

Armed Services Arts Partnership

**Financial Statements
For the year ended
December 31, 2023**

Armed Services Arts Partnership

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Frank Barcalow CPA, P.L.L.C.

Independent Auditor's Report

The Board of Directors
Armed Services Arts Partnership
Alexandria, Virginia

Opinion

We have audited the accompanying financial statements of Armed Services Arts Partnership (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year 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 Armed Services Arts Partnership as of December 31, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Armed Services Arts Partnership 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.

Prior Period Financial Statements

The financial statements of Armed Services Arts Partnership as of December 31, 2022, were audited by other auditors whose report dated March 28, 2023 expressed an unmodified opinion on those statements.

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 Armed Services Arts Partnership's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 Armed Services Arts Partnership'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 Armed Services Arts Partnership'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.

Frank Barcalow CPA, PLLC

Richmond, Virginia
March 13, 2024

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Members American Institute of Certified Public Accountants

Armed Services Arts Partnership

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Statement of Financial Position December 31, 2023

Assets

Current assets

Cash and cash equivalents	\$	392,997
Grants and contributions receivable		124,729
Prepaid expenses		<u>3,868</u>

Total current assets 521,594

Property and equipment

Furniture and equipment		8,405
Less accumulated depreciation		<u>3,989</u>
Total property and equipment, net		<u>4,416</u>

Total assets \$ 526,010

Liabilities and Net Assets

Current liabilities

Accounts payable	\$	1,098
Other accrued liabilities		<u>5,895</u>

Total current liabilities 6,993

Commitments

Net assets, without donor restrictions		273,078
Net assets, with donor restrictions		<u>245,939</u>

Total net assets 519,017

Total liabilities and net assets \$ 526,010

See notes to financial statements.

Armed Services Arts Partnership

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Statement of Activities For the Year Ended December 31, 2023

	Without donor restrictions	With donor restrictions	Total
Support and revenue			
Grants and contributions	\$ 397,854	\$ 429,000	\$ 826,854
Performance and events	204,419	-	204,419
In-kind contributions	50,157	-	50,157
Other revenue	6,618	-	6,618
	<u>659,048</u>	<u>429,000</u>	<u>1,088,048</u>
Net assets released from restrictions	<u>314,792</u>	<u>(314,792)</u>	<u>-</u>
Total support and revenue	<u>973,840</u>	<u>114,208</u>	<u>1,088,048</u>
Expenses			
Program Services	794,905	-	794,905
Supporting services			
Management and general	75,693	-	75,693
Fundraising expenses	37,615	-	37,615
	<u>908,213</u>	<u>-</u>	<u>908,213</u>
Change in net assets	<u>65,627</u>	<u>114,208</u>	<u>179,835</u>
Net assets at beginning of year	<u>207,451</u>	<u>131,731</u>	<u>339,182</u>
Net assets at end of year	\$ <u><u>273,078</u></u>	\$ <u><u>245,939</u></u>	\$ <u><u>519,017</u></u>

See notes to financial statements.

Armed Services Arts Partnership

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Statement of Functional Expenses For the year ended December 31, 2023

	<u>Program Expenses</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Personnel	\$ 365,625	\$ 37,823	\$ 16,810	\$ 420,258
Consulting and professional fees	43,330	32,323	1,688	77,341
Office expense	45,890	1,347	20,245	67,482
Occupancy	1,237	263	-	1,500
Travel	38,945	396	-	39,341
Insurance	5,255	-	-	5,255
Meetings and events	222,336	2,246	-	224,582
Advertising and promotion	22,130	-	-	22,130
Donor relations	-	-	(1,128)	(1,128)
In-kind expense	50,157	-	-	50,157
Depreciation	-	1,295	-	1,295
Total expenses	\$ <u>794,905</u>	\$ <u>75,693</u>	\$ <u>37,615</u>	\$ <u>908,213</u>

See notes to financial statements.

Armed Services Arts Partnership

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Statement of Cash Flows For the Year Ended December 31, 2023

	<u>2023</u>
Cash flows from operating activities	
Change in net assets	\$ 179,835
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities	
Depreciation	1,295
(Increase) decrease in accounts receivable	(65,684)
(Increase) decrease in prepaid expense	(2,868)
Increase (decrease) in accounts payable	(2,538)
Increase (decrease) in accrued liabilities	2,462
	<u>112,502</u>
Net cash provided by (used in) operations	<u>112,502</u>
Cash flows used in (provided by) investing activities	
Purchase of assets	<u>(1,397)</u>
	<u>(1,397)</u>
Net cash provided (used in) investing activities	<u>(1,397)</u>
Net increase (decrease) in cash and cash equivalents	111,105
Cash and cash equivalents at beginning of year	<u>281,892</u>
Cash and cash equivalents at end of year	<u><u>\$ 392,997</u></u>

See notes to financial statements.

