

**ARTS IN THE ARMED FORCES, INC.**

**Financial Statements  
for the years ended  
December 31, 2020  
and  
December 31, 2019**

**Independent Auditor's Report**

To the Board of Directors of  
Arts in the Armed Forces, Inc.

We have audited the accompanying financial statements of Arts in the Armed Forces, Inc. which comprise the statement of financial position as of December 31, 2020 and December 31, 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.

***Auditor's 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 audits 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 auditor's 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 Arts in the Armed Forces, Inc. as of December 31, 2020 and December 31, 2019 and the results of its activities and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Condon O'Meara McGinty & Donnelly LLP*

August 2, 2021

## ARTS IN THE ARMED FORCES, INC.

## Statement of Financial Position

## Assets

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<b>Current assets</b>		
Cash and cash equivalents	\$ 935,048	\$ 915,597
Contributions receivable	53,548	45,788
Prepaid expenses and other	<u>7,340</u>	<u>9,611</u>
Total current assets	995,936	970,996
<b>Security deposit</b>	3,942	3,942
<b>Office equipment, at cost, net</b>	<u>4,498</u>	<u>6,204</u>
<b>Total assets</b>	<b><u>\$1,004,376</u></b>	<b><u>\$ 981,142</u></b>

## Liabilities and Net Assets

<b>Current liabilities</b>		
Account payable and accrued expenses	\$ 51,106	\$ 59,697
Payroll taxes payable	-	5,371
Refundable advances	-	43,276
PPP loan	<u>51,737</u>	<u>-</u>
<b>Total liabilities</b>	<u>102,843</u>	<u>108,344</u>
<b>Net assets</b>		
Without donor restrictions	891,533	872,798
With donor restrictions	<u>10,000</u>	<u>-</u>
<b>Total net assets</b>	<u>901,533</u>	<u>872,798</u>
<b>Total liabilities and net assets</b>	<b><u>\$1,004,376</u></b>	<b><u>\$ 981,142</u></b>

See notes to financial statements.

## ARTS IN THE ARMED FORCES, INC.

## Statement of Activities

	Year Ended December 31			
	2020		2019	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
<b>Support and revenue</b>				
Contributions and grants	\$ 637,037	\$ 10,000	\$ 1,135,291	\$ -
Special events	94,459	-	-	-
In-kind contributions	32,054	-	18,500	-
Program service revenue	42,812	-	-	-
Other	12,158	-	8,726	-
Net assets released from restrictions	-	-	10,000	(10,000)
Total support and revenue	<u>818,520</u>	<u>10,000</u>	<u>1,172,517</u>	<u>(10,000)</u>
				<u>\$ 1,135,291</u>
				<u>\$ -</u>
				<u>18,500</u>
				<u>-</u>
				<u>8,726</u>
				<u>-</u>
				<u>8,726</u>
				<u>-</u>
				<u>1,162,517</u>
<b>Expenses</b>				
Program services	545,221	-	672,411	-
Supporting activities				
Management and general	187,946	-	145,384	-
Fundraising	66,618	-	39,549	-
Total supporting activities	<u>254,564</u>	<u>-</u>	<u>184,933</u>	<u>-</u>
Total expenses	<u>799,785</u>	<u>-</u>	<u>857,344</u>	<u>-</u>
				<u>672,411</u>
				<u>145,384</u>
				<u>39,549</u>
				<u>184,933</u>
				<u>857,344</u>
<b>Increase (decrease) in net assets</b>	18,735	10,000	315,173	(10,000)
				<u>305,173</u>
<b>Net assets, beginning of year</b>	<u>872,798</u>	<u>-</u>	<u>557,625</u>	<u>10,000</u>
<b>Net assets, end of year</b>	<u>\$ 891,533</u>	<u>\$ 10,000</u>	<u>\$ 872,798</u>	<u>\$ -</u>
				<u>\$ 567,625</u>
				<u>\$ 872,798</u>

See notes to financial statements.

