

ARMED  
SERVICES  
**ARTS**  
**PARTNERSHIP**



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**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2019**



## **Independent Auditors' Report**

Board of Directors  
Armed Services Arts Partnership

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Armed Services Arts Partnership (ASAP), which comprise the statement of financial position as of December 31, 2019 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to ASAP's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of ASAP's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors  
Armed Services Arts Partnership

## **Report on the Financial Statements (Continued)**

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Armed Services Arts Partnership, as of December 31, 2019, 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.

### ***Emphasis of Matter***

As discussed in Note 2 to the financial statements, ASAP adopted Accounting Standards Update 2014-09, Revenue from Contracts with Customers, as amended, and Accounting Standards Update 2018-08, Not-for-Profit Entities – Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made, in 2019. Our opinion is not modified with respect to these matters.



Bethesda, Maryland  
March 5, 2020

Certified Public Accountants

**Armed Services Arts Partnership**

**Statement of Financial Position**

**December 31, 2019**

**Assets**

**Assets**

Cash	\$ 180,212
Security Deposit	3,834
Property and Equipment - Net	<u>2,481</u>
<b>Total Assets</b>	<u>186,527</u>

**Liabilities and Net Assets**

**Liabilities**

Accounts Payable	<u>15,913</u>
<b>Total Liabilities</b>	<u>15,913</u>

**Net Assets**

Without Donor Restrictions	106,541
With Donor Restrictions	<u>64,073</u>
<b>Total Net Assets</b>	<u>170,614</u>

<b>Total Liabilities and Net Assets</b>	<u>\$ 186,527</u>
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*See accompanying Notes to Financial Statements.*

**Armed Services Arts Partnership**  
**Statement of Activities**  
**For the Year Ended December 31, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and Revenues</b>			
Grants and Contributions	\$ 218,860	\$ 130,090	\$ 348,950
Performance and Events	48,140	-	48,140
Sponsorships	85,500	-	85,500
Interest Income	91	-	91
Net Assets Released from Restrictions	110,726	(110,726)	-
<b>Total Support and Revenues</b>	<u>463,317</u>	<u>19,364</u>	<u>482,681</u>
<b>Expenses</b>			
Program Services	448,073	-	448,073
<b>Total Program Service Expense</b>	<u>448,073</u>	<u>-</u>	<u>448,073</u>
<b>Supporting Services</b>			
General and Administration	91,613	-	91,613
Fundraising	32,134	-	32,134
<b>Total Supporting Service Expense</b>	<u>123,747</u>	<u>-</u>	<u>123,747</u>
<b>Total Expenses</b>	<u>571,820</u>	<u>-</u>	<u>571,820</u>
<b>Change in Net Assets</b>	<u>(108,503)</u>	<u>19,364</u>	<u>(89,139)</u>
Net Assets, Beginning of Year	215,044	44,709	259,753
<b>Net Assets, End of Year</b>	<u>\$ 106,541</u>	<u>\$ 64,073</u>	<u>\$ 170,614</u>

*See accompanying Notes to Financial Statements.*

**Armed Services Arts Partnership**  
**Statement of Functional Expense**  
**For the Year Ended December 31, 2019**

	Program Services	General & Administrative	Fundraising	Total
Personnel	\$ 237,026	\$ 33,427	\$ 15,169	\$ 285,622
Consulting and Professional Fees	73,634	40,907	5,376	119,917
Office Expense	12,357	7,582	1,839	21,778
Occupancy	1,890	8,522	-	10,412
Travel	12,621	340	583	13,544
Insurance	3,222	-	-	3,222
Meetings and Events	102,912	278	77	103,267
Advertising and Promotion	4,411	-	715	5,126
Donor Relations	-	-	8,375	8,375
Depreciation	-	557	-	557
<b>Total</b>	<b>\$ 448,073</b>	<b>\$ 91,613</b>	<b>\$ 32,134</b>	<b>\$ 571,820</b>

*See accompanying Notes to Financial Statements.*

**Armed Services Arts Partnership**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2019**

<b>Cash Flows from Operating Activities</b>	
Increase (Decrease) in Net Assets	\$ (89,139)
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by (Used in) Operating Activities	
Depreciation and Amortization	557
<u>(Increase) Decrease in Assets</u>	
Security Deposit	(3,834)
<u>Increase (Decrease) in Liabilities</u>	
Accounts Payable	10,866
Net Cash Provided by (Used in) Operating Activities	<u>(81,550)</u>
<b>Cash Flows from Investing Activities</b>	
Purchases of Property and Equipment	<u>(2,040)</u>
Net Cash Provided by (Used in) Investing Activities	<u>(2,040)</u>
Increase (Decrease) in Cash	(83,590)
Cash, Beginning of Year	<u>263,802</u>
<b>Cash, End of Year</b>	<u>\$ 180,212</u>

*See accompanying Notes to Financial Statements.*

# Armed Services Arts Partnership

## Notes to Financial Statements December 31, 2019

### 1. ORGANIZATION

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

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 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

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.

