/NTERSECT/ON
FOR THE ARTS

Financial Statements

For the year ended
June 30, 2020
With Independent Auditors' Report Thereon

(A California Not-for-Profit Corporation)

About Intersection for the Arts:

Founded in the early 1960's and incorporated in 1965, Intersection for the Arts provides artists with resources in order to grow. Intersection's programs emphasize relationships, collaboration, and process. Intersection works with hundreds of artists and arts organizations throughout the Bay Area, providing resources, cultural space, and community to develop sustainable practices.

Board of Directors 2019-2020

Name	Position
Scott Flicker	Chair
Kari Harsel Gray	Vice-Chair
Julie Briden	Secretary
Pavan K. Singh	Treasurer
Marla Betsch	Director
Helen Gong	Director
Grace Liu	Director
Arjo Mozumder	Director
Chelsea Samuel	Director
Wenqi Shao	Director
Norman Shih	Director
Mimi Tsai	Director
Renee Baldocchi	Director
Maddy Clifford	Director
April McGill	Director
Michael Orange	Director

Randy Rollison Executive Director

Intersection for the Arts
1446 Market Street
San Francisco, California 94102
415-626-2787
Web Site Address: www.theintersection.org

Contents

	Page
Independent Auditors' Report	1
Audited Financial Statements:	
Statement of Financial Position	2
Statement of Activities and Changes in Net Assets	3
Statements of Cash Flows	4
Statement of Functional Expenses	5
Notes to Financial Statements	6 - 16

R&A CPA
Regalia& Associates

CERTIFIED PUBLIC ACCOUNTANTS
103 TOWN & COUNTRY DRIVE, SUITE K, DANVILLE, CALIFORNIA 94526
DOUGLAS REGALIA, CPA
LISA PARKER, CPA [inactive]
JEANNINE REGALIA, CPA
LISA CLOVEN, CPA
JENNY SO, CPA
JENNIFER JENSEN
WEB: WWW.MRCPA.COM
DANA CHAVARRIA, CPA
TRICIA WILSON
VALERIE REGALIA, CPA
WENDY THOMAS, CPA
SUSAN REGALIA, CPA
RACHEL BERGER, CPA
OFFICE: 925.314.0390

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Intersection for the Arts

We have audited the accompanying financial statements of Intersection for the Arts (a California Not-For-Profit Corporation) which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Intersection for the Arts as of June 30, 2020, 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.

Report on Summarized Comparative Information
We have previously audited Intersection for the Arts' 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 17, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Regalia & Associates

April 2, 2021
Danville, California

Statement of Financial Position
June 30, 2020

(with Summarized Financial Information for the Year Ended June 30, 2019)

ASSETS

	Core Operations	Fiscally Sponsored Projects	Total 2020	Total 2019
Current assets:				
Cash and cash equivalents	$ 484,434	$ 3,127,745	**$ 3,612,179**	$ 2,714,149
Grants and contributions receivable	38,576	347,423	**385,999**	917,865
Accounts and other receivables	9,628	113,315	**122,943**	82,498
Prepaid expenses and other assets	32,918	3,003	**35,921**	62,980
Total current assets	565,556	3,591,486	**4,157,042**	3,777,492
Noncurrent assets:				
Deposits	31,174	-	**31,174**	31,174
Right of use asset - premises	1,019,751	-	**1,019,751**	1,435,901
Property and equipment, net	9,088	-	**9,088**	12,117
	$ 1,625,569	$ 3,591,486	**$ 5,217,055**	$ 5,256,684

LIABILITIES AND NET ASSETS

	Core Operations	Fiscally Sponsored Projects	Total 2020	Total 2019
Current liabilities:				
Accounts payable and accrued liabilities	$ 67,485	$ 151,271	**$ 218,756**	$ 240,622
Lease payable - current portion	165,455	-	**165,455**	289,971
Loan payable to SBA under Paycheck Protection Program	116,428	23,788	**140,216**	-
Refundable advances	8,334	18,750	**27,084**	-
Deferred revenue	1,500	-	**1,500**	9,745
Total current liabilities	359,202	193,809	**553,011**	540,338
Lease payable - noncurrent portion	838,808	-	**838,808**	1,145,930
Total liabilities	1,198,010	193,809	**1,391,819**	1,686,268
Net assets:				
Without donor restrictions	345,559	2,209,191	**2,554,750**	2,005,078
With donor restrictions	82,000	1,188,486	**1,270,486**	1,565,338
Total net assets	427,559	3,397,677	**3,825,236**	3,570,416
	$ 1,625,569	$ 3,591,486	**$ 5,217,055**	$ 5,256,684

