

PARTICIPANT, INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2020
WITH SUMMARIZED COMPARATIVE INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2019

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, 2020, 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 2019 financial statements and in our conclusion dated November 9, 2020, stated that based on our review, we were not aware of any material modifications that should be made to the 2019 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, 2019, for it to be consistent with the reviewed financial statements from which it has been derived.

Rich and Bander, LLP

New York, NY
December 10, 2021

PARTICIPANT, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020

(With summarized comparative information for the year ended December 31, 2019)

ASSETS	2020	2019
Current assets		
Cash and cash equivalents	\$ 52,261	\$ 16,491
Grants and contributions receivable	77,310	-
Prepaid expenses and other assets	2,685	1,086
Total current assets	132,256	17,577
Property and equipment, net of accumulated depreciation	19,805	24,194
Other assets		
Security deposits	8,408	8,408
Total other assets	8,408	8,408
TOTAL ASSETS	\$ 160,469	\$ 50,179
 LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 5,300	\$ 38,986
Loans payable - related party	8,440	20,927
Loans payable - individual	-	7,560
Loans payable - Fund for the City of New York	-	27,000
Due to fiscally sponsored projects	35,000	-
Total current liabilities	48,740	94,473
Net assets		
Without donor restrictions	39,729	(69,294)
With donor restrictions	72,000	25,000
Total net assets	111,729	(44,294)
TOTAL LIABILITIES AND NET ASSETS	\$ 160,469	\$ 50,179

PARTICIPANT, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020
(With summarized comparative information for the year ended December 31, 2019)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2020 Total</u>	<u>2019 Total</u>
Revenue and support				
Grants and contributions				
Foundations	\$ 262,830	\$ 72,000	\$ 334,830	\$ 212,500
Individuals	47,586	-	47,586	37,155
Government	61,050	-	61,050	34,562
In-kind contributions	-	-	-	3,400
Special events contributions	-	-	-	11,820
Corporate	-	-	-	1,218
Total grants and contributions	<u>371,466</u>	<u>72,000</u>	<u>443,466</u>	<u>300,655</u>
Special events				
Special events revenue	-	-	-	2,380
Less: cost of direct benefits to donors	-	-	-	(7,409)
Net special events	-	-	-	(5,029)
Other income				
Miscellaneous income	9,637	-	9,637	3,021
Rental income	1,200	-	1,200	-
Art and book sales, net of cost of goods sold of \$220 and \$4,125, respectively	36	-	36	11,697
Total other income	<u>10,873</u>	<u>-</u>	<u>10,873</u>	<u>14,718</u>
Net assets released from restrictions	25,000	(25,000)	-	-
	<u>407,339</u>	<u>47,000</u>	<u>454,339</u>	<u>310,344</u>
Expenses				
Program services	238,211	-	238,211	302,171
Supporting services				
Management and general	52,357	-	52,357	68,995
Fundraising	7,748	-	7,748	1,271
	<u>298,316</u>	<u>-</u>	<u>298,316</u>	<u>372,437</u>
Change in net assets	109,023	47,000	156,023	(62,093)
Net assets - beginning of year	(69,294)	25,000	(44,294)	17,799
Net assets - end of year	<u>\$ 39,729</u>	<u>\$ 72,000</u>	<u>\$ 111,729</u>	<u>\$ (44,294)</u>

PARTICIPANT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(With summarized comparative information for the year ended December 31, 2019)

	Program Services	Management & General	Fundraising	Cost of Direct Benefits to Donors	2020 Total	2019 Total
Occupancy	\$ 46,400	\$ 15,467	\$ -	\$ -	\$ 61,867	\$ 152,552
Salaries	26,363	17,185	6,744	-	50,292	29,795
Production and reproduction costs	46,166	-	-	-	46,166	42,524
Artist and curatorial fees	26,434	-	-	-	26,434	14,050
Equipment rental and repairs	19,152	-	-	-	19,152	-
Professional fees	-	11,653	-	-	11,653	8,270
Other expenses	9,449	2,169	-	-	11,618	25,160
Installation - crew	11,534	-	-	-	11,534	22,840
Depreciation	8,770	-	-	-	8,770	7,816
Insurance	6,346	2,114	-	-	8,460	8,780
Management expense	6,640	-	-	-	6,640	-
Internet and web hosting costs	6,284	-	-	-	6,284	5,004
Meals	6,208	-	-	-	6,208	14,734
Materials	5,198	-	-	-	5,198	8,592
Publications	3,019	-	-	-	3,019	9,021
Payroll taxes	1,582	1,031	405	-	3,018	2,518
Transportation	2,565	-	-	-	2,565	4,119
Office supplies	1,269	827	325	-	2,421	1,328
Telephone	1,073	699	274	-	2,046	2,049
Marketing and advertising	1,600	-	-	-	1,600	-
Administrative costs	-	1,212	-	-	1,212	2,427
Postage and delivery	933	-	-	-	933	10,270
Documentation	725	-	-	-	725	2,300
Art and book sales cost of goods	220	-	-	-	220	4,125
Opening and event costs	324	-	-	-	324	1,018
Storage	177	-	-	-	177	1,214
Graphic design	-	-	-	-	-	3,400
Benefit expenses	-	-	-	-	-	65
Total expenses by function	\$ 238,431	\$ 52,357	\$ 7,748	\$ -	\$ 298,536	\$ 383,971
Less expenses included with revenue on the statement of activities						
Art and book sales cost of goods	(220)	-	-	-	(220)	(4,125)
Cost of direct benefits to donors	-	-	-	-	-	(7,409)
	\$ 238,211	\$ 52,357	\$ 7,748	\$ -	\$ 298,316	\$ 372,437

