

FREE ARTS FOR ABUSED CHILDREN OF NYC, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019



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, 2020 and 2019, 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 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 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, 2020 and 2019, 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 13 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 its in person activities at the direction of state and local governments and modified its program offerings to a virtual environment. Our opinion is not modified with respect to this matter.

Lotz + Carr, LLP

New York, New York
June 23, 2021

FREE ARTS FOR ABUSED CHILDREN OF NYC, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Assets		
Cash (Notes 3 and 12)	\$ 820,851	\$612,863
Restricted cash (Notes 3, 10 and 12)	4,000	4,000
Investments (Notes 1b, 1c and 5)	242,828	35,700
Contributions receivable (Notes 1d and 6)	205,172	130,378
Prepaid expenses and other assets	21,258	36,963
Property and equipment, at cost, net of accumulated depreciation (Notes 1e and 7)	82,327	43,895
Security deposits	<u>21,447</u>	<u>21,447</u>
Total Assets	<u><u>\$1,397,883</u></u>	<u><u>\$885,246</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 54,015	\$ 19,117
Loan payable (Note 8)	184,855	-
Deferred rent (Notes 1h and 9)	-	115,877
Other deferred income (Note 10)	8,100	4,000
Security deposit payable (Note 10)	<u>4,000</u>	<u>4,000</u>
Total Liabilities	<u>250,970</u>	<u>142,994</u>
Commitment and Contingencies (Notes 8, 9, 13 and 14)		
Net Assets		
Without donor restrictions (Note 1g)	901,913	502,279
With donor restrictions (Notes 1g and 4)	<u>245,000</u>	<u>239,973</u>
Total Net Assets	<u>1,146,913</u>	<u>742,252</u>
Total Liabilities and Net Assets	<u><u>\$1,397,883</u></u>	<u><u>\$885,246</u></u>

See notes to financial statements.

FREE ARTS FOR ABUSED CHILDREN OF NYC, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Change in Net Assets Without Donor Restrictions		
Revenues and Support		
Contributions	\$1,166,886	\$1,282,074
Donated services and materials (Note 11)	145,177	82,205
Fundraising events	487,346	590,044
Less: Direct benefit expenses	-	(87,042)
Sweepstakes, net of processing fees (\$66,291 in 2020)	281,934	-
Sublet income (Note 10)	49,200	48,400
Merchandise sales	160	5,376
Net investment income (Note 5)	22,759	1,410
Miscellaneous income	271	5,432
	<u>2,153,733</u>	<u>1,927,899</u>
Net assets released from restrictions		
Satisfaction of time and program restrictions	<u>226,973</u>	<u>75,355</u>
Total Revenues and Support	<u>2,380,706</u>	<u>2,003,254</u>
Expenses		
Program Services		
Free arts days	656,028	715,569
Teen arts	733,364	703,054
Total Program Services	<u>1,389,392</u>	<u>1,418,623</u>
Supporting Services		
Management and general	243,493	207,529
Fundraising	348,187	268,194
Total Supporting Services	<u>591,680</u>	<u>475,723</u>
Total Expenses	<u>1,981,072</u>	<u>1,894,346</u>
Increase in Net Assets Without Donor Restrictions	<u>399,634</u>	<u>108,908</u>
Changes in Net Assets With Donor Restrictions		
Contributions	232,000	239,973
Net assets released from restrictions	<u>(226,973)</u>	<u>(75,355)</u>
Increase in Net Assets With Donor Restrictions	<u>5,027</u>	<u>164,618</u>
Increase in net assets	404,661	273,526
Net assets, beginning of year	<u>742,252</u>	<u>468,726</u>
Net Assets, End of Year	<u>\$1,146,913</u>	<u>\$ 742,252</u>

See notes to financial statements.