Statement of Activities and Changes in Net Assets
Year Ended June 30, 2020

(with Summarized Financial Information for the Year Ended June 30, 2019)

	Without Donor Restrictions		With Donor Restrictions			
	Core Operations	Fiscally Sponsored Projects	Core Operations	Fiscally Sponsored Projects	Total 2020	Total 2019
Changes in net assets:						
Support:						
Government	$ -	$ 82,956	$ 115,106	$ 1,578,715	**$ 1,776,777**	$1,241,744
Foundation and corporate	28,500	767,853	118,300	1,076,911	**1,991,564**	1,746,330
Individual	22,878	1,714,377	-	-	**1,737,255**	869,415
Other contributed revenue	-	41,251	-	-	**41,251**	4,054
In-kind	-	10,875	-	-	**10,875**	5,790
Transferred in from new fiscally sponsored projects	-	39,670	-	-	**39,670**	127,075
Net assets released from restrictions	218,406	2,965,478	(218,406)	(2,965,478)	**-**	-
Total support	269,784	5,622,460	15,000	(309,852)	**5,597,392**	3,994,408
Revenue:						
Fees	611,251	699,549	-	-	**1,310,800**	1,064,772
Fiscal sponsorship fees remitted	-	(597,372)	-	-	**(597,372)**	(385,855)
Admissions, sales, and concessions	59,780	230,072	-	-	**289,852**	337,186
Facility charges	181,365	10,077	-	-	**191,442**	170,689
Advertising	-	227,928	-	-	**227,928**	-
Tuition	17,748	7,963	-	-	**25,711**	14,668
Interest	15	135	-	-	**150**	187
Other	8,685	21,237	-	-	**29,922**	109,410
Total revenue	878,844	599,589	-	-	**1,478,433**	1,311,057
Total support and revenue	1,148,628	6,222,049	15,000	(309,852)	**7,075,825**	5,305,465
Expenses:						
Program	732,449	4,586,349	-	-	**5,318,798**	3,390,063
General and administrative	263,673	1,196,521	-	-	**1,460,194**	1,212,601
Fundraising	26,558	15,455	-	-	**42,013**	88,683
Total expenses	1,022,680	5,798,325	-	-	**6,821,005**	4,691,347
Increase (decrease) in net assets	125,948	423,724	15,000	(309,852)	**254,820**	614,118
Net assets at beginning of year	219,611	1,785,467	67,000	1,498,338	**3,570,416**	2,956,298
Net assets at end of year	$ 345,559	$ 2,209,191	$ 82,000	$ 1,188,486	**$ 3,825,236**	$3,570,416

Statements of Cash Flows
For the Years Ended June 30, 2020 and 2019

	2020	2019
Operating activities:		
Increase in net assets	$ 254,820	$ 614,118
Adjustments to reconcile to cash provided by operating activities:		
Depreciation expense	3,029	3,029
Uncollectible grants	52,784	6,000
Changes in:		
Grants and contributions receivable	479,082	(408,109)
Accounts and other receivables	(40,445)	78,832
Prepaid expenses and other assets	27,059	(30,173)
Right of use asset - premises	416,150	-
Accounts payable and accrued liabilities	(21,866)	98,299
Refundable advances	27,084	-
Deferred revenue	(8,245)	(6,072)
Cash provided by operating activities	1,189,452	355,924
Investing activities:		
Acquisition of property and equipment	-	(15,146)
Cash used for investing activities	-	(15,146)
Financing activities:		
Proceeds from loan payable to SBA under Paycheck Protection Program	140,216	-
Principal payments applied to lease payable	(431,638)	-
Cash used for financing activities	(291,422)	-
Net increase in cash and cash equivalents	898,030	340,778
Cash and cash equivalents at beginning of year	2,714,149	2,373,371
Cash and cash equivalents at end of year	$ 3,612,179	$ 2,714,149
Additional cash flow information:		
State registration taxes paid	$ 150	$ 150
Interest paid	$ -	$ -

