

**PARTICIPANT, INC.**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**DECEMBER 31, 2017**  
**WITH SUMMARIZED COMPARATIVE INFORMATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**PARTICIPANT, INC.**  
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**DECEMBER 31, 2017 WITH SUMMARIZED COMPARATIVE INFORMATION FOR 2016**

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**RICH AND BANDER, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

**PETER R. RICH, CPA**

**JONATHAN A. BANDER, CPA**

**INDEPENDENT ACCOUNTANTS' REVIEW REPORT**

To the Board of Directors of  
Participant, Inc.  
New York, NY

We have reviewed the accompanying financial statements of Participant, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

**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.

**Accountant's Responsibility**

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

**Accountant's Conclusion**

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

## **Summarized Comparative Information**

We previously reviewed Participant, Inc.'s 2016 financial statements and in our conclusion dated November 7, 2017, stated that based on our review, we were not aware of any material modifications that should be made to the 2016 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America. We are not aware of any material modifications that should be made to the summarized comparative information presented herein as of and for the year ended December 31, 2016, for it to be consistent with the reviewed financial statements from which it has been derived.

*Rich and Bander, LLP*

New York, NY  
November 7, 2018

**PARTICIPANT, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2017**

**(With summarized comparative information for the year ended December 31, 2016)**

<b>ASSETS</b>	<b>2017</b>	<b>2016</b>
<b>Current assets</b>		
Cash and cash equivalents	\$ 20,512	\$ 4,663
Grants receivable	5,000	60,000
Prepaid expenses	1,403	1,445
<b>Total current assets</b>	<b>26,915</b>	<b>66,108</b>
<b>Property and equipment, net of accumulated depreciation</b>	<b>37,959</b>	<b>45,776</b>
<b>Other assets</b>		
Security deposits	8,408	8,408
<b>Total other assets</b>	<b>8,408</b>	<b>8,408</b>
<b>TOTAL ASSETS</b>	<b>\$ 73,282</b>	<b>\$ 120,292</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 40,854	\$ 14,803
Loans payable - individual	470	9,000
Loans payable - related party	19,709	21,310
<b>Total current liabilities</b>	<b>61,033</b>	<b>45,113</b>
<b>Net assets</b>		
Unrestricted	(22,751)	15,179
Temporarily restricted	35,000	60,000
<b>Total net assets</b>	<b>12,249</b>	<b>75,179</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 73,282</b>	<b>\$ 120,292</b>

**PARTICIPANT, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
(With summarized comparative information for the year ended December 31, 2016)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2017 Total</u>	<u>2016 Total</u>
<b>Revenue and support</b>				
<b>Grants and contributions</b>				
Foundations	\$ 157,926	\$ -	\$ 157,926	\$ 265,481
Individuals	33,209	-	33,209	59,818
Government	22,000	-	22,000	20,500
In-kind contributions	2,300	-	2,300	-
Corporate	432	-	432	2,528
Gross special events revenue	17,100	-	17,100	17,570
Less: cost of direct benefits to donors	(7,084)	-	(7,084)	(6,168)
Net special events revenue	10,016	-	10,016	11,402
<b>Total grants and contributions</b>	<b>225,883</b>	<b>-</b>	<b>225,883</b>	<b>359,729</b>
<b>Other income</b>				
Rental income	710	-	710	11,450
Art and book sales	24,481	-	24,481	6,677
<b>Total other income</b>	<b>25,191</b>	<b>-</b>	<b>25,191</b>	<b>18,127</b>
<b>Net assets released from restrictions</b>	25,000	(25,000)	-	-
	<b>276,074</b>	<b>(25,000)</b>	<b>251,074</b>	<b>377,856</b>
<b>Expenses</b>				
<b>Program services</b>	247,308	-	247,308	229,922
<b>Supporting services</b>				
Management and general	58,121	-	58,121	64,781
Fundraising	8,575	-	8,575	25,078
	<b>314,004</b>	<b>-</b>	<b>314,004</b>	<b>319,781</b>
<b>Change in net assets</b>	(37,930)	(25,000)	(62,930)	58,075
<b>Net assets - beginning of year</b>	15,179	60,000	75,179	17,104
<b>Net assets - end of year</b>	<b>\$ (22,751)</b>	<b>\$ 35,000</b>	<b>\$ 12,249</b>	<b>\$ 75,179</b>