PARTICIPANT, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020
(With summarized comparative information for the year ended December 31, 2019)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 156,023	\$ (62,093)
<i>Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:</i>		
Depreciation	8,770	7,816
(Increase) decrease in operating assets:		
Grants and contributions receivable	(77,310)	22,000
Prepaid expenses and other assets	(1,599)	(162)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(33,686)	(18,521)
Due to fiscally sponsored projects	35,000	-
Total adjustments	<u>(68,825)</u>	<u>11,133</u>
Net cash provided by (used in) operating activities	<u>87,198</u>	<u>(50,960)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(4,381)	(1,868)
Net cash used in investing activities	<u>(4,381)</u>	<u>(1,868)</u>
Cash flows from financing activities:		
Proceeds from loans payable - related parties	7,300	22,190
Proceeds from loans payable - individuals	-	20,567
Proceeds from loan payable - Fund for the City of New York	-	27,000
Repayments of loan payable - Fund for the City of New York	(27,000)	-
Repayments of loans payable - related parties	(19,787)	(36,994)
Repayments of loans payable - individuals	(7,560)	(13,572)
Net cash provided by (used in) financing activities	<u>(47,047)</u>	<u>19,191</u>
Net increase (decrease) in cash and cash equivalents	35,770	(33,637)
Cash and cash equivalents, beginning of year	16,491	50,128
Cash and cash equivalents, end of year	<u>\$ 52,261</u>	<u>\$ 16,491</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	\$ -	\$ 405
Income taxes	<u>\$ -</u>	<u>\$ -</u>

PARTICIPANT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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, Cash Equivalents, and Restricted Cash

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. Restricted cash consists of cash or cash equivalents held for endowments, special projects, or other long-term purposes. As of December 31, 2020, there was no restricted cash.

Contract Balances

Contract assets are recognized when the Organization has satisfied a contract obligation but must satisfy other performance obligations before being entitled to payment. Contract liabilities are recognized when the Organization has an obligation to transfer goods to a customer for which the Organization has received consideration from the customer (or payment is due), but the transfer has not yet been completed. For the year ended December 31, 2020, the Organization did not have any contract assets nor liabilities.

PARTICIPANT, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2020

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

Agency Transactions

The Organization acts in a fiscal agent capacity for several fiscal beneficiaries. As a fiscal agent, the Organization agrees to pass assets (cash) received from donors to an entity or individual specified by those donors. The Organization has little or no discretion in determining the use of assets transferred to them.

For transactions under comprehensive fiscal sponsorship arrangements, the Organization's policy is to recognize the cash received as revenue and the payments made as expense. At the end of the fiscal year, the difference between amounts received and paid in connection with the programs is reported as restricted cash on the statement of financial position.

For transactions under pre-approved grant relationship arrangements, the Organization's policy is to recognize the cash received and an offsetting liability, "Due to Fiscally Sponsored Projects," until the funds are fully distributed to the ultimate beneficiary, at which time the liability is removed from the Organization's books.

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.

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:

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

PARTICIPANT, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2020

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

Net Assets (Cont'd)

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 statement of activities as net assets released from restrictions.

Revenue, Revenue Recognition, and Receivables

Grants and Contributions – Grants and 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, that is, those with a measurable performance or other barrier, and a right of release/return, are not recognized until the conditions on which they depend have been substantially met.

Grants and Contributions Receivable – Grants and contributions that are not yet collected are recorded as grants and contributions receivable. Amounts expected to be collected within one year are recorded at net realizable value. Amounts that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Organization uses the allowance method to determine uncollectible promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made.