Statement of Functional Expenses
Year Ended June 30, 2020
(with Summarized Financial Information for the Year Ended June 30, 2019)

	Core Operations				Fiscally Sponsored Projects					
	Program	General and admin-istrative	Fund-raising	Total Core Operations	Program	General and admin-istrative	Fund-raising	Total Fiscally Sponsored Projects	Total 2020	Total 2019
Salaries and wages	$ 280,184	$ 87,030	$ 12,525	$ 379,739	$ 317,099	$ -	$ -	$ 317,099	**$ 696,838**	$ 579,386
Employee benefits/professional development	37,812	12,256	1,533	51,601	16,745	24,163	-	40,908	**92,509**	63,921
Payroll taxes and other staffing costs	25,872	8,042	1,049	34,963	27,279	7,635	-	34,914	**69,877**	57,981
	343,868	107,328	15,107	466,303	361,123	31,798	-	392,921	**859,224**	701,288
Contract services	87,027	52,598	105	139,730	2,817,669	934,119	6,263	3,758,051	**3,897,781**	2,781,278
Depreciation	-	3,029	-	3,029	-	-	-	-	**3,029**	3,029
Equipment rental/maintenance	-	3,370	-	3,370	-	55,207	-	55,207	**58,577**	68,611
Fees, dues and subscriptions	4,156	3,925	-	8,081	7,896	15,044	-	22,940	**31,021**	23,684
Information technology	8,118	4,584	-	12,702	178,035	-	-	178,035	**190,737**	31,552
In-kind expenses	-	-	-	-	10,875	-	-	10,875	**10,875**	5,790
Insurance	12,487	3,879	558	16,924	-	21,817	-	21,817	**38,741**	37,953
Miscellaneous	5,025	-	-	5,025	-	16,691	-	16,691	**21,716**	18,868
Occupancy	253,431	79,817	10,755	344,003	135,946	73,815	6,095	215,856	**559,859**	504,968
Postage and delivery	3,003	-	33	3,036	1,208	86	44	1,338	**4,374**	4,915
Printing and publications	3,009	713	-	3,722	329,856	1,478	-	331,334	**335,056**	69,818
Production expense	272	-	-	272	188,835	-	-	188,835	**189,107**	153,182
Promotion and development	1,404	-	-	1,404	37,857	-	1,136	38,993	**40,397**	50,922
Return of fiscally sponsored funds	-	-	-	-	311,626	-	-	311,626	**311,626**	-
Supplies	7,095	4,112	-	11,207	-	40,015	1,917	41,932	**53,139**	62,143
Telephone	471	202	-	673	-	2,901	-	2,901	**3,574**	3,350
Travel and hospitality	3,083	116	-	3,199	152,639	3,550	-	156,189	**159,388**	163,996
Uncollectible grants	-	-	-	-	52,784	-	-	52,784	**52,784**	6,000
Total expenses	$ 732,449	$ 263,673	$ 26,558	$ 1,022,680	$ 4,586,349	$ 1,196,521	$ 15,455	$ 5,798,325	**$ 6,821,005**	$ 4,691,347

Notes to Financial Statements
June 30, 2020

1. Organization

Intersection for the Arts (IFTA) was incorporated in 1965 in California and is a tax-exempt, non-profit corporation which directly supports the creative work of artists through the INTERSECT SF Program, and engages community through artist residencies. IFTA also fiscally sponsors art and cultural projects in the Bay Area across many disciplines-from visual art to performance to arts education and advocacy. Fiscal sponsorship encourages funding agencies and contributors to take risks in financially supporting new projects and emerging artists, ensuring that money is well-managed and spent according to guidelines. IFTA provides assistance in funding, developing and promoting artistic work, as well as providing low-cost office space in San Francisco.

IFTA's staff reviews each potential fiscally sponsored program's (FSP's) application for sponsorship before accepting them as an FSP, verifying that their charitable purpose is consistent with IFTA's nonprofit purpose, that they have viable plans for raising funds, and have a committed project director. At any given time, IFTA sponsors roughly 150 projects, which include projects of limited duration, start-up nonprofit organizations, and others.

