

Armed Services Arts Partnership

Financial Statements
and Independent Auditors' Report

December 31, 2017

DRAFT 6.26.18

Armed Services Arts Partnership

Financial Statements
December 31, 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Armed Services Arts Partnership

We have audited the accompanying financial statements of Armed Services Arts Partnership (ASAP), which comprise the statement of financial position as of December 31, 2017, the related statements of activities 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 controls 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

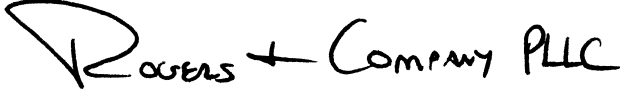
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 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 ASAP as of December 31, 2017, 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.

Handwritten signature in black ink that reads "Rogers + Company PLLC". The "R" is large and stylized, with a loop at the top. The rest of the text is written in a cursive, handwritten style.

Vienna, Virginia
June 22, 2018

Armed Services Arts Partnership

Statement of Financial Position December 31, 2017

Assets	
Cash and cash equivalents	\$ 161,990
Property and equipment, net	<u>448</u>
Total assets	<u><u>\$ 162,438</u></u>
Liabilities and Net Assets	
Liabilities	
	<u>\$ -</u>
Net Assets	
Unrestricted	91,554
Temporarily restricted	<u>70,884</u>
Total net assets	<u><u>162,438</u></u>
Total liabilities and net assets	<u><u>\$ 162,438</u></u>

Armed Services Arts Partnership

Statement of Activities
For the Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Total
Revenue and Support			
Grants and contributions	\$ 143,534	\$ 101,316	\$ 244,850
Performance and events	55,752	-	55,752
Sponsorships	7,000	-	7,000
Released from restrictions	30,432	(30,432)	-
Total revenue and support	<u>236,718</u>	<u>70,884</u>	<u>307,602</u>
Expenses			
Program services	<u>176,115</u>	<u>-</u>	<u>176,115</u>
Supporting services:			
Management and general	33,530	-	33,530
Fundraising	<u>30,308</u>	<u>-</u>	<u>30,308</u>
Total supporting services	<u>63,838</u>	<u>-</u>	<u>63,838</u>
Total expenses	<u>239,953</u>	<u>-</u>	<u>239,953</u>
Change in Net Assets	(3,235)	70,884	67,649
Net Assets, beginning of year	<u>94,789</u>	<u>-</u>	<u>94,789</u>
Net Assets, end of year	<u><u>\$ 91,554</u></u>	<u><u>\$ 70,884</u></u>	<u><u>\$ 162,438</u></u>

See accompanying notes.

Armed Services Arts Partnership

Statement of Cash Flows For the Year Ended December 31, 2017

Cash Flows from Operating Activities	
Change in net assets	\$ 67,649
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	117
Change in operating assets and liabilities:	
Decrease in:	
Accounts payable and accrued expenses	<u>(1,139)</u>
Net cash provided by operating activities	<u>66,627</u>
Net Increase in Cash and Cash Equivalents	66,627
Cash and Cash Equivalents, beginning of year	<u>95,363</u>
Cash and Cash Equivalents, end of year	<u><u>\$ 161,990</u></u>

Armed Services Arts Partnership

Notes to Financial Statements
December 31, 2017

1. Nature of Operations

Armed Services Arts Partnership (ASAP) is a 501(c)(3) exempt organization 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 Accounting and Presentation

ASAP's financial statements are prepared on the accrual basis of accounting. Net assets are reported based on the presence or absence of donor-imposed restrictions.

Classification of Net Assets

- *Unrestricted net assets* represent funds that are not subject to donor-imposed stipulations and are available for support of ASAP's operations.
- *Temporarily restricted net assets* represent funds subject to donor-imposed restrictions that are met either by actions of ASAP or by the passage of time.

Cash Equivalents

For the purpose of the statement of cash flows, ASAP considers as cash equivalents all highly liquid investments, which can be converted into known amounts of cash and have a maturity period of ninety days or less at the time of purchase.

Property and Equipment

Property and equipment acquisitions with a cost greater than \$1,000 and a projected useful life exceeding one year are capitalized and recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which is three years for furniture, fixtures, and equipment assets. Upon disposal of depreciable assets, the cost and related accumulated depreciation are eliminated from the accounts and the resulting gain or loss is credited or charged to income. Expenditures for repairs and maintenance are expensed as incurred.

Armed Services Arts Partnership

Notes to Financial Statements
December 31, 2017

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition

Grants and contributions are recorded as revenue when received or promised. ASAP reports gifts of cash and other assets as temporarily restricted support if they are received or promised with donor stipulations that limit the use of the donated assets to one of ASAP's programs or to a future year. When a donor restriction expires, that is, when a purpose restriction is accomplished or time restriction has elapsed, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted net assets are reported as unrestricted net assets if the restrictions are met in the same period received.

Ticket sales for performances and events received in advance of the performance are deferred until the time the event is held and recognized when earned.

Revenue from all other sources is recognized when earned.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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 and accompanying notes. Actual results could differ from those estimates.

Recently Issued Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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 statement of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The guidance is effective beginning in 2020.

Armed Services Arts Partnership

Notes to Financial Statements
December 31, 2017

2. Summary of Significant Accounting Policies (continued)

Recently Issued Accounting Pronouncements (continued)

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The update changes the manner by which nonprofit organizations classify net assets as well as improves information presented in financial statements and notes about nonprofit organization liquidity, financial performance, and cash flows. The guidance is effective beginning in 2018.

Subsequent Events

In preparing these financial statements, ASAP has evaluated events and transactions for potential recognition or disclosure through June 22, 2018, the date the financial statements were available to be issued.

3. Concentration of Credit Risk

Financial instruments that potentially subject ASAP to significant concentrations of credit risk consist of cash and cash equivalents. ASAP maintains cash deposit and transaction accounts with various financial institutions and these values, from time to time, exceed insurable limits under the Federal Deposit Insurance Corporation (FDIC). ASAP has not experienced any credit losses on its cash and cash equivalents to date as it relates to FDIC insurance limits. Management periodically assesses the financial condition of these financial institutions and believes that the risk of any credit loss is minimal.

4. Income Taxes

ASAP is exempt from payment of taxes on income other than net unrelated business income under Section 501(c)(3) of the Internal Revenue Code (IRC). For the year ended December 31, 2017, there was no unrelated business income and, accordingly, no federal or state income taxes have been recorded. Contributions to ASAP are deductible as provided in IRC Section 170(b)(1)(A)(vi). Management has evaluated ASAP's tax positions and concluded that the financial statements do not include any uncertain tax positions.