

THE 52ND STREET PROJECT, INC.

**FINANCIAL STATEMENTS
AND
SUPPLEMENTAL INFORMATION**

JUNE 30, 2013 AND 2012

THE 52ND STREET PROJECT, INC.

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FK PARTNERS

FRIED AND KOWGIOS PARTNERS LLP

441 LEXINGTON AVENUE, NEW YORK, NY 10017

212-490-2200 FAX 212-490-2210

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The 52nd Street Project, Inc.

We have audited the accompanying financial statements of The 52nd Street Project, Inc. (a not-for-profit corporation) (the "Organization"), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and cash flows for the years 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.

Auditor's Responsibility

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The 52nd Street Project, Inc. as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Fried and Kowgios Partners CPAs LLP

New York, New York
September 3, 2013

THE 52ND STREET PROJECT, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012

	2013				2012			
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Assets								
Current Assets								
Cash and cash equivalents (Notes 1c, 3 and 4)	\$ 717,529	\$ 50,820	\$ -	\$ 768,349	\$ 886,587	\$ 75,000	\$ -	\$ 961,587
Investments (Notes 1e and 4)	4,803,633	-	396,736	5,200,369	4,549,515	-	396,736	4,946,251
Accounts receivable	7,033	-	-	7,033	-	-	-	-
Unconditional promises to give (Notes 1f and 5)	111,590	-	-	111,590	198,400	50,000	-	248,400
Prepaid expenses	47,320	-	-	47,320	31,886	-	-	31,886
Total Current Assets	5,687,105	50,820	396,736	6,134,661	5,666,388	125,000	396,736	6,188,124
Property and equipment, at cost, net of accumulated depreciation and amortization (Notes 1g and 6)	13,320,928	-	-	13,320,928	13,796,611	-	-	13,796,611
Total Assets	\$ 19,008,033	\$ 50,820	\$ 396,736	\$ 19,455,589	\$ 19,462,999	\$ 125,000	\$ 396,736	\$ 19,984,735
Liabilities and Net Assets								
Liabilities								
Current Liabilities								
Accounts payable and accrued expenses	\$ 21,023	\$ -	\$ -	\$ 21,023	\$ 27,558	\$ -	\$ -	\$ 27,558
Deferred rental income (Note 7b)	32,750	-	-	32,750	27,125	-	-	27,125
Total Liabilities	53,773	-	-	53,773	54,683	-	-	54,683
Commitments and contingencies (Note 7)								
Net Assets								
Unrestricted								
Property and equipment, net	13,320,928	-	-	13,320,928	13,796,611	-	-	13,796,611
Board designated (Note 2a)	5,633,332	-	-	5,633,332	4,600,071	-	-	4,600,071
Undesignated	-	-	-	-	1,011,634	-	-	1,011,634
Temporarily Restricted (Note 2b)	-	50,820	-	50,820	-	125,000	-	125,000
Permanently Restricted (Note 2c)	-	-	396,736	396,736	-	-	396,736	396,736
Total Net Assets	18,954,260	50,820	396,736	19,401,816	19,408,316	125,000	396,736	19,930,052
Total Liabilities and Net Assets	\$ 19,008,033	\$ 50,820	\$ 396,736	\$ 19,455,589	\$ 19,462,999	\$ 125,000	\$ 396,736	\$ 19,984,735