All of the financial activity of IFTA's FSPs is combined for financial statement purposes. However, each FSP's funds are accounted for separately in IFTA's books and records. Because of the nature of the business of fiscal sponsorship, IFTA's portfolio of FSPs is volatile, with time-limited projects completing, with maturing projects receiving their own 501(c)(3) status, and with new projects coming on board throughout the year. As such, individual line items may vary considerably from year to year, and typical financial analyses are not always meaningful.

2. Summary of Significant Accounting Policies

Basis of Presentation – The financial statements of IFTA have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles ("US GAAP").

Measure of Operations – The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to IFTA's ongoing operations which include a variety of programmatic activities. Nonoperating activities are limited to resources that generate return from interest-bearing deposits and other activities considered to be of a more unusual or nonrecurring nature.

Comparative Financial Information - The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class or functional category. Such information does not include sufficient detail to constitute a presentation in conformity with US GAAP. Accordingly, such information should be read in conjunction with our audited financial statements for the year ended June 30, 2019, from which the summarized information was derived.

Cash and Cash Equivalents – IFTA's cash consists of cash on deposit with banks. Cash equivalents represent money market funds or short-term investments with original maturities of three months or less from the date of purchase.

(continued)

2. Summary of Significant Accounting Policies *(continued)*

Concentrations of Credit Risk – Financial instruments that potentially subject IFTA to concentrations of credit risk consist principally of cash and cash equivalents. IFTA maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. IFTA manages deposit concentration risk by placing cash and money market accounts with financial institutions believed to be creditworthy.

To date, IFTA has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and grants receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from reputable organizations and foundations supportive of IFTA's mission.

Accounts, Grants and Contributions Receivable – Unconditional promises to give that are expected to be collected within one year are recorded 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 discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization, if applicable, is included in contribution revenue. Conditional promises to give are not included as support until the conditions are met.

Property and Equipment – IFTA's policy is to record acquisitions of property and equipment at cost or, if donated, at fair market value on the date of donation. Depreciation expense is calculated using the straight-line method over the estimated useful lives of the assets.

Costs of maintenance and repairs are expensed currently. IFTA reviews the carrying values of all assets for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated economic utility and/or future cash flows expected to result from its use and eventual disposition.

Fair Value Measurements – Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions.

The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). IFTA groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1
Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

(continued)

2. Summary of Significant Accounting Policies *(continued)*

Fair Value Measurements (*continued)*

Level 2
Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset/liability; and,
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3
Unobservable inputs that cannot be corroborated by observable market data.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing model of the asset and does not necessarily correspond to our assessment of the quality, risk or liquidity profile of the asset or liability.

Net Assets - Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Thus, 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. The governing board has the ability to designate, from net assets without donor restrictions, net assets for an operating reserve or board-designated endowment, but it has opted not to do so as of June 30, 2020.

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 can be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Accordingly, actual results could differ from those estimates.

(continued)

2. Summary of Significant Accounting Policies *(continued)*

Donated Services and In-Kind Contributions – Contributed services and costs are reflected at the fair value of the contribution received. The contributions of services and costs are recognized if they (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles.

Functional Allocation of Expenses - The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among services and supporting services benefited. Such allocations are determined by management on an equitable basis. A majority of expenses (such as salaries and wages, payroll taxes, employee benefits, insurance, occupancy and other overhead) have been allocated based on time and effort using IFTA's payroll allocations. Other expenses (such as contract services and other direct costs) have been allocated in accordance with the specific services received.

Revenue and Revenue Recognition - 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. When applicable, revenue earned under a contractual arrangement (an "exchange transaction") is recognized when earned and therefore measured as services are provided.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions.

At June 30, 2020, contributions totaling $10,000 have not been recognized in the accompanying statement of activities and changes in net assets because the condition on which they depend has not yet been met. Of these total conditional contributions, $10,000 depends on raising additional contributions that will be matched dollar-for-dollar.