Notes to Financial Statements

December 31, 2023

Note 1 - Nature of organization and summary of significant accounting policies

Nature of the Organization

The Armed Services Arts Partnership (ASAP) is a 501(c)(3) tax exempt organization offering creative arts classes and performances with veterans, service members, military family members, and care-givers. Research indicates ASAP programs improve participants' well-being across several measures, including resilience, sense of belonging, self-esteem, and integration of self.

Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

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 statement of activities.

Use of estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual events and circumstances could alter those estimates.

Cash and cash equivalents

For cash flows reporting purposes, the Organization's definition of cash and cash equivalents includes all purchases with original maturities of three months or less at the date of purchase.

Income taxes

ASAP is exempt from federal and state income taxes under Section 501(c)(3) of the internal Revenue Code respectively, and is not considered a private Organization within the meaning of section 509(a) of the code. The Organization has determined that it does not have any material unrecognized tax benefits or obligations as of December 31, 2023. The Organization's income tax returns are potentially subject to examination by the Internal Revenue Service generally for three years after being filed. The Organization has no uncertain tax positions for the current year or prior year.

Notes to Financial Statements

December 31, 2023

Note 1 - Summary of significant accounting policies (concluded)

Property and depreciation

ASAP capitalizes all property and equipment at cost if the unit costs exceed \$1,000. Otherwise the items are expensed when paid, including repairs and maintenance. Depreciation is computed on the straight-line method over the estimated useful lives of the assets.

Grants and contributions receivable

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. All donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Unconditional promises to give, including pledges and contributions receivable, are recognized as revenues or gains in the period received and as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. At this time no allowance is considered necessary by the Organization, as no significant write-offs have occurred.

Donated services and other

The Organization recognizes donated services, supplies, assets, and other items in accordance with FASB Accounting Standards Codification 958-605-50-1 Accounting for Contributions Received and Contributions Made. All in-kind contributions are recorded when received at fair value as income and expenses or capitalized as property or equipment. The Organization does not imply time restrictions for gifts of long-lived assets. As a result, in the absence of donor-imposed restrictions, gifts of long-lived assets are reported as unrestricted revenue. The Organization pays for most services requiring specific expertise. However, many individuals interested in the Organization's programs volunteer their time.

Functional expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, salaries and wages, benefits, payroll taxes, professional services, office expenses, insurance, and other expenses, which are allocated on employment time and effort.

Note 2 - Concentration of credit risk

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist principally of cash, cash equivalents and receivables. The Organization maintains its cash balances with high quality financial institutions located in Northern Virginia, which are insured at the federally insured limits of \$250,000. The Organization has not experienced any losses in such accounts.

Note 3 – Donated goods and services

Armed Services Arts Partnership receives donated goods of all kinds and donated services to help provide support for the Organization. The estimated value of all donations in the current year were \$50,157.

Notes to Financial Statements December 31, 2023

Note 4 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

		<u>2023</u>
Cash and cash equivalents	\$	392,997
Accounts receivable		<u>124,729</u>
		<u>517,726</u>
Less: Donor restricted		<u>245,939</u>
Available to be met over next year	\$	<u><u>271,787</u></u>

Note 5 - Property and equipment

Property and equipment as of December 31, 2023 included the following major classifications:

	<u>2023</u>	
	<u>Cost</u>	<u>Accumulated Depreciation</u>
Equipment	\$ <u>8,405</u>	\$ <u>3,989</u>

Depreciation expense for the current year was \$1,295

Note 6 - Subsequent events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through March 13, 2024, the date the financial statements were issued.

Note 7 - Net assets

Net assets with donor restrictions activity during the year ended December 31, 2023 was as follows:

	Beginning of Year	Contributions	Releases	End of Year
Instructors, staff and research	\$ 73,381	\$ 200,000	\$ (176,221)	\$ 97,160
Training and programming	51,679	100,000	(108,295)	43,383
Alexandria, VA programs	6,671	9,000	(9,454)	6,217
Washington, DC programs	-	20,000	-	20,000
San Diego, CA programs	-	50,000	-	50,000
Hampton Roads, VA programs	-	50,000	(20,821)	29,179
	<u>\$ 131,731</u>	<u>\$ 429,000</u>	<u>\$ (314,792)</u>	<u>\$ 245,939</u>

Notes to Financial Statements December 31, 2023

Note 8 - Commitments

In February 2016, the FASB issued ASU 2016-02 – Leases (Topic 842). The update requires that all leasing activity with initial terms in excess of twelve months be recognized on the statement of financial position with a right of use asset and a lease liability. The standards require entities to classify leases as either a finance or operating lease based upon the contractual terms. Lessees record a right of use asset with a corresponding liability based on the net present value of rental payments.

In 2020, the Organization entered into a month-to-month lease for office space. Rent expense for the year ended December 31, 2023 was \$1,500.