

**THE 52ND STREET PROJECT, INC.**

**FINANCIAL STATEMENTS  
AND  
SUPPLEMENTAL INFORMATION**

**JUNE 30, 2014 AND 2013**

THE 52ND STREET PROJECT, INC.

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# **FK PARTNERS**

## **FRIED AND KOWGIOS PARTNERS LLP**

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### **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, 2014 and 2013, 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.

# FK PARTNERS

## *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, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Fried and Kowgios Partners CPA's LLP*

New York, New York  
September 15, 2014

THE 52ND STREET PROJECT, INC.  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2014 AND 2013

	2014				2013			
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
<b>Assets</b>								
Current Assets								
Cash and cash equivalents (Notes 1c, 3 and 4a)	\$ 485,675	\$ 58,037	\$ -	\$ 543,712	\$ 717,529	\$ 50,820	\$ -	\$ 768,349
Investments (Notes 1e and 4b)	5,098,772	214,757	396,736	5,710,265	4,803,633	-	396,736	5,200,369
Accounts receivable	166	-	-	166	7,033	-	-	7,033
Unconditional promises to give (Notes 1f and 5)	44,695	50,000	-	94,695	111,590	-	-	111,590
Prepaid expenses	48,111	-	-	48,111	47,320	-	-	47,320
Total Current Assets	<u>5,677,419</u>	<u>322,794</u>	<u>396,736</u>	<u>6,396,949</u>	<u>5,687,105</u>	<u>50,820</u>	<u>396,736</u>	<u>6,134,661</u>
Property and equipment, at cost, net of accumulated depreciation and amortization (Notes 1g and 6)	12,856,354	-	-	12,856,354	13,320,928	-	-	13,320,928
Deposit	5,625	-	-	5,625	-	-	-	-
<b>Total Assets</b>	<u>\$ 18,539,398</u>	<u>\$ 322,794</u>	<u>\$ 396,736</u>	<u>\$ 19,258,928</u>	<u>\$ 19,008,033</u>	<u>\$ 50,820</u>	<u>\$ 396,736</u>	<u>\$ 19,455,589</u>
<b>Liabilities and Net Assets</b>								
Liabilities								
Current Liabilities								
Accounts payable and accrued expenses	\$ 27,588	\$ -	\$ -	\$ 27,588	\$ 21,023	\$ -	\$ -	\$ 21,023
Deferred rental income (Notes 1h and 7b)	28,188	-	-	28,188	32,750	-	-	32,750
Total Liabilities	<u>55,776</u>	<u>-</u>	<u>-</u>	<u>55,776</u>	<u>53,773</u>	<u>-</u>	<u>-</u>	<u>53,773</u>
Commitments and contingencies (Note 7)								
Net Assets								
Unrestricted								
Property and equipment, net	12,856,354	-	-	12,856,354	13,320,928	-	-	13,320,928
Board - designated (Note 2a)	5,627,268	-	-	5,627,268	5,633,332	-	-	5,633,332
Undesignated	-	-	-	-	-	-	-	-
Temporarily Restricted (Note 2b)	-	322,794	-	322,794	-	50,820	-	50,820
Permanently Restricted (Note 2c)	-	-	396,736	396,736	-	-	396,736	396,736
Total Net Assets	<u>18,483,622</u>	<u>322,794</u>	<u>396,736</u>	<u>19,203,152</u>	<u>18,954,260</u>	<u>50,820</u>	<u>396,736</u>	<u>19,401,816</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 18,539,398</u>	<u>\$ 322,794</u>	<u>\$ 396,736</u>	<u>\$ 19,258,928</u>	<u>\$ 19,008,033</u>	<u>\$ 50,820</u>	<u>\$ 396,736</u>	<u>\$ 19,455,589</u>