A portion of IFTA's revenue is derived from cost-reimbursable state and local government grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when IFTA has incurred expenditures in compliance with specific grant provisions. Any amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. IFTA entered into cost-reimbursable grants of $228,328 which have not been recognized as of June 30, 2020 because qualifying expenditures had not yet been incurred. As of June 30, 2020, IFTA has received $27,084 in refundable advances for which qualifying expenditures had not been incurred.

2. Summary of Significant Accounting Policies *(continued)*

Income Taxes – IFTA is organized as a California nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as organizations described in IRC Section 501(c)(3), qualify for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii), and has been determined not to be private foundations under IRC Sections 509(a)(1) and (3), respectively. IFTA is required to annually file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entities are subject to income tax on net income that is derived from business activities that are unrelated to their exempt purpose. IFTA files an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS to report its unrelated business taxable income, if any.

IFTA has received notification from the Internal Revenue Service and the State of California that it qualifies for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. The exemptions are subject to periodic review by the federal and state taxing authorities and management is confident that IFTA continues to satisfy all federal and state statutes in order to qualify for continued tax exemption status.

Reclassifications – Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Recent and Relevant Accounting Pronouncements – The following pronouncements represent relevant current accounting guidance applicable to nonprofit organizations:

In August 2016, the FASB issued *ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. IFTA has adopted ASU 2016-14.

In February 2016, the FASB issued *ASU 2016-02, Leases (Topic 842) Accounting for Leases*, which requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. This new pronouncement is effective for fiscal years beginning after December 15, 2021, but IFTA has elected early implementation. The new standard establishes a right-of-use model (ROU) that requires a lessee to recognize a ROU asset and lease liability on the statement of financial position for all leases with a term longer than 12 months. Leases are classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the statement of activities and changes in net assets.

In June 2018, the FASB issued *ASU 2018-08, Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The FASB issued this update to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this Update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. Accordingly, IFTA has incorporated these clarifying standards within the audited financial statements.

3. Cash and Cash Equivalents

Cash and cash equivalents include all funds in financial institutions (checking, savings and money market) and consist of the following at June 30:

	2020	2019
Checking and petty cash (noninterest-bearing)	$ 3,284,099	$ 2,386,219
Savings (bearing interest at 0.03% per annum at June 30, 2020)	297,842	297,699
Money market (bearing interest at 0.01% per annum at June 30, 2020)	30,238	30,231
Total cash and cash equivalents	$ 3,612,179	$ 2,714,149

At June 30, 2020, certain accounts exceeded the FDIC insured limit, resulting in $3,262,179 in funds that were not covered by insurance provided by the federal government. Such financial instruments potentially subject IFTA to concentrations of credit risk. It is the opinion of management that the solvencies of the referenced financial institutions are satisfactorily strong and that IFTA's financial position will not be compromised. IFTA attempts to limit its credit risk associated with cash and cash equivalents by placing all deposits with highly rated corporate and financial institutions.

4. Receivables

Receivables include grants, contributions, and contractually earned income related to operating activities and various grants made to both IFTA's and the FSPs and consist of the following at June 30:

	2020	2019
Grants receivable	$ 357,225	$ 887,659
Contributions receivable	28,774	30,206
Subtotal: grants and contributions receivable	385,999	917,865
Contract income receivable	122,943	70,393
Other receivables	-	12,105
Subtotal: accounts and other receivables	122,943	82,498
Total receivables	$ 508,942	$ 1,000,363

IFTA uses the direct write-off method with regard to receivables deemed uncollectible. During the years ended June 30, 2020 and 2019, IFTA recognized $52,784 and $6,000, respectively, in uncollectible grants. An allowance for estimated losses has not been established because management believes the grants, contributions, and other receivables are fully collectible based on the financial strength of the particular donors and payers.

5. Property and Equipment

Property and equipment consist of the following at June 30:

		2020		2019
Furniture and fixtures	$	**15,146**	$	15,146
Less: accumulated depreciation		**(6,058)**		(3,029)
Property and equipment, net	$	**9,088**	$	12,117

Depreciation expense amounted to $3,029 for each of the years ended June 30, 2020 and 2019.

6. Liquidity

IFTA regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the safeguarding of its available funds. IFTA has various sources of liquidity at its disposal, including cash and cash equivalents and the future collection of receivables. For purposes of analyzing resources available to meet general expenditures over a 12-month period, IFTA considers all expenditures related to its ongoing support of artists to be general expenditures.

