

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

**FINANCIAL STATEMENTS  
AND  
SUPPLEMENTAL INFORMATION**

**JUNE 30, 2015 AND 2014**

**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, 2015 and 2014, 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, 2015 and 2014, 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 9, 2015

**THE 52ND STREET PROJECT, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2015 AND 2014**

	2015				2014			
	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)	\$ 514,240	\$ 90,708	\$ -	\$ 604,948	\$ 485,675	\$ 58,037	\$ -	\$ 543,712
Accounts receivable	31,127	-	-	31,127	166	-	-	166
Unconditional promises to give (Notes 1f and 5)	23,160	-	-	23,160	44,695	50,000	-	94,695
Prepaid expenses	35,419	-	-	35,419	48,111	-	-	48,111
<b>Total Current Assets</b>	<b>603,946</b>	<b>90,708</b>	<b>-</b>	<b>694,654</b>	<b>578,647</b>	<b>108,037</b>	<b>-</b>	<b>686,684</b>
Investments (Notes 1d, 1e, 3 and 4b)	6,057,707	-	396,736	6,454,443	5,098,772	214,757	396,736	5,710,265
Property and equipment, at cost, net of accumulated depreciation and amortization (Notes 1g and 6)	12,626,080	-	-	12,626,080	12,856,354	-	-	12,856,354
Deposit	5,625	-	-	5,625	5,625	-	-	5,625
<b>Total Assets</b>	<b>\$ 19,293,358</b>	<b>\$ 90,708</b>	<b>\$ 396,736</b>	<b>\$ 19,780,802</b>	<b>\$ 18,539,398</b>	<b>\$ 322,794</b>	<b>\$ 396,736</b>	<b>\$ 19,258,928</b>
<b>Liabilities and Net Assets</b>								
Liabilities								
Current Liabilities								
Accounts payable and accrued expenses	\$ 66,037	\$ -	\$ -	\$ 66,037	\$ 27,588	\$ -	\$ -	\$ 27,588
Deferred rental income (Notes 1h and 7b)	6,000	-	-	6,000	28,188	-	-	28,188
Due to Con Edison (Note 7d)	6,239	-	-	6,239	-	-	-	-
<b>Total Current Liabilities</b>	<b>78,276</b>	<b>-</b>	<b>-</b>	<b>78,276</b>	<b>55,776</b>	<b>-</b>	<b>-</b>	<b>55,776</b>
Due to Con Edison (Note 7d)	46,074	-	-	46,074	-	-	-	-
<b>Total Liabilities</b>	<b>124,350</b>	<b>-</b>	<b>-</b>	<b>124,350</b>	<b>55,776</b>	<b>-</b>	<b>-</b>	<b>55,776</b>
Commitments and contingencies (Note 7)								
Net Assets								
Unrestricted								
Property and equipment, net	12,626,080	-	-	12,626,080	12,856,354	-	-	12,856,354
Board - designated (Note 2a)	6,542,928	-	-	6,542,928	5,627,268	-	-	5,627,268
Temporarily Restricted (Note 2b)	-	90,708	-	90,708	-	322,794	-	322,794
Permanently Restricted (Note 2c)	-	-	396,736	396,736	-	-	396,736	396,736
<b>Total Net Assets</b>	<b>19,169,008</b>	<b>90,708</b>	<b>396,736</b>	<b>19,656,452</b>	<b>18,483,622</b>	<b>322,794</b>	<b>396,736</b>	<b>19,203,152</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 19,293,358</b>	<b>\$ 90,708</b>	<b>\$ 396,736</b>	<b>\$ 19,780,802</b>	<b>\$ 18,539,398</b>	<b>\$ 322,794</b>	<b>\$ 396,736</b>	<b>\$ 19,258,928</b>