## THE 52ND STREET PROJECT, INC.

## STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014					2013				
	UNRESTRICTED	BOARD - DESIGNATED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL	UNRESTRICTED	BOARD - DESIGNATED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
<b>Operating Activities</b>										
<b>Public Support and Other Revenue</b>										
Public Support (Note 1f)										
Government	\$ 73,575	\$ -	\$ -	\$ -	\$ 73,575	\$ 67,370	\$ -	\$ -	\$ -	\$ 67,370
Foundations	198,665	-	60,000	-	258,665	183,150	-	10,000	-	193,150
Corporations	81,050	-	-	-	81,050	110,250	-	-	-	110,250
Individuals	159,626	-	18,217	-	177,843	143,286	-	40,820	-	184,106
Scholarship income	21,699	-	-	-	21,699	16,931	-	-	-	16,931
Fundraising benefits	445,629	-	-	-	445,629	339,548	-	-	-	339,548
Less: direct costs of fundraising benefits	(118,157)	-	-	-	(118,157)	(63,101)	-	-	-	(63,101)
Donated services and materials (Note 8)	50,441	-	-	-	50,441	32,016	-	-	-	32,016
Net assets released from restrictions										
Foundations	10,000	-	(10,000)	-	-	125,000	-	(125,000)	-	-
Individuals	11,000	-	(11,000)	-	-	-	-	-	-	-
Total Public Support	933,528	-	57,217	-	990,745	954,450	-	(74,180)	-	880,270
Other Revenue										
Theatre rental income (Note 1h)	142,064	-	-	-	142,064	122,011	-	-	-	122,011
Concessions, net of costs of goods sold of \$4,838 (2014) and \$2,168 (2013)	528	-	-	-	528	3,397	-	-	-	3,397
Spending policy distribution (Note 2b and 4c)	371,959	-	-	-	371,959	247,568	-	-	-	247,568
Total Other Revenue	514,551	-	-	-	514,551	372,976	-	-	-	372,976
Total Public Support and Other Revenue	1,448,079	-	57,217	-	1,505,296	1,327,426	-	(74,180)	-	1,253,246
<b>Expenses</b>										
Program Services	1,452,787	-	-	-	1,452,787	1,418,601	-	-	-	1,418,601
Supporting Services										
Management and General	262,642	-	-	-	262,642	233,327	-	-	-	233,327
Fundraising	203,288	-	-	-	203,288	151,181	-	-	-	151,181
Total Supporting Services	465,930	-	-	-	465,930	384,508	-	-	-	384,508
Total Expenses	1,918,717	-	-	-	1,918,717	1,803,109	-	-	-	1,803,109
Increase (Decrease) in Net Assets Before Non-Operating Activities (carried forward)	(470,638) *	-	57,217	-	(413,421)	(475,683) *	-	(74,180)	-	(549,863)

\* Includes depreciation expense of \$470,638 (2014) and \$475,683 (2013).

Decrease in unrestricted net assets before depreciation  
expense and non-operating activities

\$ -

\$ -

## THE 52ND STREET PROJECT, INC.

## STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014					2013				
	UNRESTRICTED	BOARD - DESIGNATED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL	UNRESTRICTED	BOARD - DESIGNATED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Increase (Decrease) in Net Assets Before Non-Operating Activities (brought forward)	\$ (470,638)	\$ -	\$ 57,217	\$ -	\$ (413,421)	\$ (475,683)	\$ -	\$ (74,180)	\$ -	\$ (549,863)
<b>Non-Operating Activities</b>										
Investment income (Notes 1e and 4c)	-	548,095	-	38,621	586,716	-	269,195	-	-	269,195
Excess earnings (Notes 2b and 4c)	-	(176,136)	214,757	(38,621)	-	-	-	-	-	-
Spending policy distribution (Note 2b and 4c)	-	(371,959)	-	-	(371,959)	-	(247,568)	-	-	(247,568)
Total Non-Operating Activities	-	-	214,757	-	214,757	-	21,627	-	-	21,627
Increase (decrease) in net assets	(470,638)	-	271,974	-	(198,664)	(475,683)	21,627	(74,180)	-	(528,236)
Net transfers (Note 2a)	6,064	(6,064)	-	-	-	(1,011,634)	1,011,634	-	-	-
Net assets, beginning 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
<b>Net Assets, End of Year</b>	<b>\$ 12,856,354</b>	<b>\$ 5,627,268</b>	<b>\$ 322,794</b>	<b>\$ 396,736</b>	<b>\$ 19,203,152</b>	<b>\$ 13,320,928</b>	<b>\$ 5,633,332</b>	<b>\$ 50,820</b>	<b>\$ 396,736</b>	<b>\$ 19,401,816</b>