FREE ARTS FOR ABUSED CHILDREN OF NYC, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020							2019							
	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	\$349,352	\$357,440	\$ 706,792	\$ 199,381	\$ 186,918	\$386,299	\$1,093,091	\$341,065	\$351,870	\$ 692,935	\$ 130,291	\$ 150,036	\$280,327	\$ 973,262	
Consultants	31,556	46,064	77,620	33,030	121,997	155,027	232,647	41,611	32,855	74,466	56,433	32,146	88,579	163,045	
Art supplies	93,332	78,675	172,007	-	-	-	172,007	48,386	37,232	85,618	-	18,460	18,460	104,078	
Stipends	-	47,921	47,921	-	100	100	48,021	-	39,692	39,692	-	-	-	39,692	
Program food and refreshments	4,910	7,013	11,923	-	-	-	11,923	32,345	9,123	41,468	-	-	-	41,468	
Postage and materials transport	15,756	15,756	31,512	830	829	1,659	33,171	33,692	7,740	41,432	1,139	2,959	4,098	45,530	
Marketing and advertising	5,938	5,937	11,875	-	-	-	11,875	3,746	3,746	7,492	425	596	1,021	8,513	
Printing expense	3,648	3,648	7,296	192	192	384	7,680	1,893	1,893	3,786	649	974	1,623	5,409	
Occupancy	88,008	88,008	176,016	4,633	4,632	9,265	185,281	135,838	135,838	271,676	7,149	7,149	14,298	285,974	
Office expenses	4,394	4,394	8,788	231	231	462	9,250	4,761	3,185	7,946	2,433	857	3,290	11,236	
Insurance	7,677	7,677	15,354	405	404	809	16,163	9,113	9,113	18,226	479	480	959	19,185	
Telephone	4,444	4,444	8,888	234	234	468	9,356	4,547	4,547	9,094	239	239	478	9,572	
Software/hardware maintenance	6,973	17,334	24,307	394	15,521	15,915	40,222	16,349	16,349	32,698	861	861	1,722	34,420	
Equipment rental	8,128	8,353	16,481	427	428	855	17,336	10,882	11,919	22,801	1,036	2,073	3,109	25,910	
Travel	2,480	2,480	4,960	131	131	262	5,222	7,281	7,905	15,186	728	4,889	5,617	20,803	
Volunteer, training and screening	797	3,785	4,582	1,222	42	1,264	5,846	2,756	4,423	7,179	643	288	931	8,110	
Event expense	-	5,800	5,800	-	15,020	15,020	20,820	1,547	1,439	2,986	216	33,499	33,715	36,701	
Gifts and recognition	4,997	4,997	9,994	263	263	526	10,520	2,689	2,689	5,378	128	896	1,024	6,402	
Bank and credit card fees	8,467	8,467	16,934	295	446	741	17,675	3,045	3,045	6,090	123	6,214	6,337	12,427	
Bad debt	-	-	-	1,029	-	1,029	1,029	-	-	-	-	-	-	-	
Meals	871	871	1,742	45	46	91	1,833	1,873	6,301	8,174	3,917	4,939	8,856	17,030	
Depreciation	14,300	14,300	28,600	751	753	1,504	30,104	12,150	12,150	24,300	640	639	1,279	25,579	
Total Expenses	<u>\$656,028</u>	<u>\$733,364</u>	<u>\$1,389,392</u>	<u>\$ 243,493</u>	<u>\$ 348,187</u>	<u>\$591,680</u>	<u>\$1,981,072</u>	<u>\$715,569</u>	<u>\$703,054</u>	<u>\$1,418,623</u>	<u>\$ 207,529</u>	<u>\$ 268,194</u>	<u>\$475,723</u>	<u>\$1,894,346</u>	

See notes to financial statements.

FREE ARTS FOR ABUSED CHILDREN OF NYC, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities		
Increase in net assets	\$404,661	\$273,526
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	30,104	25,579
Bad debt	1,029	-
Unrealized gain on investments	(21,845)	(29)
(Increase) decrease in:		
Contributions receivable	(75,823)	10,302
Prepaid expenses and other assets	15,705	(19,523)
Increase (decrease) in:		
Accounts payable and accrued expenses	34,898	(9,399)
Deferred rent	(115,877)	(22,477)
Other deferred income	4,100	(4,000)
Net Cash Provided By Operating Activities	<u>276,952</u>	<u>253,979</u>
Cash Flows From Investing Activities		
Acquisition of property and equipment	(68,536)	(8,975)
Purchase of investments	<u>(185,283)</u>	<u>(1,231)</u>
Net Cash Used By Investing Activities	<u>(253,819)</u>	<u>(10,206)</u>
Cash Flows From Financing Activities		
Proceeds from loan payable	<u>184,855</u>	-
Net increase in cash	207,988	243,773
Cash and restricted cash, beginning of year	<u>616,863</u>	<u>373,090</u>
Cash and Restricted Cash, End of Year	<u><u>\$824,851</u></u>	<u><u>\$616,863</u></u>

See notes to financial statements.

