

PARTICIPANT, INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2018
WITH SUMMARIZED COMPARATIVE INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2017

PARTICIPANT, INC.
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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, 2018, 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 2017 financial statements and in our conclusion dated November 7, 2018, stated that based on our review, we were not aware of any material modifications that should be made to the 2017 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, 2017, for it to be consistent with the reviewed financial statements from which it has been derived.

Rich and Bander, LLP

New York, NY
January 21, 2020

PARTICIPANT, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

(With summarized comparative information for the year ended December 31, 2017)

ASSETS	2018	2017
Current assets		
Cash and cash equivalents	\$ 50,128	\$ 20,512
Grants receivable	22,000	5,000
Prepaid expenses	924	1,403
Total current assets	73,052	26,915
Property and equipment, net of accumulated depreciation	30,142	37,959
Other assets		
Security deposits	8,408	8,408
Total other assets	8,408	8,408
TOTAL ASSETS	\$ 111,602	\$ 73,282
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 57,507	\$ 40,854
Loans payable - individual	565	470
Loans payable - related party	35,731	19,709
Total current liabilities	93,803	61,033
Net assets		
Without donor restrictions	(4,201)	(22,751)
With donor restrictions	22,000	35,000
Total net assets	17,799	12,249
TOTAL LIABILITIES AND NET ASSETS	\$ 111,602	\$ 73,282

PARTICIPANT, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018
(With summarized comparative information for the year ended December 31, 2017)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2018 Total</u>	<u>2017 Total</u>
Revenue and support				
Grants and contributions				
Foundations	\$ 179,169	\$ 22,000	\$ 201,169	\$ 157,926
Individuals	63,565	-	63,565	33,209
Government	26,000	-	26,000	22,000
In-kind contributions	-	-	-	2,300
Corporate	3,484	-	3,484	432
Gross special events revenue	40,847	-	40,847	17,100
Less: cost of direct benefits to donors	(422)	-	(422)	(7,084)
Net special events revenue	40,425	-	40,425	10,016
Total grants and contributions	<u>312,643</u>	<u>22,000</u>	<u>334,643</u>	<u>225,883</u>
Other income				
Rental income	-	-	-	710
Art and book sales	3,970	-	3,970	24,481
Total other income	<u>3,970</u>	<u>-</u>	<u>3,970</u>	<u>25,191</u>
Net assets released from restrictions	35,000	(35,000)	-	-
	<u>351,613</u>	<u>(13,000)</u>	<u>338,613</u>	<u>251,074</u>
Expenses				
Program services	272,898	-	272,898	247,308
Supporting services				
Management and general	59,050	-	59,050	58,121
Fundraising	1,115	-	1,115	8,575
	<u>333,063</u>	<u>-</u>	<u>333,063</u>	<u>314,004</u>
Change in net assets	18,550	(13,000)	5,550	(62,930)
Net assets - beginning of year	(22,751)	35,000	12,249	75,179
Net assets - end of year	<u>\$ (4,201)</u>	<u>\$ 22,000</u>	<u>\$ 17,799</u>	<u>\$ 12,249</u>

PARTICIPANT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(With summarized comparative information for the year ended December 31, 2017)

	Program Services	Management & General	Fundraising	2018 Total	2017 Total
Occupancy	\$ 112,634	\$ 37,545	\$ -	\$ 150,179	\$ 142,217
Production and reproduction costs	35,382	-	-	35,382	34,617
Salaries	11,736	11,142	797	23,675	19,085
Materials	21,547	-	-	21,547	10,401
Installation - crew	20,983	-	-	20,983	17,289
Artist and curatorial fees	13,775	-	-	13,775	9,800
Meals	8,889	-	-	8,889	6,574
Depreciation	7,817	-	-	7,817	7,817
Other expenses	6,930	743	-	7,673	7,298
Insurance	5,078	1,145	5	6,228	8,077
Postage and delivery	5,091	-	-	5,091	13,866
Transportation	5,005	-	-	5,005	5,180
Internet and web hosting costs	4,882	-	-	4,882	2,499
Office supplies	2,327	2,209	158	4,694	1,265
Documentation	4,267	-	-	4,267	3,050
Professional fees	-	3,355	-	3,355	12,248
Opening and event costs	3,315	-	-	3,315	1,574
Administrative costs	-	1,925	-	1,925	6,030
Graphic design	1,298	-	-	1,298	730
Telephone	557	529	38	1,124	1,483
Payroll taxes	481	457	33	971	356
Equipment rental and repairs	904	-	-	904	1,793
Benefit expenses	-	-	84	84	755
	\$ 272,898	\$ 59,050	\$ 1,115	\$ 333,063	\$ 314,004

PARTICIPANT, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
(With summarized comparative information for the year ended December 31, 2017)