**PARTICIPANT, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
(With summarized comparative information for the year ended December 31, 2016)

	<b>Program Services</b>	<b>Management &amp; General</b>	<b>Fundraising</b>	<b>2017 Total</b>	<b>2016 Total</b>
<b>Occupancy</b>	\$ 106,663	\$ 35,554	\$ -	\$ 142,217	\$ 144,692
<b>Production and reproduction costs</b>	34,617	-	-	34,617	13,546
<b>Salaries</b>	8,916	3,486	6,683	19,085	46,048
<b>Installation - crew</b>	17,289	-	-	17,289	11,140
<b>Postage and delivery</b>	13,866	-	-	13,866	3,676
<b>Professional fees</b>	-	12,248	-	12,248	18,802
<b>Materials</b>	10,401	-	-	10,401	11,241
<b>Artist and curatorial fees</b>	9,800	-	-	9,800	14,750
<b>Insurance</b>	6,489	1,538	50	8,077	8,996
<b>Depreciation</b>	7,817	-	-	7,817	8,266
<b>Other expenses</b>	6,300	998	-	7,298	2,507
<b>Meals</b>	6,574	-	-	6,574	8,865
<b>Administrative costs</b>	2,300	3,730	-	6,030	1,897
<b>Transportation</b>	5,180	-	-	5,180	4,441
<b>Documentation</b>	3,050	-	-	3,050	1,443
<b>Internet and web hosting costs</b>	2,499	-	-	2,499	3,012
<b>Equipment rental and repairs</b>	1,793	-	-	1,793	2,544
<b>Opening and event costs</b>	1,574	-	-	1,574	2,609
<b>Telephone</b>	693	271	519	1,483	2,496
<b>Office supplies</b>	591	231	443	1,265	1,707
<b>Benefit expenses</b>	-	-	755	755	645
<b>Graphic design</b>	730	-	-	730	1,386
<b>Payroll taxes</b>	166	65	125	356	2,541
<b>Publications</b>	-	-	-	-	2,531
	<b>\$ 247,308</b>	<b>\$ 58,121</b>	<b>\$ 8,575</b>	<b>\$ 314,004</b>	<b>\$ 319,781</b>

**PARTICIPANT, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
**(With summarized comparative information for the year ended December 31, 2016)**

	<u>2017</u>	<u>2016</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (62,930)	\$ 58,075
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities:</i>		
Depreciation	7,817	8,266
(Increase) decrease in operating assets:		
Accounts receivable	-	1,000
Grants receivable	55,000	(60,000)
Prepaid expenses	42	1,636
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	26,051	(2,385)
Total adjustments	<u>88,910</u>	<u>(51,483)</u>
<b>Net cash provided by operating activities</b>	<u>25,980</u>	<u>6,592</u>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	-	(2,600)
<b>Net cash used in investing activities</b>	<u>-</u>	<u>(2,600)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from loan payable - Fund for the City of New York	35,000	-
Repayments of loan payable - Fund for the City of New York	(35,000)	-
Proceeds from loans payable - related parties	21,369	6,623
Repayments of loans payable - individuals	(19,000)	(10,000)
Repayments of loans payable - related parties	(12,500)	(20,000)
<b>Net cash used in financing activities</b>	<u>(10,131)</u>	<u>(23,377)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	15,849	(19,385)
<b>Cash and cash equivalents, beginning of year</b>	4,663	24,048
<b>Cash and cash equivalents, end of year</b>	<u>\$ 20,512</u>	<u>\$ 4,663</u>
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid during the year for:		
Interest	\$ 525	\$ -
Income taxes	<u>\$ -</u>	<u>\$ -</u>

**PARTICIPANT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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**1) NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Nature of the Organization*

Participant, Inc. (the “Organization”) was organized as a not-for-profit organization on December 14, 2001 under the laws of the State of New York. The Organization seeks to provide a venue in which artists, curators, and writers can develop, realize, and present ambitious projects within a context that recognizes the social and cultural value of artistic experimentation. The mission of the Organization is to serve artists through in-depth consideration, presentation, and publishing of critical writing; and to introduce this work into public contexts through exhibitions, screenings, performances, and educational programs. The Organization’s mission builds upon alternative space methodologies, particularly a commitment to interdisciplinary, intergenerational exhibition making, and an insistence upon placing together, in one space, work from various mediums – encouraging the coexistence of visual and time-based art.

