support and Revenues	596,899	63,900	660,799
Expenses			
Program Services	534,735	-	534,735
Total Program Service Expense	534,735	-	534,735
Supporting Services			
General and Administration	74,638	-	74,638
Fundraising	44,634	-	44,634
Total Supporting Service Expense	119,272	-	119,272
Total Expenses	654,007	-	654,007
Change in Net Assets	(57,108)	63,900	6,792
Net Assets, Beginning of Year	190,525	47,287	237,812
Net Assets, End of Year	\$ 133,417	\$ 111,187	\$ 244,604

See accompanying Notes to Financial Statements.

Armed Services Arts Partnership
Statement of Functional Expense
For the Year Ended December 31, 2021

	Program Services	General & Administrative	Fundraising	Total
Personnel	\$ 325,562	\$ 34,900	\$ 14,548	\$ 375,010
Consulting and Professional Fees	76,002	29,711	20,984	126,697
Office Expense	20,140	2,659	8,559	31,358
Occupancy	262	5,372	-	5,634
Travel	5,643	7	-	5,650
Insurance	4,390	-	-	4,390
Meetings and Events	78,482	-	77	78,559
Advertising and Promotion	22,820	-	25	22,845
Donor Relations	1,434	-	441	1,875
Other	-	1,180	-	1,180
Depreciation	-	809	-	809
Total	\$ 534,735	\$ 74,638	\$ 44,634	\$ 654,007

See accompanying Notes to Financial Statements.

Armed Services Arts Partnership
Statement of Cash Flows
For the Year Ended December 31, 2021

Cash Flows from Operating Activities	
Increase (Decrease) in Net Assets	\$ 6,792
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by (Used in) Operating Activities	
Depreciation and Amortization	809
<u>(Increase) Decrease in Assets</u>	
Grants and Contributions Receivable	23,024
Security Deposit	3,834
<u>Increase (Decrease) in Liabilities</u>	
Accounts Payable	4,725
Deferred Revenue	8,000
Deferred Revenue	<u>(101,749)</u>
Net Cash Provided by (Used in) Operating Activities	<u>(54,565)</u>
Cash Flows from Investing Activities	
Purchases of Property and Equipment	<u>(3,189)</u>
Net Cash Provided by (Used in) Investing Activities	<u>(3,189)</u>
Cash Flows from Financing Activities	
Proceeds from Forgivable Loan - PPP	<u>52,845</u>
Net Cash Provided by (Used in) Financing Activities	<u>52,845</u>
Increase (Decrease) in Cash	(4,909)
Cash, Beginning of Year	<u>260,814</u>
Cash, End of Year	<u>\$ 255,905</u>

See accompanying Notes to Financial Statements.

Armed Services Arts Partnership

Notes to Financial Statements December 31, 2021

1. ORGANIZATION

The Armed Services Arts Partnership (ASAP) is a 501(c)(3) exempt organization offering creative arts classes and performances with veterans, service members, military family members, and caregivers. Research indicates ASAP programs improve participants' well-being across several measures, including resilience, sense of belonging, self-esteem, and integration of self.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements are presented in accordance with the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

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

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, whereby 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.

Use of Estimates

The preparation of financial statements in conformity with US GAAP 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.

Grants and Contributions Receivable

ASAP records unconditional grants and contributions receivable expected to be collected within one year at net realizable value. All grants and contributions receivable are expected to be collected within one year. ASAP determines the allowance for uncollectable grants and contributions receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Grants and contributions receivable are written off when deemed uncollectable. There was no allowance for uncollectible grants or contributions receivable as of December 31, 2021.

Armed Services Arts Partnership

Notes to Financial Statements December 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Grants and Contributions

Grants and contributions, including unconditional promises to give, are recognized as revenues in the period received or pledged. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets, other than cash, are recorded at their estimated fair value at the date of gift. Contributed services and materials are recorded at their estimated fair value if they would otherwise be purchased if not provided by donation and provided by professionals in their field.

During the year ended December 31, 2021, ASAP recognized \$101,749 in forgivable loan contributions from the Small Business Administration's (SBA) Paycheck Protection Program (PPP). This amount represents the \$48,904 first draw of PPP and the \$52,845 second draw. The forgivable loans were a conditional contribution that could be recognized as revenue when the underlying conditions were met. ASAP elected to treat the legal forgiveness as the condition.

There were no unrecognized conditional contributions as of December 31, 2021.

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 based on 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).

Armed Services Arts Partnership

Notes to Financial Statements December 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

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.

There were no unrecognized tax benefits identified or recorded as liabilities for at December 31, 2021.

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 2021.

Recently Issued Accounting Pronouncement

In February 2016, the FASB issued ASU 2016-02, *Leases*. The update requires a lessee to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments, in its statements of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The guidance is effective beginning in 2023.

Subsequent Events

Management has evaluated subsequent events through April 25, 2022 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, 2021, ASAP's balances did not exceed the FDIC insured limit.

4. PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2021 consisted of the following:

Equipment	\$ 5,744
Less: Accumulated Depreciation and Amortization	<u>(1,566)</u>
Property and Equipment - Net	<u>\$ 4,178</u>

Depreciation and amortization expense for the year ended December 31, 2021 was \$809.

Armed Services Arts Partnership

Notes to Financial Statements December 31, 2021

5. NET ASSETS

Net assets with donor restrictions activity during the year ended December 31, 2021 was as follows:

	Beginning of Year	Contributions	Releases	End of Year
Comedy Bootcamp	\$ 746	\$ -	\$ (746)	\$ -
Instructors, Staff & Research	36,261	150,000	(101,049)	85,212
Community Arts	10,280	-	(10,280)	-
Alexandria, VA Programs	-	7,500	-	7,500
Washington, DC Programs	-	20,000	(1,525)	18,475
	<u>\$ 47,287</u>	<u>\$ 177,500</u>	<u>\$ (113,600)</u>	<u>\$ 111,187</u>

Net assets without donor restrictions for the year ended December 31, 2021 were undesignated.

6. OPERATING LEASE

During 2020, ASAP entered into a month-to-month lease for office space. Rent expense for the year ended December 31, 2021 was \$5,634.

7. AVAILABILITY AND LIQUIDITY

The following represents ASAP's financial assets at December 31, 2021:

Financial Assets at Year End:	
Cash	\$ 255,905
Grants and Contributions Receivable	<u>24,040</u>
Total Financial Assets	<u>279,945</u>
Less Amounts Not Available To Be Used Within One Year:	
Net Assets With Donor Restrictions	111,187
Less: Net Assets With Purpose Restrictions To Be Met in Less Than a Year	<u>(111,187)</u>
	<u>-</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 279,945</u>

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