

FREE ARTS FOR ABUSED CHILDREN OF NYC, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020



LUTZ AND CARR

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Free Arts for Abused Children of NYC, Inc.

Opinion

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, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years 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 Free Arts for Abused Children of NYC, Inc. as of December 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Free Arts for Abused Children of NYC, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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. Our opinion is not modified with respect to this matter.

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 Free Arts for Abused Children NYC, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 Free Arts for Abused Children NYC, Inc.'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 Free Arts for Abused Children NYC, Inc.'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.

Lutz + Carr, LLP

FREE ARTS FOR ABUSED CHILDREN OF NYC, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Assets		
Cash (Notes 3 and 12)	\$ 273,522	\$ 820,851
Restricted cash (Notes 3, 10 and 12)	-	4,000
Investments (Notes 1b, 1c and 5)	1,050,418	242,828
Contributions receivable (Notes 1d and 6)	139,052	205,172
Prepaid expenses and other assets	32,409	21,258
Property and equipment, at cost, net of accumulated depreciation (Notes 1e and 7)	52,980	82,327
Security deposits	<u>21,447</u>	<u>21,447</u>
Total Assets	<u>\$1,569,828</u>	<u>\$1,397,883</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 15,717	\$ 54,015
Loans payable (Note 8)	-	184,855
Other deferred income (Note 10)	-	8,100
Security deposit payable (Note 10)	-	4,000
Total Liabilities	<u>15,717</u>	<u>250,970</u>
Commitment and Contingencies (Notes 8, 9 and 13)		
Net Assets		
Without donor restrictions (Note 1g)	1,385,611	901,913
With donor restrictions (Notes 1g and 4)	<u>168,500</u>	<u>245,000</u>
Total Net Assets	<u>1,554,111</u>	<u>1,146,913</u>
Total Liabilities and Net Assets	<u>\$1,569,828</u>	<u>\$1,397,883</u>

See notes to financial statements.

FREE ARTS FOR ABUSED CHILDREN OF NYC, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Change in Net Assets Without Donor Restrictions		
Revenues and Support		
Contributions (Note 8)	\$1,782,931	\$1,166,886
Donated services and materials (Note 11)	44,171	145,177
Fundraising events	215,313	487,346
Sweepstakes, net of processing fees (\$66,291)	-	281,934
Sublet income (Note 10)	4,850	49,200
Merchandise sales	9,239	160
Net investment income (Note 5)	17,590	22,759
Miscellaneous income	887	271
	<u>2,074,981</u>	<u>2,153,733</u>
Net assets released from restrictions		
Satisfaction of time and program restrictions	<u>223,500</u>	<u>226,973</u>
Total Revenues and Support	<u>2,298,481</u>	<u>2,380,706</u>
Expenses		
Program Services	<u>1,302,542</u>	<u>1,389,392</u>
Supporting Services		
Management and general	207,155	243,493
Fundraising	305,086	348,187
Total Supporting Services	<u>512,241</u>	<u>591,680</u>
Total Expenses	<u>1,814,783</u>	<u>1,981,072</u>
Increase in Net Assets Without Donor Restrictions	<u>483,698</u>	<u>399,634</u>
Changes in Net Assets With Donor Restrictions		
Contributions	147,000	232,000
Net assets released from restrictions	<u>(223,500)</u>	<u>(226,973)</u>
Increase (Decrease) in Net Assets With Donor Restrictions	<u>(76,500)</u>	<u>5,027</u>
Increase in net assets	407,198	404,661
Net assets, beginning of year	<u>1,146,913</u>	<u>742,252</u>
Net Assets, End of Year	<u><u>\$1,554,111</u></u>	<u><u>\$1,146,913</u></u>

See notes to financial statements.