In addition to the financial assets available to meet general expenditures over the next 12 months, IFTA operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of IFTA's cash and shows positive cash generated by operations for the years ended June 30, 2020 and 2019.

The following table shows the total financial assets held by IFTA and the amounts of those financial assets readily available within one year of the balance sheet date to meet general expenditures:

	2020	2019
Cash and cash equivalents	**$ 3,612,179**	$ 2,714,149
Grants and contributions receivable	**385,999**	917,865
Accounts and other receivables	**122,943**	82,498
Less: amounts not available to be used within one year:		
Net assets with donor restrictions for programs and projects	**(1,205,486)**	(1,565,338)
Financial assets available to meet general expenditures over the next twelve months	**$ 2,915,635**	$ 2,149,174

Much of the support that IFTA receives is restricted by donors. Because donor restrictions require resources to be used in a particular manner or in a future period, IFTA 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 IFTA's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

7. Lease Commitments and Right of Use Asset - Premises

IFTA leases its corporate office premises in San Francisco under an operating lease agreement which expires November 30, 2023. The lease requires a monthly rental payment of $28,454 as of June 30, 2020, with stipulated increases of 3% each December 1. IFTA is responsible for its share of operating expenses, including maintenance and utilities. In August 2020, IFTA negotiated a reduced rental payment at 50% of the full lease amount in response to the COVID-19 pandemic. This reduced rental payment is in effect from September 2020 to June 2021.

IFTA also leases certain office equipment under a separate rental contract expiring July 2023. From time to time, IFTA and its fiscally sponsored projects rent performance halls under specific usage agreements and are obligated to pay rent based upon the number of performances for which the facilities are utilized.

In accordance with *ASU 2016-02, Leases*, IFTA is required to reflect the present value of future operating lease payments (discounted at an appropriate borrowing rate) as a “Right of Use” asset and a corresponding lease liability. Accordingly, IFTA has recorded a total lease liability in the amount of $1,004,263 and $1,435,901 at June 30, 2020 and 2019, respectively, for its office space (split between the current amount of $165,455 and noncurrent amount of $838,808 at June 30, 2020) and a corresponding right of use asset for the premises in the amount of $1,019,751 and $1,435,901 at June 30, 2020 and 2019, respectively. The weighted average discount rate associated with the calculation of the present value of the future lease payments was 4.0%, which represents an estimate of IFTA’s incremental borrowing rate.

Future minimum rental payments under all operating leases extending beyond one year are as follows at June 30, 2020:

Year ending June 30, 2021	$	204,984
Year ending June 30, 2022		360,664
Year ending June 30, 2023		371,399
Year ending June 30, 2024		155,695

Rent expense for the offices and performance spaces amounted to $528,718 and $469,927 for the years ended June 30, 2020 and 2019, respectively, and these amounts are included with occupancy expense on the statement of functional expenses.

8. Deferred Revenue

Deferred revenue of $1,500 and $9,745 at June 30, 2020 and 2019, respectively, represents funds received under binding contracts in advance for future activities to be held during the following fiscal year. Such amounts have been reflected as short-term liabilities and will be classified as earned revenue on the statement of activities and changes in net assets in the subsequent fiscal period.

9. Loan Payable to SBA Under Paycheck Protection Program

During May 2020, IFTA received $140,216 in a forgivable loan under the Small Business Administration (SBA) Paycheck Protection Program ("PPP"). Congress established the PPP to provide relief to small businesses during the coronavirus pandemic as part of the $2 trillion Coronavirus Aid, Relief, and Economic Security (CARES) Act, P.L. 116-136. This legislation authorized the United States Treasury Department to use the SBA's 7(a) small business lending program to fund loans of up to $10 million per borrower that qualifying entities can spend to cover payroll, interest, rent, and utilities.

IFTA expended the funds (and continues to utilize the proceeds) for payroll, operating overhead, and other eligible costs in accordance with its agreement with the SBA. Management fully anticipates that it will satisfy the PPP's eligibility and loan forgiveness criteria, enabling the funds to be reclassified from a liability to contributed income.