In-Kind Contributions and Contributed Services – The value of services, facilities, and non-capitalized equipment donated is recorded as contributions with or without donor restrictions and expensed in the year donated. These contributions are valued at the estimated fair value of similar services and materials. Donated assets are capitalized at fair value at the date of donation and recorded as in-kind contributions with or without donor restrictions, depending on the wishes of the donor. A number of volunteers have donated significant amounts of their time to the Organization in connection with its programs. Directors and officers have 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.

PARTICIPANT, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2020

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

Revenue, Revenue Recognition, and Receivables (Cont'd)

Special Events – The exchange element of special events is recognized as special events revenue equal to the fair value of direct benefits to donors when the special event takes place or if the fair value amount is impracticable to obtain, the actual cost or non-tax deductibility is used. The excess amount received is the contribution element, which is recognized immediately as grants and contributions, unless there is a right of return if the special event does not take place.

Costs of Direct Benefits to Donors – The cost of the items and services furnished to donors as inducements to attend the Organization's special events are presented in their natural expense classification in the statement of functional expenses and backed out so that it is shown as a deduction from special events revenue on the statement of activities.

Art and Book Sales – Art and book sales are recognized when the control over art and book are transferred to customer which is the point of sale.

Rental Income – Rental income is generated from providing the Organization's equipment to various individuals or organizations. The rental period typically lasts a short period of time with no impact on the Organization's own activities. Rental income is recognized when the equipment is returned. Rental income is scoped out of Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers* (Topic 606).

Accounts Receivable – Accounts receivable represents art and book sales and rental income that has been recognized but not collected as of the financial statement date at amounts expected to be collected. 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.

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 Form 990, *Return of Organizations Exempt from Income Tax*, for the year ended December 31, 2019, 2018, and 2017 are subject to examination by the Internal Revenue Service generally for three years after the return was filed.

The Organization has evaluated its current tax positions and has concluded that as of December 31, 2020, 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, 2020

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

Adoption of Accounting Pronouncement

In May 2014, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). This ASU replaced existing revenue recognition rules with a comprehensive revenue measurement and recognition standard and expanded disclosure requirements. This standard became effective for annual reporting periods beginning after December 31, 2019 for non-public entities. On January 1, 2020, the Organization adopted ASU 2014-09, using the modified retrospective method applied to all contracts. There were no material changes to the timing of recognition of revenue or impact to the statement of financial position upon adoption.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842), which requires lessees to recognize leases on the balance sheet and disclose key information about leasing arrangements. The new ASU establishes a right-of-use (“ROU”) model that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for most leases with terms longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of the expense recognition in the statement of activities. The effective date for this standard has been delayed to annual reporting periods beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. 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 September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958) which requires not-for-profits to present contributed nonfinancial assets as a separate line item in the statement activities and provide additional disclosures about contributions of nonfinancial assets. Contributed nonfinancial assets, commonly referred to as gifts-in-kind, include fixed assets (such as land, buildings, and equipment), use of fixed assets or utilities, materials and supplies, intangible assets, services, and unconditional promises of those assets. The ASU is effective for annual periods beginning after June 15, 2021 and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted.

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

Marketing and Advertising Costs

Marketing and advertising costs are expensed as incurred.

PARTICIPANT, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2020

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

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis on the 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 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, 2019 in the accompanying financial statements are included to provide a basis for comparison with 2020 and present summarized totals only. Accordingly, the 2019 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, 2019, from which the summarized information was derived.

Reclassifications

Certain reclassifications have been made to the 2020 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

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, 2020, 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) MARKETING AND ADVERTISING COSTS

For the year ended December 31, 2020, marketing and advertising costs totaled \$1,600.

PARTICIPANT, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2020

4) LIQUIDITY AND AVAILABILITY

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

Cash and cash equivalents	\$ 52,261
Grants and contributions receivable	<u>5,310</u>
Total	<u>\$ 57,571</u>

The Organization is supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. 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.

5) GRANTS AND CONTRIBUTIONS RECEIVABLE

Grants and contributions receivable at December 31, 2020 consists of the following:

Andy Warhol Foundation for the Visual Arts	\$ 50,000
Jerome Foundation	22,000
NYC Cultural Affairs	<u>5,310</u>
Total	<u>\$ 77,310</u>

Grants and contributions receivable 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.

6) PROPERTY AND EQUIPMENT

The following is a summary of property and equipment less accumulated depreciation as of December 31, 2020. Depreciation for the year then ended was \$8,770.

Leasehold improvements	\$ 109,451
Equipment	<u>31,047</u>
	140,498
Less: accumulated depreciation	<u>120,693</u>
	<u>\$ 19,805</u>

7) RELATED PARTY TRANSACTIONS – LOANS PAYABLE

At December 31, 2020, the Organization had \$8,440 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.