THE 52ND STREET PROJECT, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013					2012				
	UNRESTRICTED	BOARD - DESIGNATED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL	UNRESTRICTED	BOARD - DESIGNATED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Public Support and Other Revenue										
Public Support (Note 1f)										
Government	\$ 67,370	\$ -	\$ -	\$ -	\$ 67,370	\$ 92,728	\$ -	\$ -	\$ -	\$ 92,728
Foundations	183,150	-	10,000	-	193,150	157,350	-	125,000	-	282,350
Corporations	110,250	-	-	-	110,250	94,700	-	-	-	94,700
Individuals	143,286	-	40,820	-	184,106	138,119	-	-	-	138,119
Scholarship income	16,931	-	-	-	16,931	26,483	-	-	-	26,483
Fundraising benefits	339,548	-	-	-	339,548	424,161	-	-	-	424,161
Less: direct costs of fundraising benefits	(63,101)	-	-	-	(63,101)	(104,389)	-	-	-	(104,389)
Donated services and materials (Note 8)	32,016	-	-	-	32,016	16,750	-	-	-	16,750
Net assets released from restrictions										
Foundations	125,000	-	(125,000)	-	-	190,000	-	(190,000)	-	-
Corporations	-	-	-	-	-	38,884	-	(38,884)	-	-
Individuals	-	-	-	-	-	1,000	-	(1,000)	-	-
Total Public Support	954,450	-	(74,180)	-	880,270	1,075,786	-	(104,884)	-	970,902
Other Revenue										
Theatre rental income (Note 1h)	122,011	-	-	-	122,011	113,635	-	-	-	113,635
Concessions, net of costs of goods sold of \$2,168 (2013) and \$3,572 (2012)	5,566	-	-	-	5,566	5,350	-	-	-	5,350
Investment income (Notes 1e and 4)	-	269,195	-	-	269,195	-	257,815	-	-	257,815
Miscellaneous income	-	-	-	-	-	500	-	-	-	500
Total Other Revenue	127,577	269,195	-	-	396,772	119,485	257,815	-	-	377,300
Total Public Support and Other Revenue	1,082,027	269,195	(74,180)	-	1,277,042	1,195,271	257,815	(104,884)	-	1,348,202
Expenses										
Program Services	1,420,770	-	-	-	1,420,770	1,352,113	-	-	-	1,352,113
Total Program Services	1,420,770	-	-	-	1,420,770	1,352,113	-	-	-	1,352,113
Supporting Services										
Management and general	233,327	-	-	-	233,327	250,455	-	-	-	250,455
Fundraising	151,181	-	-	-	151,181	148,943	-	-	-	148,943
Fundraising capital	-	-	-	-	-	3,590	-	-	-	3,590
Total Supporting Services	384,508	-	-	-	384,508	402,988	-	-	-	402,988
Total Expenses	1,805,278	-	-	-	1,805,278	1,755,101	-	-	-	1,755,101
Increase (Decrease) in Net Assets	(723,251) *	269,195	(74,180)	-	(528,236)	(559,830) *	257,815	(104,884)	-	(406,899)
Net transfers (Note 2a)	(764,066)	764,066	-	-	-	244,004	(244,004)	-	-	-
Net assets, beginning of year	14,808,245	4,600,071	125,000	396,736	19,930,052	15,124,071	4,586,260	229,884	396,736	20,336,951
Net Assets, End of Year	\$ 13,320,928	\$ 5,633,332	\$ 50,820	\$ 396,736	\$ 19,401,816	\$ 14,808,245	\$ 4,600,071	\$ 125,000	\$ 396,736	\$ 19,930,052

* The decrease in unrestricted net assets includes \$475,683 (2013) and \$476,183 (2012) of depreciation expense.

THE 52ND STREET PROJECT, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Cash Flows From Operating Activities		
Decrease in net assets	\$ (528,236)	\$ (406,899)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	475,683	476,183
Realized gain on sale of investments	(56,807)	(6,436)
Unrealized gain on investments	(30,691)	(85,857)
Donated securities	(62,304)	(30,315)
(Increase) decrease in:		
Accounts receivable	(7,033)	-
Unconditional promises to give	136,810	(22,020)
Prepaid expenses	(15,434)	28,776
Increase (decrease) in:		
Accounts payable and accrued expenses	(6,535)	(37,745)
Deferred rental income	5,625	11,276
Net Cash Used By Operating Activities	<u>(88,922)</u>	<u>(73,037)</u>
Cash Flows From Investing Activities		
Purchase of investments	(3,002,676)	(2,498,475)
Proceeds from sale of investments and donated securities	2,898,360	2,017,569
Net Cash Used By Investing Activities	<u>(104,316)</u>	<u>(480,906)</u>
Net decrease in cash and cash equivalents	(193,238)	(553,943)
Cash and cash equivalents, beginning of year	<u>961,587</u>	<u>1,515,530</u>
Cash and Cash Equivalents, End of Year	<u>\$ 768,349</u>	<u>\$ 961,587</u>

See notes to financial statements.