## THE 52ND STREET PROJECT, INC.

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<b>Cash Flows From Operating and Non-Operating Activities</b>		
Decrease in net assets	\$ (198,664)	\$ (528,236)
Adjustments to reconcile change in net assets to net cash used by operating and non-operating activities:		
Depreciation	470,638	475,683
Realized gain on sale of investments	(205,417)	(56,807)
Unrealized gain on investments	(160,439)	(30,691)
Donated securities	(91,856)	(62,304)
Donated design fees	(2,565)	-
(Increase) decrease in:		
Accounts receivable	6,867	(7,033)
Unconditional promises to give	16,895	136,810
Prepaid expenses	(791)	(15,434)
Deposit	(5,625)	-
Increase (decrease) in:		
Accounts payable and accrued expenses	6,565	(6,535)
Deferred rental income	(4,562)	5,625
Net Cash Used By Operating and Non-Operating Activities	<u>(168,954)</u>	<u>(88,922)</u>
<b>Cash Flows From Investing Activities</b>		
Purchase of investments	(2,374,222)	(3,002,676)
Proceeds from sale of investments and donated securities	2,322,038	2,898,360
Purchase of property and equipment	(3,499)	-
Net Cash Used By Investing Activities	<u>(55,683)</u>	<u>(104,316)</u>
Net decrease in cash and cash equivalents	(224,637)	(193,238)
Cash and cash equivalents, beginning of year	<u>768,349</u>	<u>961,587</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 543,712</u>	<u>\$ 768,349</u>

## Supplemental Disclosure:

## Non-Cash Activity

\*In fiscal year 2014, the Organization received \$2,565 of donated design fees which has been capitalized.

See notes to financial statements.



**THE 52ND STREET PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**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, 2014 AND 2013

**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. Leasehold improvements are amortized over the shorter of the useful life or periods including options, if any, specified in the related lease agreements.

h - Theatre Income and Deferred Rental Revenue

Rental income is earned daily or weekly based on the terms of the tenant's lease or upon the satisfaction of the terms of short-term leases. 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, 2014 AND 2013

**Note 1 - Summary of Significant Accounting Policies (continued)**

i - Financial Statement Presentation

The Organization presents its financial statements according 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 accordance 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 Form 990, *Return of Organizations Exempt from Income Tax*, for the years ended June 30, 2013, 2012 and 2011 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, \$371,959 (2014) and \$247,568 (2013). 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, 2014 AND 2013**

**Note 2 - Restriction on Net Assets (continued)**

a) (continued)

During the year ended June 30, 2014, \$6,064 was transferred from the board-designated fund to cover property and equipment capitalized. During the year ended June 30, 2013, the Organization transferred \$911,634 to roll over any remaining undesignated funds to the board-designated fund and \$100,000 to establish a building fund.

b) Temporarily restricted net assets are restricted for the following as of June 30:

	<u>2014</u>	<u>2013</u>
Excess investment income (Note 4c)	\$ 214,757	\$ -
Scholarship and music program	48,037	31,820
Restricted for use in future periods	35,000	19,000
Teen program	25,000	-
	<u>\$ 322,794</u>	<u>\$ 50,820</u>

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

	<u>2014</u>	<u>2013</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 2014 and 2013, there was no excess from investing the Funds and the distribution was \$25,498 and \$19,737, 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, 2014 and 2013, the Organization awarded scholarships of \$18,000 and \$15,500, respectively.