Based on the guidance in *FASB ASC 405-20-40-1, Liabilities*, the proceeds from the loan will remain recorded as a liability until either (1) the loan is, in part or wholly, forgiven and IFTA has been "legally released" or (2) IFTA pays off the loan to the creditor. Once the loan is, in part or wholly, forgiven and legal release is received, IFTA will post entries to reduce the liability by the amount forgiven and record the forgiven loan as income.

10. Advertising and Promotion

Advertising and promotion costs are expensed as incurred. Advertising and promotion expense amounted to $10,937 and $15,536 for the years ended June 30, 2020 and 2019, respectively.

11. Net Assets with Donor Restrictions

IFTA recognizes support from net assets with donor restrictions when the restrictions imposed by the donors have been satisfied or expire. Net assets with donor restrictions consist of the following at June 30:

	2020	2019
Restricted for:		
Fiscally sponsored projects	**$ 1,188,486**	$ 1,498,338
Capacity building	**17,000**	-
Future periods	**65,000**	67,000
	$ 1,270,486	$ 1,565,338

During the years ended June 30, 2020 and 2019, additions to net assets with donor restrictions amounted to $2,889,032 and $2,492,386, respectively. During the years ended June 30, 2020 and 2019, IFTA released $3,183,884 and $2,213,036, respectively, from net assets with donor restrictions to net assets without donor restrictions.

12. Compensated Absences (Accrued Payroll and Related Benefits)

Financial statement presentation follows the recommendations of *ASC 710.25, Compensated Absences*. Under ASC 710.25, IFTA is required to record a liability for the estimated amounts of compensation for future absences. Employees are permitted to accrue a specific number of hours of vacation which is payable upon termination of the employee. Sick leave is not paid upon termination. Annual leave accruals are recorded in the financial statements as an accrued liability on the statement of financial position based on hourly rates in effect at the end of the year. Accrued payroll liabilities amounted to $31,400 and $14,487 at June 30, 2020 and 2019, respectively, and are included with accounts payable and accrued liabilities on the statement of financial position.

13. In-kind Contributions (Donated Services and Materials)

During the years ended June 30, 2020 and 2019, IFTA was the recipient of a substantial amount of in-kind contributions and these donated services, materials and facilities were recorded at their estimated fair values as program and supporting revenues and expenses. The estimated values of these contributions are summarized as follows:

	2020	2019
Hospitality and travel	**$ -**	$ 290
Facility and equipment usage	**10,800**	-
Professional services	**75**	5,500
Total in-kind donations reflected as contributions	**$ 10,875**	$ 5,790

14. Commitments and Contingencies

In the normal course of business there are outstanding various commitments and contingent liabilities, such as commitments to enter into contracts and future performances, which are not reflected in the financial statements. Such commitments and contingencies also include risks associated with various economic and operating factors, which include (a) Grant restrictions and donor conditions which obligate IFTA to fulfill certain requirements as set forth in grant instruments, (b) Funding levels which vary based on factors beyond IFTA's control, such as generosity of donors and general economic conditions, (c) Employment and service agreements with key management and operating personnel, and (d) Financial risks associated with funds on deposit at bank and investment brokerage accounts. Management believes that such commitments, contingencies and risks will not have a material adverse effect on the financial statements. Certain of the grants and contracts (including current and prior costs) are subject to audit and final acceptance by the granting entities.

15. COVID-19

In late 2019, there was an outbreak of a novel strain of coronavirus (COVID-19) which was characterized as a pandemic by the World Health Organization on March 11, 2020.

The novel coronavirus threat has (a) significantly impacted financial markets, (b) potentially diminished revenue streams, and (3) impacted private enterprises with which IFTA conducts business. Business continuity, including supply chains and consumer demand across a broad range of industries and countries, could be severely impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic.

Management is carefully monitoring the situation and evaluating its options during this time. These financial statements do not contain any adjustments related to economic losses which may or may not be realized by IFTA as a result of these events.

16. Subsequent Events

In compliance with *ASC 855, Subsequent Events*, IFTA has evaluated subsequent events through April 2, 2021, the date the financial statements were available to be issued and, in the opinion of management, there are no subsequent events which are required to be disclosed.