PARTICIPANT, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2020

8) LOANS PAYABLE - INDIVIDUAL

In 2020, the Organization had fully repaid the loans payable outstanding and due to various individuals. For the year ended December 31, 2020, the Organization did not have any loans payable to various individuals.

9) LOAN PAYABLE – FUND FOR THE CITY OF NEW YORK

At December 31, 2019, the Organization had a \$27,000 loan payable outstanding and due to the Fund for the City of New York. This cash flow loan was made to cover operating expenses pending the receipt of funds from the New York State Council on the Arts. The loan is subject to an interest service charge in the amount of \$450, which is one and one-half percent of the principal loan amount and is included in administrative costs in the statement of functional expenses. The Organization received their funds from the New York State Council on the Arts in January 2020. The cash flow loan agreement provided for extensions and additional interest charges on the repayment of the loan in the event of extenuating circumstances. The loan was fully repaid on June 22, 2020.

10) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes of periods:

Subject to expenditure for specified purpose:

Curatorial Research Fellowship	\$ 50,000
Program support	<u>22,000</u>
Total	<u>\$ 72,000</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, 2020:

Satisfaction of purpose restrictions:

Program support	<u>\$ 25,000</u>
Total	<u>\$ 25,000</u>

11) DISSAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

The following table disaggregates the Organization's revenue from contracts with customers based on the timing of satisfaction of performance obligations for the year ended December 31, 2020:

Revenue recognized at a point in time:	
Art and book sales	<u>\$ 256</u>
Total revenue recognized at a point in time:	256
Total revenue from contracts with customers	<u>\$ 256</u>

PARTICIPANT, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
DECEMBER 31, 2020

12) AGENCY TRANSACTIONS

Cash received and amounts distributed in connection with the Organization's comprehensive fiscal sponsorship arrangements during the year were as follows:

<u>Program</u>	<u>Amounts Received During Year</u>	<u>Paid During Year</u>
Barrett Barrera	\$ 5,000	\$ 5,000
Performa	<u>5,000</u>	<u>5,000</u>
	<u>\$ 10,000</u>	<u>\$ 10,000</u>

Cash distributed to, or on behalf of, ultimate beneficiaries and amounts due in connection with the Organization's pre-approved grant relationship arrangements during the year were as follows:

<u>Project</u>	<u>Paid During Year</u>	<u>Amount Due</u>
Housing NY	\$ 81,000	\$ -
She's A Talker Coalition	40,000	-
	<u>35,000</u>	<u>35,000</u>
	<u>\$ 34,025</u>	<u>\$ 35,000</u>

13) 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 salaries, payroll taxes and fringe benefits, insurance, and telephone (included in office expense), which are allocated on the basis of estimates of time and effort and occupancy, which is allocated on the basis of square footage.

14) 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.

15) CONCENTRATION OF CREDIT 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, 2020, 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, 2020, approximately 45% of the Organization's total grants and contributions were received from two foundation donors.

PARTICIPANT, INC.
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16) 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, 2020 was \$83,872. Due to COVID-19, the landlord has given the Organization rent concessions of (a) five months rent-free from April 1, 2020 to August 30, 2020 and (b) 50% rent reduction from September 1, 2020 to August 30, 2021.

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

December 31,	
2021	\$ 101,407
2022	116,546
Thereafter	<u>-</u>
Total	<u>\$ 217,953</u>

17) COVID-19 AND SUBSEQUENT EVENTS

On March 11 2020, the World Health Organization recognized the novel strain of coronavirus COVID-19, as a pandemic. In direct response, on March 22, 2020, the Governor of New York State issued executive order *New York State on PAUSE*, which closed all non-essential business state-wide. The coronavirus outbreak has severely impacted economic activity across the world. The organization's Board and Management are in discussion to identify and limit the negative long-term implications of this pandemic to the Organization.

In light of the current situation, the Organization has adopted a no cancellation policy, and will reconfigure their future program schedule so that all committed projects can take place, and those artists receive partial or full fees at their originally scheduled time, with any balances due at the newly scheduled time. The Organization plans to keep their staff intact, as well as providing other types of remote work to their freelance installers and technical crew, all of whom are artists.

As an admission-free exhibition and performance space, the Organization thrives on in-person, intimate connections with audiences and the public. Historically, the Organization's web archive is the record of these experiences, but now the focus has shifted to developing live programming online.

In response to the need for more sophisticated online art experiences, in October 2020, the Organization launched the "Participant After Dark" project, a virtual performance, screening, and event space with a full-length live musical performance. Through the project, the Organization expanded allocations for accessibility work such as live American sign language interpretation of performances and open captioning of videos. While this platform emerged out of locked-down necessity, the Organization is committed to continuing virtual programming.

Management has evaluated subsequent events through December 10, 2021, which is the date the financial statements were available to be issued.