THE 52ND STREET PROJECT, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2013 AND 2012****Note 1 - Organization and Summary of Significant Accounting Policies****a - Nature of Activities**

The 52nd Street Project, Inc. (the "Organization") is a not-for-profit organization incorporated in New York in January 1989. The mission of the Organization, also known as the "Project", a community-based arts organization, is to bring together kids from Hell's Kitchen in Manhattan, starting at age ten and lasting through their teens, with theater professionals to create original theater offered free to the general public. By building on the core experience of accomplishment and collaboration, the Project fosters a sense of inclusion in a place where the children belong and where their creative work is the driving force. Through long-term mentoring relationships and exposure to diverse art forms, the Project seeks to expand the children's means of expression and to improve their literacy, their life skills and their attitude towards learning.

b - Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

c - Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less.

d - Fair Value Measurements

The Organization reflects fair value using an estimate of the exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (i.e. the exit price at the measurement date). Fair value measurements are not adjusted for transaction costs. Fair value hierarchy prioritizes inputs to valuation techniques used to measure fair value into three levels.

Unadjusted quoted prices in active markets for identical assets or liabilities are referred to as Level 1 inputs. Inputs other than quoted market prices that are observable, either directly or indirectly, and reasonably available are referred to as Level 2 inputs. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability and are developed based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the assumptions developed by the Organization based on available information about what market participants would use in valuing the asset or liability and are referred to as Level 3. An asset or liability's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Availability of observable inputs can vary and is affected by a variety of factors. Level 3 assets and liabilities involve greater judgment than Level 1 or Level 2 assets and liabilities. The Organization's investments are classified within Level 1 of the fair value hierarchy. Fair value is determined using quoted market values.

THE 52ND STREET PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

Note 1 - Summary of Significant Accounting Policies (continued)

e - Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

f - Contributions and Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

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.

g - Property and Equipment

Property and equipment acquired are recorded at cost. It is the Organization's policy to capitalize expenditures for these items in excess of \$1,000. Lesser amounts are expensed. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expiration of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Building, equipment and furniture are being depreciated over the useful life of the related asset using a straight-line method, with a half of a year's depreciation recognized in the years of acquisition and disposal.

h - Rental Income, Reimbursed Tenant Expenses and Deferred Revenue

Rental income is earned monthly based on the terms of the tenant's lease or upon the satisfaction of the terms of short term leases. Reimbursed tenant expenses are recorded once the Organization has incurred the expenses and identified as a tenant reimbursable expense. Advanced rent is reflected as deferred revenue until the terms of the rental agreement have been satisfied.

THE 52ND STREET PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

Note 1 - Summary of Significant Accounting Policies (continued)

i - Financial Statement Presentation

The Organization presents its financial statements to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by the Organization. Temporarily restricted net assets are subject to donor-imposed stipulations that will be met by actions of the Organization or by the passage of time. Unrestricted net assets are not subject to donor-imposed stipulations.

j - Scholarships

Scholarships are recorded as expenses at the time the recipient accepts the award and are generally payable within one year.

k - Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

l - Tax Status and Uncertain Tax Positions

The Organization is not-for-profit corporation, exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code, and Section 402 of the Not-for-Profit Corporation Law in New York State, and has been designated as an organization which is not a private foundation. The Organization's Forms 990, *Return of Organizations Exempt from Income Tax*, for the years ended June 30, 2012, 2011 and 2010 are subject to examination by the IRS, generally for three years after they were filed.