FREE ARTS FOR ABUSED CHILDREN OF NYC, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021				2020					
	Program Services	Supporting Services			Total Expenses	Program Services	Supporting Services			Total Expenses
Management and General		Fundraising	Total	Management and General			Fundraising	Total		
Salaries, payroll taxes and benefits	\$ 763,472	\$ 168,530	\$ 173,838	\$342,368	\$1,105,840	\$ 706,792	\$ 199,381	\$ 186,918	\$386,299	\$1,093,091
Consultants	91,253	21,419	63,627	85,046	176,299	77,620	33,030	121,997	155,027	232,647
Art supplies	119,368	-	-	-	119,368	172,007	-	-	-	172,007
Stipends	54,376	-	-	-	54,376	47,921	-	100	100	48,021
Program food and refreshments	4,014	-	-	-	4,014	11,923	-	-	-	11,923
Postage and materials transport	3,203	28	1,323	1,351	4,554	31,512	830	829	1,659	33,171
Marketing and advertising	-	-	516	516	516	11,875	-	-	-	11,875
Printing expense	14,813	-	1,559	1,559	16,372	7,296	192	192	384	7,680
Occupancy	146,993	8,166	8,166	16,332	163,325	176,016	4,633	4,632	9,265	185,281
Office expenses	6,034	890	1,607	2,497	8,531	8,788	231	231	462	9,250
Insurance	12,150	2,533	2,824	5,357	17,507	15,354	405	404	809	16,163
Telephone	5,693	288	288	576	6,269	8,888	234	234	468	9,356
Software/hardware maintenance	31,371	1,978	8,023	10,001	41,372	24,307	394	15,521	15,915	40,222
Equipment rental	1,783	99	99	198	1,981	16,481	427	428	855	17,336
Travel	978	39	893	932	1,910	4,960	131	131	262	5,222
Volunteer, training and screening	4,758	301	473	774	5,532	4,582	1,222	42	1,264	5,846
Event expense	773	40	31,932	31,972	32,745	5,800	-	15,020	15,020	20,820
Gifts and recognition	4,736	405	1,503	1,908	6,644	9,994	263	263	526	10,520
Bank and credit card fees	7,342	1,530	6,246	7,776	15,118	16,934	295	446	741	17,675
Bad debt	-	-	-	-	-	-	1,029	-	1,029	1,029
Meals	1,552	176	1,435	1,611	3,163	1,742	45	46	91	1,833
Depreciation	27,880	733	734	1,467	29,347	28,600	751	753	1,504	30,104
Total Expenses	<u>\$1,302,542</u>	<u>\$ 207,155</u>	<u>\$ 305,086</u>	<u>\$512,241</u>	<u>\$1,814,783</u>	<u>\$1,389,392</u>	<u>\$ 243,493</u>	<u>\$ 348,187</u>	<u>\$591,680</u>	<u>\$1,981,072</u>

See notes to financial statements.

FREE ARTS FOR ABUSED CHILDREN OF NYC, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities		
Increase in net assets	\$407,198	\$404,661
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Loan forgiveness - Paycheck Protection Program	(184,855)	-
Depreciation	29,347	30,104
Bad debt	-	1,029
Unrealized gain on investments	(3,329)	(21,845)
(Increase) decrease in:		
Contributions receivable	66,120	(75,823)
Prepaid expenses and other assets	(11,151)	15,705
Increase (decrease) in:		
Accounts payable and accrued expenses	(38,298)	34,898
Security deposit payable	(4,000)	-
Deferred rent	-	(115,877)
Other deferred income	(8,100)	4,100
Net Cash Provided By Operating Activities	<u>252,932</u>	<u>276,952</u>
Cash Flows From Investing Activities		
Acquisition of property and equipment	-	(68,536)
Purchase of investments	(804,261)	(185,283)
Net Cash Used By Investing Activities	<u>(804,261)</u>	<u>(253,819)</u>
Cash Flows From Financing Activities		
Proceeds from loans payable	-	184,855
Net increase (decrease) in cash and restricted cash	(551,329)	207,988
Cash and restricted cash, beginning of year	<u>824,851</u>	<u>616,863</u>
Cash and Restricted Cash, End of Year	<u>\$273,522</u>	<u>\$824,851</u>

See notes to financial statements.

FREE ARTS FOR ABUSED CHILDREN OF NYC, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2021 AND 2020****Note 1 - Organization and Summary of Significant Accounting Policies****a - Organization**

Free Arts for Abused Children of NYC, Inc. (the "Organization") was established to empower youth from under-served communities through art and mentoring programs to develop their creativity, confidence, and skills to succeed.

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, 2021 AND 2020****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, 2021 and 2020 was \$516 and \$11,875, 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, 2021 AND 2020****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 - 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.

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 2020 amounts have been reclassified for comparative purposes.

FREE ARTS FOR ABUSED CHILDREN OF NYC, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2021 AND 2020****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****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.

m - Subsequent Events

The Organization has evaluated subsequent event through June 15, 2022, the date that the financial statements are considered available to be issued.

n - New Accounting Standard

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.

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.

FREE ARTS FOR ABUSED CHILDREN OF NYC, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

Note 2 - Information Regarding Liquidity and Availability (continued)

The Organization's financial assets as of December 31, 2021 and 2020 and those available within one year to meet cash needs for general expenditures are summarized as follows:

	<u>2021</u>	<u>2020</u>
Financial Assets at Year End:		
Cash	\$ 273,522	\$ 820,851
Restricted cash	-	4,000
Investments	1,050,418	242,828
Contributions receivable	<u>139,052</u>	<u>205,172</u>
Total Financial Assets	1,462,992	1,272,851
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	(168,500)	(245,000)
Plus: Net assets with donor restrictions expected to be met in less than one year	168,500	230,000
Restricted cash	<u>-</u>	<u>(4,000)</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$1,462,992</u>	<u>\$1,253,851</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>2021</u>	<u>2020</u>
Cash	\$273,522	\$820,851
Restricted cash	<u>-</u>	<u>4,000</u>
Total Cash and Restricted Cash Shown in the Statement of Cash Flows	<u>\$273,522</u>	<u>\$824,851</u>