The Organization’s programs are supported primarily by foundation, government, individual and corporate contributions.

*Basis of Accounting*

Revenue and expenses are recorded on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

*Financial Statement Presentation*

The Organization presents its financial statements under the guidelines of Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 958, *Not-for-Profit Entities*. Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

*Cash and Cash Equivalents*

The Organization considers all highly liquid investments, except those held for long-term investment, with maturities of three months or less when purchased to be cash equivalents.

*Accounts Receivable*

Program service revenue earned but not yet received that are expected to be collected within one year are recorded as accounts receivable at net realizable value. The Organization uses the allowance method to determine uncollectible accounts receivable. The allowance is based on prior years’ experience and management’s analysis of specific accounts receivable.

**PARTICIPANT, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**DECEMBER 31, 2017**

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**1) NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

Grants and Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded as grants or contributions receivable at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The Organization uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Property and Equipment

Property and equipment are recorded at cost or, if donated, the fair market value at the date of donation. The Organization's policy to capitalize expenditures for these items in excess of \$500. Lesser amounts are expensed. Depreciation for property and equipment is provided using the straight-line method for financial reporting purposes at rates based on the following estimated useful lives:

	<u>Years</u>
Leasehold improvements	Lease term
Equipment	5

Upon sale or retirement, the cost and related accumulated depreciation are eliminated from the respective accounts, and the resulting gain or loss is reported. Expenditures for major renewals and improvements that extend the useful lives of the property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. Support that is not restricted by the donor is reported as an increase in unrestricted net assets. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (this is when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restricted contributions whose restrictions are met in the reporting period are recorded as unrestricted contributions.

Foundation and other grant awards received for specific purposes are recognized as support to the extent of the related expenses incurred in compliance with the specific restrictions, if any. The unexpended funds are reported as temporarily restricted net assets.

**PARTICIPANT, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**DECEMBER 31, 2017**

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**1) NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

*Costs of Direct Benefits to Donors*

The costs of the items and services furnished to donors as inducements to attend the Organization's special events are presented as a deduction from direct benefits to donors on the statement of activities.

*Contributed Services*

A number of volunteers have donated significant amounts of time to the Organization. Directors and officers have also made a significant contribution of their time to develop the Organization and its programs. These donated services are not reflected in the financial statements since they do not meet the criteria for recognition as contributed services.

*Advertising Costs*

The Organization's policy is to expense advertising costs as they are incurred. For the year ended December 31, 2017, advertising costs totaled \$2,305.

*Functional Allocation of 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, certain costs have been allocated among the programs and supporting services benefited.

*Income Tax Status*

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. It is also exempt from state income taxes. However, any unrelated business income may be subject to taxation. Currently, the Organization has no obligation for any unrelated business income tax.

The Organization's Forms 990, *Return of Organizations Exempt from Income Tax*, for the years ended December 31, 2016, 2015 and 2014 are subject to examination by the Internal Revenue Service ("IRS"), generally for three years after they were filed.

The Organization has evaluated its current tax positions and has concluded that as of December 31, 2017, the Organization does not have any significant uncertain tax positions for which a reserve would be necessary.

*Date of Management's Review*

Management has evaluated subsequent events through November 7, 2018 which is the date the financial statements were available to be issued.

**PARTICIPANT, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**DECEMBER 31, 2017**

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**1) NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

*Recent Accounting Pronouncements*

In May 2014, the Financial Accounting Standards Board (“FASB”) issued an accounting standard update which affects the revenue recognition of entities that enter into either (1) certain contracts to transfer goods or services to customers or (2) certain contracts for the transfer of nonfinancial assets. The update indicates an entity should recognize revenue in an amount that reflects the consideration the entity expects to be entitled to in exchange for the goods or services transferred by the entity. The update is to be applied to the beginning of the year of implementation or retrospectively and is effective for annual periods beginning after December 15, 2018 and in interim periods in annual periods beginning after December 15, 2019. Early application is permitted but no earlier than annual reporting periods beginning after December 31, 2016. The Organization is currently evaluating the effect the update will have on its financial statements.