The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Note 2 - Restriction on Net Assets

- a) The Board of Directors has designated unrestricted net assets as a general endowment fund to support the mission of the Organization. Since these funds resulted from an internal designation and are not donor-restricted, it is classified and reported as unrestricted net assets. The Organization has a spending policy of appropriating for distribution each year a set amount based on the Organization's current operating budget, \$225,000 (2013) and \$81,004 (2012). In establishing this policy, the Organization considered the long-term expected investment return on its endowment. Accordingly, over the long-term, the Organization expects the current spending policy to allow its general endowment fund to grow.

THE 52ND STREET PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

Note 2 - Restriction on Net Assets (continued)

a) (continued)

Net investment earnings are added to the board-designated funds each year. During the year ended June 30, 2013, the board resolved to roll over any remaining undesignated funds to the quasi endowment fund and also establish a \$100,000 building fund.

The following details the transfers between unrestricted and board-designated for the years ended June 30:

	<u>2013</u>	<u>2012</u>
Investment income (spending policy)	\$ 225,000	\$ 244,004
Transfer to establish building fund	(100,000)	-
Roll over of undesignated net assets	(889,066)	-
Net Transfers	<u>\$(764,066)</u>	<u>\$ 244,004</u>

b) Temporarily restricted net assets are restricted for future programs and periods.

c) The Organization received permanently restricted net assets whereby the donors restricted investment returns for the following purposes:

	<u>2013</u>	<u>2012</u>
One-on-One program endowment	\$ 250,000	\$ 250,000
Scholarship program	146,736	146,736
	<u>\$ 396,736</u>	<u>\$ 396,736</u>

At the donors' request, investment income earned on the One-on-One program endowment and Scholarship program (the "Funds") are to be distributed to cover actual expenses of the respective programs. Any excess investment income is to be added to the Funds, with any losses reducing unrestricted net assets. During the years ended June 2013 and 2012, there was no excess from investing the Funds and the distribution was \$19,737 and \$20,831, respectively.

The One-on-One program is an annual summer program run by the Organization that culminates with a theatrical production featuring enrolled youths.

The Scholarship program provides college scholarships of \$1,000 each to students annually and is available to youths who have been members of the Organization for at least four years. During the years ended June 30, 2013 and 2012, the Organization awarded scholarships of \$15,500 for each year.

THE 52ND STREET PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

Note 3 - Concentration of Credit Risk

The Organization maintains cash balances at one financial institution. The balances are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 per institution. At June 30, 2013, the Organization's cash balances were fully insured. The Organization maintains investment balances at one financial institution. The balances are insured first by the Securities Investor Protection Corporation ("SIPC") up to \$500,000 with additional private insurance up to \$19m.

Note 4 - Cash, Cash Equivalents and Investments

a) Fair Value of Financial Instruments

The fair value and carrying amount of the Organization's cash and short-term investments as of June 30, 2013 and 2012 was \$373,253 and \$294,560, respectively. Cash and short-term investments carrying amount approximates fair value because of the short maturities of those investments.

b) Fair Values Measured on Recurring Basis

Fair values of assets measured on a recurring basis at June 30, 2013 and 2012 consist of commons stocks, equity funds, and US and other bond obligations. The fair value and quoted prices in active markets for identical assets for investments as of June 30, 2013 and 2012 was \$5,200,369 and \$4,946,251, respectively. Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

Investments (all of which are Level 1 measurements that are carried at fair value based on quoted prices in active markets) consist of fixed and equity funds.