FREE ARTS FOR ABUSED CHILDREN OF NYC, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

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>2021</u>		<u>2020</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Money market funds	\$ 5,253	\$ 5,253	\$ 1,048	\$ 1,048
Mutual funds - fixed income	996,394	1,007,722	196,338	196,237
Equities	<u>24,995</u>	<u>37,443</u>	<u>24,995</u>	<u>45,543</u>
	<u>\$1,026,642</u>	<u>\$1,050,418</u>	<u>\$222,381</u>	<u>\$242,828</u>

Net investment income for the years ended December 31, 2021 and 2020 is summarized as follows:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 14,411	\$ 1,064
Unrealized gain on investments	3,329	21,845
Investment fees	<u>(150)</u>	<u>(150)</u>
	<u>\$17,590</u>	<u>\$22,759</u>

All investments are classified as Level 1 in the fair value hierarchy as of December 31, 2021 and 2020.

FREE ARTS FOR ABUSED CHILDREN OF NYC, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

Note 6 - Contributions Receivable

Contributions receivable are due as follows:

	2021		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Due in less than one year	<u>\$114,052</u>	<u>\$25,000</u>	<u>\$139,052</u>
	2020		
	<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>

Uncollectible contributions receivable are expected to be insignificant. Contributions receivable due from five donors at December 31, 2021 and two donors at December 31, 2020, approximated 74% and 51%, respectively, of the Organization's total contributions receivable.

Note 7 - Property and Equipment

Property and equipment consist of the following:

	<u>Life</u>	<u>2021</u>	<u>2020</u>
Furniture, fixture and equipment	5-7 years	\$ 5,684	\$ 70,114
Leasehold improvements	10 years	-	73,652
Computers and software	3-5 years	<u>131,968</u>	<u>163,317</u>
		137,652	307,083
Less: Accumulated depreciation		<u>(84,672)</u>	<u>(224,756)</u>
		<u>\$ 52,980</u>	<u>\$ 82,327</u>

FREE ARTS FOR ABUSED CHILDREN OF NYC, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

Note 8 - Loans Payable

On April 6, 2020, the Organization received a loan totaling \$184,855 under the Paycheck Protection Program (“PPP”) administered by the U.S. Small Business Administration. The full amount of the loan was forgiven in May of 2021 and, accordingly, recognized as contribution revenue for the year ended December 31, 2021.

On February 24, 2021, the Organization received a second PPP loan totaling \$184,855. The full amount of the loan was forgiven in November 2021 and, accordingly, recognized as contribution revenue for the year ended December 31, 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 per month 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:

Year ending December 31, 2022	\$142,000
Thereafter, through May 31, 2023	59,000

Rent expense for the years ended December 31, 2021 and 2020 was \$141,612 and \$141,623, respectively.

Note 10 - Sublet Income

The Organization subleased a portion of its office space through a lease that was terminated January 2021. The Organization held a security deposit from the subtenant of \$4,000, which was returned when the subtenant moved out at the end of January 2021.

Sublet income was \$4,850 and \$49,200 for the years ended December 31, 2021 and 2020, respectively.

FREE ARTS FOR ABUSED CHILDREN OF NYC, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

Note 11 - Donated Services and Materials

Donated services and materials consist of:

	<u>2021</u>	<u>2020</u>
Donated materials	\$44,171	\$ 91,983
Donated services	<u>-</u>	<u>53,194</u>
	<u>\$44,171</u>	<u>\$145,177</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 United States declared the global pandemic novel coronavirus COVID-19 outbreak a national emergency. As a result, the Organization suspended some of its program activities at the direction of federal, state, and local governmental authorities.

As the pandemic continued through 2020 and into much of 2021, and vaccines were developed and administered to the public, the programming the Organization offered was accomplished predominantly in a virtual environment. When the opportunity arose to offer in-person programming, it was done on a limited basis and performed in conjunction with a virtual component to serve as many constituents as possible while adhering to the accepted government guidelines and vaccine mandates.

Because of the unpredictability of COVID-19, as evidenced by the Delta variant in mid-2021, the Organization has taken various steps to ensure the financial health of the organization. Moreover, the Organization continues to monitor spending and reduce expenses as much as possible while providing the highest quality programming.

The Organization anticipates continued uncertainty associated with the COVID-19 pandemic, and continues to monitor the affects and make organizational decisions as necessary to deliver its programming while maintaining fiscal health. Additionally, the Organization will continue to provide quality programming while maintaining all safety protocols set forth by federal, state, and local authorities.