In August 2016, the FASB issued an accounting standard update which affects the presentation of financial statements of not-for-profit entities. Among other changes, the update reduces the number of net asset classifications from three to two categories: (1) assets with donor restrictions and (2) those without donor restrictions, expands disclosure requirements for net assets with donor restrictions or board designations, and includes several new reporting requirements related to expenses. The update is to be applied to the beginning of the year of implementation or retrospectively and is effective for annual periods beginning after December 31, 2017 and in interim periods in annual periods beginning after December 31, 2018. Early application is permitted. The Organization is currently evaluating the effect the update will have on its financial statements.

*Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management of the Organization to use estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

*Comparative Data*

The amounts shown for the year ended December 31, 2016 in the accompanying financial statements are included to provide a basis for comparison with 2017 and present summarized totals only. Accordingly, the 2016 totals are not intended to present all information necessary for a fair presentation in conformity with accounting principles generally accepted in the United States of America. Such information should be read in conjunction with the Organization’s financial statements for the year ended December 31, 2016, from which the summarized information was derived.

**PARTICIPANT, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**DECEMBER 31, 2017**

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**2) FAIR VALUE MEASUREMENTS**

The Organization has a number of financial instruments, none of which are held for trading purposes. The Organization estimates that the fair value of all financial instruments at December 31, 2017 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position. The estimated fair value amounts have been determined by the Organization using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and accordingly, the estimates are not necessarily indicative of the amounts that the Organization could realize in a current market exchange.

**3) PROPERTY AND EQUIPMENT**

The following is a summary of property and equipment less accumulated depreciation as of December 31, 2017. Depreciation for the year then ended was \$7,817.

Leasehold improvements	\$ 109,451
Equipment	<u>24,798</u>
	134,249
Less: accumulated depreciation	<u>96,290</u>
	<u>\$ 37,959</u>

**4) RELATED PARTY TRANSACTIONS – LOANS PAYABLE**

At December 31, 2017, the Organization had \$19,709 in related party loans payable outstanding and due to one Board member and a family member of the Executive Director. The loans are unsecured, non-interest bearing and have no specific repayment terms.

**5) LOAN PAYABLE - INDIVIDUAL**

At December 31, 2017, the Organization had a \$470 loan payable outstanding and due to an individual. The loan is unsecured, non-interest bearing and has no specific repayment terms.

**6) COMPENSATED ABSENCES**

Employees of the Organization are entitled to paid vacation, paid sick days, and personal days off, depending on job classification, length of service, and other factors. It is impracticable to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying financial statements. The Organization's policy is to recognize the costs of compensated absences when actually paid to employees.

**PARTICIPANT, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**DECEMBER 31, 2017**

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**7) NET ASSETS RELEASED FROM RESTRICTIONS**

At December 31, 2017, temporarily restricted net assets totaling \$25,000 were released from restriction for program support activities from June 2017 to December 2017.

**8) TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at December 31, 2017 totaling \$35,000 were donor-restricted for program support activities from January 2018 through June 2018.

**9) IN-KIND CONTRIBUTIONS**

During the year ended December 31, 2017, the Organization received the following in-kind contributions that have been reflected at fair value in the statement of activities:

Advertising	\$ 2,300
Total	<u>\$ 2,300</u>

**10) FUNCTIONALIZED EXPENSES**

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy and liability insurance, which are allocated on a square footage basis, as well as salaries, payroll taxes, other insurance, telephone, and office supplies, which are allocated on the basis of estimates of time and effort.

**11) LEASE COMMITMENTS**

The Organization leases office space in New York City under the terms of a non-cancelable operating lease which expires on September 30, 2022. Occupancy expense for the year ended December 31, 2017 was \$142,217.

Future minimum lease payments under the non-cancelable lease are as follows:

December 31,	
2018	\$ 136,602
2019	141,383
2020	146,332
2021	151,453
2022	116,546
Thereafter	-
Total	<u>\$ 692,316</u>

**PARTICIPANT, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONT'D)**  
**DECEMBER 31, 2017**

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**12) CONCENTRATIONS OF RISK**

The Organization maintains its cash balances at a major financial institution. The balances, at times, may exceed federally insured limits. As of December 31, 2017, there were no uninsured balances. The Organization has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk regarding its cash balances.

During the year ended December 31, 2017, approximately 44% of the Organization's total grants and contributions were received from one donor.