## ARTS IN THE ARMED FORCES, INC.

## Statement of Functional Expenses

Year Ended December 31, 2020  
(with Summarized Comparative Totals for  
the Year Ended December 31, 2019)

	2020			2019	
	Supporting Activities			Total	Total
	Program Services	Management and General	Fund Raising		
<b>Payroll and related expenses</b>					
Salaries	\$ 255,068	\$ 28,586	\$ 20,141	\$ 303,795	\$ 227,670
Payroll taxes	29,430	2,802	1,959	34,191	22,604
Total payroll and related expenses	284,498	31,388	22,100	337,986	250,274
<b>Other expenses</b>					
Occupancy	15,489	1,827	1,243	18,559	18,621
Entertainment and production	3,765	27	-	3,792	45,158
Professional fees	155,686	101,141	26,141	282,968	155,473
Travel and meetings	34,654	1,794	336	36,784	273,911
Advertising and promotional	-	3,030	-	3,030	1,971
Telephone and internet	2,034	238	259	2,531	2,546
Insurance	3,156	351	257	3,764	2,565
Dues and subscriptions	3,118	18,412	8,363	29,893	9,043
Office expenses	42,807	14,505	7,919	65,231	89,823
Other	14	13,527	-	13,541	6,507
Depreciation	-	1,706	-	1,706	1,452
Total other expenses	260,723	156,558	44,518	461,799	607,070
<b>Total expenses</b>	\$ 545,221	\$ 187,946	\$ 66,618	\$ 799,785	\$ 857,344

See notes to financial statements.

## ARTS IN THE ARMED FORCES, INC.

## Statement of Functional Expenses

Year Ended December 31, 2019

	<u>Program Services</u>	<u>Supporting Activities</u>		<u>Total</u>
		<u>Management and General</u>	<u>Fund Raising</u>	
<b>Payroll and related expenses</b>				
Salaries	\$ 184,988	\$ 24,653	\$ 18,029	\$ 227,670
Payroll taxes	<u>18,377</u>	<u>2,460</u>	<u>1,767</u>	<u>22,604</u>
Total payroll and related expenses	<u>203,365</u>	<u>27,113</u>	<u>19,796</u>	<u>250,274</u>
<b>Other expenses</b>				
Occupancy	15,090	2,041	1,490	18,621
Entertainment and production	45,158	-	-	45,158
Professional fees	81,228	73,585	660	155,473
Travel and meetings	264,717	8,160	1,034	273,911
Advertising and promotional	500	1,471	-	1,971
Telephone and internet	2,084	267	195	2,546
Insurance	2,079	281	205	2,565
Dues and subscriptions	4,328	3,485	1,230	9,043
Office expenses	53,862	21,022	14,939	89,823
Other	-	6,507	-	6,507
Depreciation	<u>-</u>	<u>1,452</u>	<u>-</u>	<u>1,452</u>
Total other expenses	<u>469,046</u>	<u>118,271</u>	<u>19,753</u>	<u>607,070</u>
<b>Total expenses</b>	<u>\$ 672,411</u>	<u>\$ 145,384</u>	<u>\$ 39,549</u>	<u>\$ 857,344</u>

See notes to financial statements.

## ARTS IN THE ARMED FORCES, INC.

## Statement of Cash Flows

	Year Ended December 31	
	<u>2020</u>	<u>2019</u>
<b>Cash flows from operating activities</b>		
Increase in net assets	\$ 28,735	\$ 305,173
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities		
Depreciation	1,706	1,452
(Increase) decrease in contributions receivable	(7,760)	162,565
(Increase) decrease in prepaid expenses and other	2,271	(9,611)
(Increase) in security deposit	-	(1,142)
Increase (decrease) in accounts payable and accrued expenses	(8,591)	20,333
Increase (decrease) in payroll taxes payable	(5,371)	1,431
Increase (decrease) in refundable advances	<u>(43,276)</u>	<u>43,276</u>
Net cash provided by (used in) operating activities	(32,286)	523,477
<b>Cash flows (used in) investing activities</b>		
Purchase of office equipment	-	(4,166)
<b>Cash flows from financing activities</b>		
Proceeds from PPP loan	<u>51,737</u>	<u>-</u>
Net increase in cash and cash equivalents	19,451	519,311
Cash and cash equivalents, beginning of year	<u>915,597</u>	<u>396,286</u>
Cash and cash equivalents, end of year	<u>\$ 935,048</u>	<u>\$ 915,597</u>

See notes to financial statements.