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ 5,550	\$ (62,930)
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities:</i>		
Depreciation	7,817	7,817
(Increase) decrease in operating assets:		
Grants receivable	(17,000)	55,000
Prepaid expenses	479	42
Increase in operating liabilities:		
Accounts payable and accrued expenses	16,653	26,051
Total adjustments	7,949	88,910
Net cash provided by operating activities	<u>13,499</u>	<u>25,980</u>
Cash flows from financing activities:		
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	52,530	21,369
Proceeds from loans payable - individuals	2,802	-
Repayments of loans payable - related parties	(36,508)	(12,500)
Repayments of loans payable - individuals	(2,707)	(19,000)
Net cash provided by (used in) financing activities	<u>16,117</u>	<u>(10,131)</u>
Net increase in cash and cash equivalents	29,616	15,849
Cash and cash equivalents, beginning of year	20,512	4,663
Cash and cash equivalents, end of year	<u>\$ 50,128</u>	<u>\$ 20,512</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	\$ -	\$ 525
Income taxes	\$ -	\$ -

PARTICIPANT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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.

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.

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.

PARTICIPANT, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2018

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

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

Revenue is recognized when earned. Program service fees received in advance are deferred to the applicable period in which the related services are performed. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

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.

Net Assets

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:

PARTICIPANT, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2018

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

Net Assets (cont'd)

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. The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other 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 and reported in the statements of activities as net assets released from restrictions.

Advertising Costs

Advertising costs are expensed as incurred. There is no advertising expense for the current year.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement 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, 2017, 2016 and 2015 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, 2018, the Organization does not have any significant uncertain tax positions for which a reserve would be necessary.

PARTICIPANT, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2018

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

Date of Management's Review

Management has evaluated subsequent events through January 21, 2020, which is the date the financial statements were available to be issued.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued an accounting standard update which effects 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.

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, *Leases*. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. This new standard is effective for fiscal years beginning after December 15, 2020. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies and improves guidance concerning, 1) the determination whether a transaction should be accounted for as an exchange transaction or as a contribution, and 2) whether a contribution received is conditional. ASU 2018-08 is effective for annual periods beginning after December 15, 2018 for entities that are resource recipients and for annual periods beginning after December 15, 2019 for entities that are resource providers, with early adoption permitted. ASU 2018-08 should be applied on a modified prospective basis.

The Organization is currently evaluating the effect these updates will have on its financial statements.

Change in Accounting Principle

Effective January 1, 2018, the Organization adopted Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures.

PARTICIPANT, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2018

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

Change in Accounting Principle (Cont'd)

The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. Implementation of ASU 2016-14 did not require restatement of any opening balances related to the period presented. However, the net asset balances as of December 31, 2017 included in the prior year summarized comparative information presented have been reclassified to conform with ASU 2016-14. The Organization’s net assets previously reported as temporarily restricted are now reported as net assets with donor restrictions. Likewise, the Organization’s net assets previously reported as unrestricted are now reported as net assets without donor restrictions. The Organization did not have any permanently restricted net assets.

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, 2017 in the accompanying financial statements are included to provide a basis for comparison with 2018 and present summarized totals only. Accordingly, the 2017 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, 2017, from which the summarized information was derived.

PARTICIPANT, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2018

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, 2018 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) LIQUIDITY AND AVAILABILITY

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

Cash and cash equivalents	\$ 50,128
Total	<u>\$ 50,128</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

4) GRANTS RECEIVABLE

Grants receivable at December 31, 2018 consists of the following:

Jerome Foundation	\$ 22,000
Total	<u>\$ 22,000</u>

These amounts are generally collected in one year. The Organization believes its receivables to be fully collectible; accordingly, no allowance for doubtful accounts was recorded for the year then ended.

5) PROPERTY AND EQUIPMENT

The following is a summary of property and equipment less accumulated depreciation as of December 31, 2018. Depreciation for the year then ended was \$7,817.

Leasehold improvements	\$ 109,451
Equipment	<u>24,798</u>
	134,249
Less: accumulated depreciation	<u>104,107</u>
	<u>\$ 30,142</u>

PARTICIPANT, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2018

6) RELATED PARTY TRANSACTIONS – LOANS PAYABLE

At December 31, 2018, the Organization had \$35,731 in related party loans payable outstanding and due to one Board member, the Executive Director, and a family member of the Executive Director. The loans are unsecured, non-interest bearing and have no specific repayment terms.

7) LOAN PAYABLE - INDIVIDUAL

At December 31, 2018, the Organization had a \$565 loan payable outstanding and due to an individual. The loan is unsecured, non-interest bearing and has no specific repayment terms.

8) 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.

9) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods.

Subject to expenditure for specified purpose:	
Program support	<u>\$ 22,000</u>
Total	<u>\$ 22,000</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended December 31, 2018:

Program support	<u>\$ 35,000</u>
Total	<u>\$ 35,000</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.

PARTICIPANT, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2018

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, 2018 was \$150,179.

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

December 31,	
2019	\$ 141,383
2020	146,332
2021	151,453
2022	116,546
Thereafter	<u>-</u>
Total	<u>\$ 555,714</u>

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, 2018, 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, 2018, approximately 30% of the Organization's total grants and contributions were received from one donor.