The net investment income earned on the permanently restricted net assets has been fully utilized during the fiscal year ended June 30, 2014 for the designated purposes.

**THE 52ND STREET PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**Note 3 - Concentration of Credit Risk**

The Organization maintains cash balances at two financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution. At June 30, 2014, 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. At June 30, 2014, the Organizations investment balances were fully insured.

**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, 2014 and 2013 was \$543,712 and \$768,349, 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, 2014 and 2013 consist of government securities, mutual funds, and equity funds (all of which are Level 1 measurements that are carried at fair value based on quoted prices in active markets). The fair value and quoted prices in active markets for identical assets for investments as of June 30, 2014 and 2013 was \$5,710,265 and \$5,200,369, respectively. Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

Investments consist of the following at June 30:

	<b>2014</b>		<b>2013</b>	
	<b>Cost</b>	<b>Fair Value</b>	<b>Cost</b>	<b>Fair Value</b>
Government securities	\$ 2,069,588	\$ 2,045,897	\$ 2,073,125	\$ 1,979,196
Mutual funds	2,003,984	1,996,591	1,515,269	1,529,332
Equities	1,216,704	1,667,777	1,352,425	1,691,841
	<u>\$ 5,290,276</u>	<u>\$ 5,710,265</u>	<u>\$ 4,940,819</u>	<u>\$ 5,200,369</u>

c) Investment Income

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

	<b>2014</b>	<b>2013</b>
Interest and dividend income	\$ 220,860	\$ 181,697
Realized gain on sale of investments	205,417	56,807
Unrealized gain on investments	160,439	30,691
	<u>\$ 586,716</u>	<u>\$ 269,195</u>

The Organization incurred investment fees of \$45,661 and \$43,539 for the years ended June 30, 2014 and 2013, respectively.

**THE 52ND STREET PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**Note 4 - Cash, Cash Equivalents and Investments (continued)**

c) Investment Income (continued)

The percentage allowed to be utilized towards the Organization's operations within the Organization's endowment policy is based on 2-5% of the average value of the prior 12 quarters of held investments. Any net excess in investment earnings over the spending policy is reflected within temporarily restricted net assets as in compliance with The Uniform Prudent Management of Institutional Funds Act ("UPMIFA").

**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, 2014 and 2013, 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>2014</u>	<u>2013</u>
Leasehold improvements	39	\$ 14,281,211	\$ 14,278,647
Equipment	3-5	337,586	334,086
Furniture and fixtures	7	315,885	315,885
Website development	3	27,756	27,756
		<u>14,962,438</u>	<u>14,956,374</u>
Less: accumulated depreciation		<u>(2,106,084)</u>	<u>(1,635,446)</u>
		<u>\$ 12,856,354</u>	<u>\$ 13,320,928</u>

Depreciation expense for the years ended June 30, 2014 and 2013 was \$470,638 and \$475,683, respectively. Leasehold improvements include \$10,600,000 contributed by the New York City Department of Cultural Affairs (DCA) (see Note 7b).

**THE 52ND STREET PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**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 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 2015. 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 was \$59,756 for 2014, subject to consumer price index increases, rent adjustments and reserve adjustments. The lease term is subject to rent adjustments which is based on all operating expenses (as defined within the lease) made at April 1, 2023, 2038 and every 15<sup>th</sup> anniversary thereafter.
- c) During the year ended June 30, 2014, the Organization entered into a license agreement with an unrelated party for the use of the Organization's theatre. The license agreement provides for specific short-term use during the year with approximate rental payments of \$14,500 due to the Organization during the year ending June 30, 2015.
- d) On September 10, 2014, Con Edison notified the Organization that there is a substantial outstanding amount due for utilities monitored by a separate meter for the HVAC equipment. The amount due is for the past five years of usage. The Organization is in the process of reviewing the amount outstanding and is unsure at this time if accurate or ultimately due. Since the amount of the potential liability is unknown as this time and the Organization was unaware of the usage, no reserve has been reflected within these financial statements.