Investments consist of the following at June 30:

	2013		2012	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Government securities	\$ 2,073,125	\$ 1,979,196	\$ 1,814,044	\$ 1,846,945
Mutual funds	1,515,269	1,529,332	1,664,293	1,730,368
Equities	1,352,425	1,691,841	1,239,055	1,368,938
	<u>\$ 4,940,819</u>	<u>\$ 5,200,369</u>	<u>\$ 4,717,392</u>	<u>\$ 4,946,251</u>

Investment income consists of the following for the years ended June 30:

	2013	2012
Interest and dividend income	\$ 181,697	\$ 165,522
Realized gain on sale of investments	56,807	6,436
Unrealized gain on investments	30,691	85,857
	<u>\$ 269,195</u>	<u>\$ 257,815</u>

In addition, for the years ended June 30, 2013 and 2012, the Organization incurred \$43,539 and \$30,881 in investment fees, respectively.

THE 52ND STREET PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

Note 5 - Unconditional Promises to Give

When estimating fair value of unconditional promises to give, management considers the relationships with donor, the donor's past history of making timely payments, and the donor's overall creditworthiness are considered and incorporated into present value techniques. The interest element resulting from amortization of the discount for the time value of money, computed using the effective interest rate method, is reported as contribution revenue. As of June 30, 2013 and 2012, all unconditional promises to give were due within one year. Uncollectible promises are expected to be insignificant.

Note 6 - Property and Equipment

Property and equipment consist of the following as of June 30:

	<u>Life/Years</u>	<u>2013</u>	<u>2012</u>
Leasehold improvements	39	\$ 14,278,647	\$ 14,278,647
Equipment	3-5	334,086	334,086
Furniture and fixtures	7	315,885	315,885
Website development	3	27,756	27,756
		<u>14,956,374</u>	<u>14,956,374</u>
Less: accumulated depreciation		<u>(1,635,446)</u>	<u>(1,159,763)</u>
		<u>\$ 13,320,928</u>	<u>\$ 13,796,611</u>

Depreciation expense for the years ended June 30, 2013 and 2012 was \$475,683 and \$476,183, respectively. Leasehold improvements include \$10,600,000 contributed by New York City Department of Cultural Affairs (DCA) (see Note 7b).

Note 7 - Commitments and Contingencies

- a) Government supported programs are subject to audit by the granting agency.
- b) The Organization entered into a lease for theatre, program and office spaces. The building that the spaces are located in was created to pursue the development of theatrical spaces in a public-private housing development project in the Clinton section of Manhattan. Upon completion of the building, there will be three not-for-profit organizations occupying the space. The project is managed by the New York City Department of Design and Construction (DDC) in collaboration with the New York City Department of Cultural Affairs (DCA). DDC contributed approximately \$10,600,000 for all design and construction costs for the Organization's spaces. The Organization moved into the building during 2010. It is expected that the other not-for-profit organizations' spaces will be occupied in 2014. The lease commenced on April 1, 2008 and will expire on March 31, 2107. The lease provides that the Organization will pay and reimburse the landlord for all operating expenses, which will be an initial amount of \$58,089 per year, subject to consumer price index increases, rent adjustments and reserve adjustments.

THE 52ND STREET PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

Note 7 - Commitments and Contingencies (continued)

- c) During the year ended June 30, 2013, the Organization entered into two license agreements with unrelated parties for the use of the Organization's theatre. The license agreements provide for specific short-term use during the year with approximate rental payments to the Organization as follows as of June 30, 2013:

Payments due during the year ending June 30, 2014	\$ 31,625
Payments due during the three months ending October 1, 2014	<u>14,500</u>
Total	<u>\$ 46,125</u>

Note 8 - Donated Services and Materials

The Organization received donated services during the years ended June 30, 2013 and 2012 in support of its programs and operations. The fair market value has been recorded in the accompanying financial statements. Donated services for the years ended June 30, 2013 and 2012 was as follows:

	<u>2013</u>	<u>2012</u>
Audit and tax services	\$ 17,772	\$ -
Legal services	10,069	12,000
Housing	2,700	3,750
Automobiles	1,200	1,000
Supplies	<u>275</u>	<u>-</u>
	<u>\$ 32,016</u>	<u>\$ 16,750</u>

Note 9 - Employee Benefit Plan

The Organization has a 401(k) salary deferral plan. Under the plan, the Organization may make a matching contribution to the employees' plan on a discretionary basis that vests to the employee based on the years of service at the Organization. There was no matching contribution for the years ended June 30, 2013 and 2012.