#### Adopted Accounting Pronouncements

During fiscal 2019, ASAP adopted Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The guidance provided in this ASU will assist in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and whether a contribution is conditional. As required by ASU 2018-08, ASAP applied the requirements on a modified prospective basis to agreements that either are not completed as of January 1, 2019 or entered into after January 1, 2019.

The adoption of ASU 2018-08 did not have a material impact on ASAP's accounting for contributions or federal grants.



## **Armed Services Arts Partnership**

### **Notes to Financial Statements December 31, 2019**

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **Adopted Accounting Pronouncements (Continued)**

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 requires an entity to recognize revenues to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity is expected to be entitled in exchange for those goods or services. On January 1, 2019, ASAP adopted ASU 2014-09, using the modified retrospective approach. ASAP applied the five-step revenue model stipulated by ASC 606 to all of its significant revenue streams in order to determine when revenue is earned and recognized. The five-step model requires ASAP to 1) identify contracts with customers, 2) identify performance obligations related to those contracts, 3) determine the transaction price, 4) allocate that transaction price to each performance obligation, and 5) recognize revenue when or as ASAP satisfies a performance obligation.

The adoption of this ASU did not materially impact the timing or amount of revenue recognized by ASAP in the financial statements.

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **Use of Estimates**

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

##### **Property and Equipment**

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

##### **Contributions**

Contributions, 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. Management considers all outstanding contributions receivable amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

There were no unrecognized conditional contributions as of December 31, 2019.

## **Armed Services Arts Partnership**

### **Notes to Financial Statements December 31, 2019**

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **Functional Expenses**

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

##### **Income Taxes**

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

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

There were no unrecognized tax benefits identified or recorded as liabilities for at December 31, 2019.

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 2019.

##### **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 2021.

##### **Subsequent Events**

Management has evaluated subsequent events through March 5, 2020 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.

## Armed Services Arts Partnership

### Notes to Financial Statements December 31, 2019

#### 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, 2019, ASAP's balances did not exceed the FDIC insured limit.

#### 4. PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2019 consisted of the following:

Equipment	\$ 3,415
Less: Accumulated Depreciation and Amortization	<u>(934)</u>
Property and Equipment - Net	<u>\$ 2,481</u>

Depreciation and amortization expense for the year ended December 31, 2019 was \$557.

#### 5. NET ASSETS

Net assets with donor restrictions activity during the year ended December 31, 2019 was as follows:

	<u>Beginning of Year</u>	<u>Contributions</u>	<u>Releases</u>	<u>End of Year</u>
Comedy Bootcamp	\$ 9,659	\$ 30,000	\$ (37,106)	\$ 2,553
Program Impact Evaluation	9,476	70,000	(27,792)	51,684
Storytelling 101	3,972	-	(3,972)	-
Hampton Roads Programs	4,622	-	(4,622)	-
Washington DC Programs	16,980	30,090	(37,234)	9,836
Other	-	-	-	-
	<u>\$ 44,709</u>	<u>\$ 130,090</u>	<u>\$ (110,726)</u>	<u>\$ 64,073</u>

Net assets without donor restrictions for the year ended December 31, 2019 were undesignated.

#### 6. OPERATING LEASE

ASAP leases office space in Alexandria, Virginia under a twelve-month non-cancellable lease that terminates in August 2020. Initially, the lease has monthly rent payments of \$2,130. Rent expense for the year ended December 31, 2019 was \$10,412. Future minimum lease payments at December 31, 2019, were \$17,040.

**Armed Services Arts Partnership**

**Notes to Financial Statements  
December 31, 2019**

**7. AVAILABILITY AND LIQUIDITY**

The following represents ASAP's financial assets at December 31, 2019:

Financial Assets at Year End:

Cash	<u>\$ 180,212</u>
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Total Financial Assets	<u>180,212</u>
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Less Amounts Not Available To Be Used Within One Year:

Net Assets With Donor Restrictions	64,073
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Less: Net Assets With Purpose Restrictions To Be Met in Less Than a Year	<u>(64,073)</u>
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Financial Assets Available to Meet General Expenditures

Over the Next Twelve Months	<u>\$ 180,212</u>
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As part of ASAP's liquidity management plan, cash in excess of daily requirements is transferred to income-generating accounts, when practical.