**ARTS IN THE ARMED FORCES, INC.****Notes to Financial Statements  
December 31, 2020 and December 31, 2019****Note 1 – Nature of organization**

Arts in the Armed Forces, Inc. (“AITAF”) is a Delaware not for profit corporation, incorporated in 2009, whose mission is to use the powerful shared experience of the arts to start conversations between military and civilian, service member and family member, the world of the arts and the world of practical action.

**Note 2 – Summary of significant accounting policies****Basis of presentation**

Net assets are revenue, expenses, gains, losses, and other support that are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of AITAF are classified and reported as follows:

**Without donor restrictions**

Net assets whose use is not restricted by donors.

**With donor restrictions****Temporary donor restrictions**

Net assets whose use by AITAF has been limited by the donors (a) for later periods of time and/or (b) for specified purposes. When a donor-imposed restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, net assets with temporary donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

**Perpetual donor restrictions**

Net assets with donor restrictions include net assets subject to donor-imposed stipulations that they be maintained perpetually. As of December 31, 2020 and December 31, 2019, AITAF did not have net assets with perpetual donor restrictions.

**Cash equivalents**

AITAF considers highly liquid investments with original maturities of 90 days or less to be cash equivalents. Included in cash equivalents is short-term certificates of deposit.

**Contributions receivable**

Contributions including unconditional promises to give (“pledges”) are recognized as revenue in the period received and when the conditions on which they depend have been substantially met.



**ARTS IN THE ARMED FORCES, INC.****Notes to Financial Statements (continued)  
December 31, 2020 and December 31, 2019****Note 2 – Summary of significant accounting policies (continued)**Allowance for doubtful accounts

AITAF has determined that it does not have any receivables as of December 31, 2020 and December 31, 2019 that may not be collectible. Such estimate is based on management's experience, the aging of the receivables, subsequent receipts and current economic conditions.

Property and equipment

Property and equipment are recorded at cost or, if donated, at fair value at the date of donation. AITAF capitalizes expenditures for property and equipment above a nominal amount and that have a useful life greater than one year. Depreciation is computed on the straight-line method over the estimated useful lives of the assets which range from five to ten years.

Contributions

Contributions received including unconditional promises to give, are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence or absence of donor restrictions, at the time of receipt or promise. Donor-restricted contributions that have their restriction met within the fiscal year are reported as net assets without donor restrictions.

Bequests are recorded as revenue when a legally binding obligation is received and when a fair value can be reasonably determined.

In-kind contributions

Organizations are required to recognize contributions of goods and services if they create or enhance non-financial assets, or require specialized skills, are provided by individuals possessing those skills and typically would have been purchased if not provided in-kind. In-kind contributions are reflected in the financial statements at the estimated fair market value at the time of donation. The fair market value of goods and services totaling \$32,054 and \$18,500 have been included in the financial statements for the years ended December 31, 2020 and December 31, 2019, respectively, and primarily include contributions of performance space, professional fees and donated travel. Board members and other individuals volunteer their time and perform a variety of tasks that assist the AITAF. These services do not meet the criteria to be recorded and have not been included in the financial statements.

**ARTS IN THE ARMED FORCES, INC.****Notes to Financial Statements (continued)  
December 31, 2020 and December 31, 2019****Note 2 – Summary of significant accounting policies (continued)**Functional expenses

The costs of providing various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated between the programs and supporting activities benefited. Natural expenses attributable to more than one functional expense category are allocated using a variety of cost allocation techniques primarily consisting of salary and wages and time and effort reporting.