FREE ARTS FOR ABUSED CHILDREN OF NYC, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

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, 2020 AND 2019****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. Conditional promises to give, that is, those with a measurable performance-related or other barrier and right of return of assets transferred or release of a promisor's obligation to transfer assets in the future are not recognized until the conditions on which they depend have been met.

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, 2020 and 2019 was \$11,875 and \$8,513, 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, 2020 AND 2019****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, whereby 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 9). 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 - Revenue Recognition

The Organization has multiple revenue streams that are accounted for as exchange transactions, including event income, sublet income, and merchandise sales. The Organization recognizes revenue at the point or over the period during which it satisfies the related performance obligations.

Event income is recorded as revenue during the period of the event. Event income received for events taking place in future periods are recorded as deferred income.

Sublet income is recognized during the month of the rental.

Art and Merchandise sales are recognized in the period that the related goods are provided.

j - 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.

FREE ARTS FOR ABUSED CHILDREN OF NYC, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2020 AND 2019****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****k - 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.

l - Prior Year Information

Certain 2019 amounts have been reclassified for comparative purposes.

m - 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.

n - Subsequent Events

The Organization has evaluated subsequent event through June 23, 2021, the date that the financial statements are considered available to be issued.

o - Recent Accounting Pronouncements

During 2020, the Organization adopted Accounting Standards Update ("ASU") 2019-09, *Revenue from Contracts with Customers (Topic 606)*. The guidance requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for these goods and services. Adoption of this standard had no impact on the financial statements.

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.

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.

FREE ARTS FOR ABUSED CHILDREN OF NYC, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 2 - Information Regarding Liquidity and Availability (continued)

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, 2020 and 2019 and those available within one year to meet cash needs for general expenditures are summarized as follows:

	<u>2020</u>	<u>2019</u>
Financial Assets at Year End:		
Cash	\$ 820,851	\$612,863
Restricted cash	4,000	4,000
Investments	242,828	35,700
Contributions receivable	<u>205,172</u>	<u>130,378</u>
Total Financial Assets	1,272,851	782,941
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	(245,000)	(239,973)
Plus: Net assets with donor restrictions expected to be met in less than one year	230,000	239,973
Restricted cash	<u>(4,000)</u>	<u>(4,000)</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$1,253,851</u>	<u>\$778,941</u>

Note 3 - Cash and Restricted Cash

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.

	<u>2020</u>	<u>2019</u>
Cash	\$820,851	\$369,090
Restricted cash	<u>4,000</u>	<u>4,000</u>
Total Cash and Restricted Cash Shown in the Statement of Cash Flows	<u>\$824,851</u>	<u>\$373,090</u>

FREE ARTS FOR ABUSED CHILDREN OF NYC, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 4 - Net Assets With Donor Restrictions

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

Note 5 - Investments

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

	<u>2020</u>		<u>2019</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Money market funds	\$ 1,048	\$ 1,048	\$ 1,822	\$ 1,822
Mutual funds - fixed income	196,338	196,237	35,276	33,878
Equities	<u>24,995</u>	<u>45,543</u>	<u>-</u>	<u>-</u>
	<u>\$222,381</u>	<u>\$242,828</u>	<u>\$37,098</u>	<u>\$35,700</u>

Net investment income for the years ended December 31, 2020 and 2019 is summarized as follows:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 1,064	\$1,381
Unrealized gain on investments	21,845	29
Investment fees	<u>(150)</u>	<u>-</u>
	<u>\$22,759</u>	<u>\$1,410</u>

All investments are classified as Level 1 in the fair value hierarchy as of December 31, 2020 and 2019.