Note 10 - Functional Allocation of Expenses

The cost of providing the various programs and the supporting services has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Note 11 - Evaluation of Subsequent Events

The Organization has evaluated subsequent events through September 3, 2013, the date which the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

FK PARTNERS
FRIED AND KOWGIOS PARTNERS LLP

441 LEXINGTON AVENUE, NEW YORK, NY 10017

212-490-2200 FAX 212-490-2210

**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTAL INFORMATION**

To the Board of Directors of
The 52nd Street Project, Inc.

We have audited the financial statements of The 52nd Street Project, Inc. as of and for the years ended June 30, 2013 and 2012, and have issued our report thereon dated September 3, 2013, which contained an unqualified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Functional Expenses for the year ended June 30, 2013 with comparative totals for is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Fried and Kowgios Partners CPAs LLP

New York, New York
September 3, 2013

THE 52ND STREET PROJECT, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2013 WITH COMPARATIVE TOTALS FOR 2012

	Program Services	Supporting Services			Total	2013	2012
		Management and General	Fundraising	Fundraising Capital		Total Expenses	Total Expenses
Salaries	\$ 481,257	\$ 116,877	\$ 89,376	\$ -	\$ 206,253	\$ 687,510	\$ 653,544
Benefits, taxes and payroll expenses	93,266	22,650	17,321	-	39,971	133,237	131,299
Artists and other fees	18,915	-	3,026	-	3,026	21,941	22,619
Marketing and press	23,399	-	500	-	500	23,899	24,506
Repairs and maintenance	10,804	405	347	-	752	11,556	21,318
Theatrical production materials	5,941	-	-	-	-	5,941	6,159
Professional fees	23,345	15,739	4,335	-	20,074	43,419	32,084
Supplies and office expenses	9,953	-	-	-	-	9,953	15,912
Insurance	33,180	7,117	5,462	-	12,579	45,759	54,396
Computers and equipment	10,865	406	349	-	755	11,620	12,149
Rent and utilities	127,513	4,773	4,091	-	8,864	136,377	123,001
Cleaning	15,913	596	511	-	1,107	17,020	15,493
Security	15,268	571	490	-	1,061	16,329	16,172
Concessions	2,169	-	-	-	-	2,169	3,572
Telephone and internet	7,514	271	232	-	503	8,017	7,345
Postage and printing	8,116	890	3,160	-	4,050	12,166	14,079
Scholarships	15,500	-	-	-	-	15,500	15,500
Subscriptions, dues and memberships	6,199	1,506	1,151	-	2,657	8,856	9,135
Indirect event expenses	-	-	5,664	-	5,664	5,664	4,124
Housing	9,576	-	-	-	-	9,576	12,277
Travel and food	49,170	78	-	-	78	49,248	42,688
Investment fees	-	43,539	-	-	43,539	43,539	30,881
Finance charges	4,187	1,017	778	-	1,795	5,982	6,608
Miscellaneous	3,957	243	117	-	360	4,317	4,057
Total expenses before depreciation	976,007	216,678	136,910	-	353,588	1,329,595	1,278,918
Depreciation	444,763	16,649	14,271	-	30,920	475,683	476,183
Total Expenses, 2013	<u>\$ 1,420,770</u>	<u>\$ 233,327</u>	<u>\$ 151,181</u>	<u>\$ -</u>	<u>\$ 384,508</u>	<u>\$ 1,805,278</u>	
Total Expenses, 2012	<u>\$ 1,352,113</u>	<u>\$ 250,455</u>	<u>\$ 148,943</u>	<u>\$ 3,590</u>	<u>\$ 402,988</u>		<u>\$ 1,755,101</u>

See independent auditor's report on supplemental information.