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 amounts reported in the financial statements. Actual results could differ from these estimates.

Concentrations of credit risk

AITAF's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash and contributions receivable. AITAF places its cash with what it believes to be a quality financial institution. At times, cash balances may be in excess of the FDIC insurance limit. However, AITAF has not experienced any losses in these accounts to date. AITAF monitors the collectibility of its receivables on an ongoing basis. AITAF believes no significant concentrations of credit risk exist with respect to its cash.

Risks and uncertainties

On March 13, 2020, a national emergency was declared due to extraordinary circumstances resulting from the coronavirus. The economic impact of the coronavirus on AITAF's future financial operations is not readily determinable.

Subsequent events

AITAF has evaluated events and transactions for potential recognition or disclosure through August 2, 2021, which is the date the financial statements were available to be issued.

**ARTS IN THE ARMED FORCES, INC.**

**Notes to Financial Statements (continued)  
December 31, 2020 and December 31, 2019**

**Note 3 – Liquidity and availability of financial assets**

AITAF's working capital and cash flows vary due to timing of payments received for contributions and other revenue items.

The following is a summary of AITAF's financial assets as of December 31, 2020 and December 31, 2019 that are available to pay expenditures within one year of the statement of financial position date:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 935,048	\$ 915,597
Contributions receivable	<u>53,548</u>	<u>45,788</u>
Total	<u>\$ 988,596</u>	<u>\$ 961,385</u>

**Note 4 – PPP loan**

Paycheck protection program – 2020

During 2020, AITAF applied for and received a \$51,737 term note under the Paycheck Protection Program ("PPP") which is a business loan program established under the Coronavirus Aid, Relief, and Economic Security Act and administered by the Small Business Administration (the "SBA"). AITAF has elected to record the proceeds as a liability until the loan is, in part or wholly, forgiven and AITAF is legally released. AITAF believes it has spent all of the proceeds in accordance with the terms of the PPP loan program and expects to have the loan and any accrued interest forgiven in their entirety during 2021. Any amounts not forgiven are subject to interest at a fixed rate of 1% for a two year-term.

Paycheck protection program – 2021

During 2021, AITAF applied for and received a second draw under the PPP, totaling \$61,382, at terms substantially similar to the first draw PPP loan received in 2020 noted above. AITAF expects to meet the PPP requirements for forgiveness in 2021 and will record the PPP loan as a government grant when such forgiveness is confirmed by the SBA.

**ARTS IN THE ARMED FORCES, INC.**

**Notes to Financial Statements (continued)  
December 31, 2020 and December 31, 2019**

**Note 5 – Net assets with temporary donor restrictions**

The following is a summary of the activity of the net assets with temporary donor restrictions for the years ended December 31, 2020 and December 31, 2019:

<u>Description</u>	<u>Balance at December 31, 2019</u>	<u>Contributions</u>	<u>Released From Restrictions</u>	<u>Balance at December 31, 2020</u>
Future programs	\$ -	\$ 10,000	\$ -	\$ 10,000

<u>Description</u>	<u>Balance at December 31, 2018</u>	<u>Contributions</u>	<u>Released From Restrictions</u>	<u>Balance at December 31, 2019</u>
Future programs	\$ 10,000	\$ -	\$ (10,000)	\$ -

**Note 6 – Office license agreement**

AITAF occupies office space under a license agreement that expires on February 29, 2024 at a monthly rate of \$1,853 through February 2022, \$1,931 from March 2022 through February 2023 and \$1,971 from March 2023 through February 2024. In 2020, the landlord provided AITAF a two month abatement totaling \$3,705. Occupancy expense totaled \$18,559 and \$18,621 for the years ended December 31, 2020 and December 31, 2019, respectively.

**Note 7 – Tax status**

AITAF is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the “Code”). In addition, AITAF has been determined by the Internal Revenue Service to be a publicly supported organization, and not a private foundation under the meaning of Section 509(a)(1) of the Code. AITAF qualifies for maximum charitable contribution deductions for donors.