**THE 52ND STREET PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**Note 8 - Donated Services and Materials**

The Organization received donated services and materials during the years ended June 30, 2014 and 2013 in support of its programs and operations. The fair market value has been recorded in the accompanying financial statements. Donated services and materials for the years ended June 30 were as follows:

	<u>2014</u>	<u>2013</u>
Legal services	\$ 17,105	\$ 10,069
Audit and tax services	13,421	17,772
Publicity and press services	12,500	-
Housing	2,950	2,700
Construction design fees - capitalized	2,565	-
Automobiles	1,900	1,200
Supplies	-	275
	<u>\$ 50,441</u>	<u>\$ 32,016</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, 2014 and 2013.

**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 15, 2014, the date which the financial statements were available to be issued.



**SUPPLEMENTAL INFORMATION**

**FK PARTNERS**  
**FRIED AND KOWGIOS PARTNERS LLP**

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**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, 2014 and 2013, and have issued our report thereon dated September 15, 2014, which contained an unmodified 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, 2014 with comparative totals for 2013 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 CPA's LLP*

New York, New York  
September 15, 2014

## THE 52ND STREET PROJECT, INC.

## SCHEDULE OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2014 WITH COMPARATIVE TOTALS FOR 2013

	Program Services	Supporting Services			2014	2013
		Management and General	Fundraising	Total	Total Expenses	Total Expenses
Salaries	\$ 516,384	\$ 110,654	\$ 110,654	\$ 221,308	\$ 737,692	\$ 687,510
Benefits, taxes and payroll expenses	106,819	22,890	22,890	45,780	152,599	133,237
Artists and other fees	14,699	528	-	528	15,227	21,941
Marketing and press	30,783	3,137	3,137	6,274	37,057	23,899
Repairs and maintenance	19,374	725	558	1,283	20,657	11,556
Theatrical production materials	5,452	-	-	-	5,452	5,941
Professional fees	8,552	37,312	-	37,312	45,864	43,419
Supplies and office expenses	14,907	-	600	600	15,507	9,953
Insurance	46,007	5,898	5,696	11,594	57,601	45,759
Computers and equipment	6,623	2,059	1,420	3,479	10,102	11,620
Rent and utilities	125,790	4,709	4,036	8,745	134,535	136,377
Cleaning	12,674	2,716	2,716	5,432	18,106	17,020
Security	17,601	658	565	1,223	18,824	16,329
Telephone and internet	5,957	1,234	1,234	2,468	8,425	8,017
Postage and printing	6,608	592	2,468	3,060	9,668	12,166
Scholarships	18,000	-	-	-	18,000	15,500
Subscriptions, dues and memberships	3,406	887	-	887	4,293	8,856
Indirect event expenses	-	-	28,666	28,666	28,666	5,664
Touring travel, housing and food	52,737	487	-	487	53,224	58,824
Investment fees	-	45,661	-	45,661	45,661	43,539
Finance charges	-	5,164	4,529	9,693	9,693	5,982
Miscellaneous	367	859	-	859	1,226	4,317
Total expenses before depreciation	1,012,740	246,170	189,169	435,339	1,448,079	1,327,426
Depreciation	440,047	16,472	14,119	30,591	470,638	475,683
Total Expenses, 2014	<u>\$ 1,452,787</u>	<u>\$ 262,642</u>	<u>\$ 203,288</u>	<u>\$ 465,930</u>	<u>\$ 1,918,717</u>	
Total Expenses, 2013	<u>\$ 1,418,601</u>	<u>\$ 233,327</u>	<u>\$ 151,181</u>	<u>\$ 384,508</u>		<u>\$ 1,803,109</u>

See independent auditor's report on supplemental information.