FREE ARTS FOR ABUSED CHILDREN OF NYC, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 6 - Contributions Receivable

Contributions receivable are due as follows:

	<u>2020</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Due in less than one year	\$77,172	\$113,000	\$190,172
Due in one to two years	<u>-</u>	<u>15,000</u>	<u>15,000</u>
	<u>\$77,172</u>	<u>\$128,000</u>	<u>\$205,172</u>

	<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>

Uncollectible contributions receivable are expected to be insignificant. Contributions receivable due from two donors at December 31, 2020 and three donors at December 31, 2019, approximated 51% and 42%, respectively, of the Organization's total contributions receivable.

Note 7 - Property and Equipment

Property and equipment consist of the following:

	<u>Life</u>	<u>2020</u>	<u>2019</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>163,317</u>	<u>94,781</u>
		307,083	238,547
Less: Accumulated depreciation		<u>(224,756)</u>	<u>(194,652)</u>
		<u>\$ 82,327</u>	<u>\$ 43,895</u>

FREE ARTS FOR ABUSED CHILDREN OF NYC, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 8 - Loan payable

On April 6, 2020, the Organization received a loan totaling \$184,855 under the Paycheck Protection Program administered by the U.S. Small Business Administration. The loan bears interest at 1% per annum, is due on April 1, 2022, and may be forgiven if the Organization meets certain employee retention requirements and the funds are used for eligible expenses. Management expects that the loan will be forgiven during 2021.

Note 9 - Lease Commitment

The Organization leases its office space under the terms of a lease through May 31, 2023. In December 2020, the Organization amended its lease to reduce its office space and to provide fixed rent of \$11,801 for the remaining duration of the lease term. The Organization has written off its deferred rent against rental expense during the year ended December 31, 2020. In addition to base rent, the lease requires additional rent for utilities and increases in real estate taxes.

Approximate minimum annual rental payments are as follows:

<u>Year Ending December 31,</u>	
2021	\$142,000
2022	142,000
Thereafter, through May 31, 2023	59,000

Rent expense for the years ended December 31, 2020 and 2019 was \$141,623 and \$231,898, respectively.

Note 10 - Sublet Income

The Organization subleases a portion of its office space through a lease terminating in January 2021. The Organization holds a security deposit from the subtenant of \$4,000. Minimum annual rental income for the year ending December 31, 2021 is \$4,100.

Sublet income was \$49,200 and \$48,400 for the years ended December 31, 2020 and 2019, respectively.

FREE ARTS FOR ABUSED CHILDREN OF NYC, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 11 - Donated Services and Materials

Donated services and materials consist of:

	<u>2020</u>	<u>2019</u>
Donated services	\$ 53,194	\$10,223
Donated materials	<u>91,983</u>	<u>71,982</u>
	<u>\$145,177</u>	<u>\$82,205</u>

Note 12 - 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 13 - Risk and Uncertainties

In March 2020, the COVID-19 pandemic was declared a national emergency by the United States of America. The Organization closed its offices to ensure safety, and made adjustments to its organization and programs to operate in a remote environment. Management and the Board also immediately began to assess the potential impact of the loss of income and took initial action to examine opportunities to cut costs, making reductions where feasible and building worst case scenario budgets. The Organization applied for and received a loan under the Paycheck Protection Program established by the CARES Act. To help offset losses of revenue, appeals were made to major donors to request acceleration of their annual contributions, and to request that grants be allocated to general operating expenses rather than for donor restricted purposes. The Organization renegotiated our lease, cutting our rent in half and converted our annual art auction to an online event. Throughout 2020 the Organization reviewed the budget each month, converted the Teen Arts Program for 75+ teens and mentors to an online platform, supplied laptops where necessary and sent art materials for use at home. The Organization continued to support over 1,600 children each month with art and activity packs and in some instances food, clothing, masks, books and board games. As of March 2021, the Organization remains remote and with ongoing oversight, management believes that its current financial assets are sufficient to support the Organization's operations on an ongoing basis. The Organization will remain remote until it is deemed safe to return to the office and in person programming can resume.

FREE ARTS FOR ABUSED CHILDREN OF NYC, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2020 AND 2019****Note 14 - Subsequent Event**

On February 24, 2021, the Organization received a loan totaling \$184,855 under the Paycheck Protection Program administered by the U.S. Small Business Administration. The loan bears interest at 1% per annum, is due on February 24, 2022, and may be forgiven if the Organization meets certain employee retention requirements and the funds are used for eligible expenses. The Organization expects to meet all the requirements for forgiveness.