## THE 52ND STREET PROJECT, INC.

## STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015					2014				
	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	\$ 65,360	\$ -	\$ -	\$ -	\$ 65,360	\$ 73,575	\$ -	\$ -	\$ -	\$ 73,575
Foundations	126,595	-	35,000	-	161,595	198,665	-	60,000	-	258,665
Corporations	108,534	-	-	-	108,534	81,050	-	-	-	81,050
Individuals	147,284	995,435	-	-	1,142,719	159,626	-	-	-	159,626
Scholarship income	21,561	-	28,518	-	50,079	21,699	-	18,217	-	39,916
Fundraising benefits	432,468	-	-	-	432,468	445,629	-	-	-	445,629
Less: direct costs of fundraising benefits	(96,145)	-	-	-	(96,145)	(118,157)	-	-	-	(118,157)
Donated services and materials (Note 8)	37,083	-	-	-	37,083	47,876	-	-	-	47,876
Net assets released from restrictions										
Foundations	60,000	-	(60,000)	-	-	10,000	-	(10,000)	-	-
Individuals	20,847	-	(20,847)	-	-	11,000	-	(11,000)	-	-
Total Public Support	923,587	995,435	(17,329)	-	1,901,693	930,963	-	57,217	-	988,180
Other Revenue										
Theatre rental income (Note 1h)	148,959	-	-	-	148,959	142,064	-	-	-	142,064
Concessions, net of costs of goods sold of \$2,588 (2015) and \$4,838 (2014)	2,654	-	-	-	2,654	528	-	-	-	528
Other income	7,250	-	-	-	7,250	-	-	-	-	-
Spending policy distribution (Notes 2b and 4c)	478,308	-	-	-	478,308	374,524	-	-	-	374,524
Total Other Revenue	637,171	-	-	-	637,171	517,116	-	-	-	517,116
Total Public Support and Other Revenue	1,560,758	995,435	(17,329)	-	2,538,864	1,448,079	-	57,217	-	1,505,296
<b>Expenses</b>										
Program Services	1,509,103	-	-	-	1,509,103	1,452,787	-	-	-	1,452,787
Supporting Services										
Management and General	294,160	-	-	-	294,160	262,642	-	-	-	262,642
Fundraising	218,002	-	-	-	218,002	203,288	-	-	-	203,288
Total Supporting Services	512,162	-	-	-	512,162	465,930	-	-	-	465,930
Total Expenses	2,021,265	-	-	-	2,021,265	1,918,717	-	-	-	1,918,717
Increase (Decrease) in Net Assets Before Non-Operating Activities (carried forward)	<b>(460,507)</b> *	995,435	(17,329)	-	517,599	<b>(470,638)</b> *	-	57,217	-	(413,421)

\* Includes depreciation expense of \$460,507 (2015) and \$470,638 (2014)  
Decrease in unrestricted net assets before depreciation  
expense and non-operating activities

\$ -
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## THE 52ND STREET PROJECT, INC.

## STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015					2014				
	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)	\$ (460,507)	\$ 995,435	\$ (17,329)	\$ -	\$ 517,599	\$ (470,638)	\$ -	\$ 57,217	\$ -	\$ (413,421)
<b>Non-Operating Activities</b>										
Donated equipment and design fees (Note 8)	225,890	-	-	-	225,890	2,565	-	-	-	2,565
Investment income (Notes 1e and 4c)	-	176,605	-	11,514	188,119	-	548,095	-	38,621	586,716
Excess earnings (Notes 2b and 4c)	-	226,271	(214,757)	(11,514)	-	-	(176,136)	214,757	(38,621)	-
Spending policy distribution (Notes 2b and 4c)	-	(478,308)	-	-	(478,308)	-	(374,524)	-	-	(374,524)
Total Non-Operating Activities	225,890	(75,432)	(214,757)	-	(64,299)	2,565	(2,565)	214,757	-	214,757
Increase (decrease) in net assets	(234,617)	920,003	(232,086)	-	453,300	(468,073)	(2,565)	271,974	-	(198,664)
Net transfers - purchase of property and equipment (Note 2a)	4,343	(4,343)	-	-	-	3,499	(3,499)	-	-	-
Net assets, beginning of year	12,856,354	5,627,268	322,794	396,736	19,203,152	13,320,928	5,633,332	50,820	396,736	19,401,816
<b>Net Assets, End of Year</b>	<b>\$ 12,626,080</b>	<b>\$ 6,542,928</b>	<b>\$ 90,708</b>	<b>\$ 396,736</b>	<b>\$ 19,656,452</b>	<b>\$ 12,856,354</b>	<b>\$ 5,627,268</b>	<b>\$ 322,794</b>	<b>\$ 396,736</b>	<b>\$ 19,203,152</b>

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

**STATEMENTS OF CASH FLOWS**

**FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>Cash Flows From Operating and Non-Operating Activities</b>		
Increase (Decrease) in net assets	\$ 453,300	\$ (198,664)
Adjustments to reconcile change in net assets to net cash used by operating and non-operating activities:		
Depreciation	460,507	470,638
Realized gain on sale of investments	(194,442)	(205,417)
Unrealized loss (gain) on investments	244,271	(160,439)
Donated securities	(1,021,361)	(91,856)
Donated equipment and design fees*	(225,890)	(2,565)
(Increase) decrease in:		
Accounts receivable	(30,961)	6,867
Unconditional promises to give	71,535	16,895
Prepaid expenses	12,692	(791)
Deposit	-	(5,625)
Increase (decrease) in:		
Accounts payable and accrued expenses	38,449	6,565
Deferred rental income	(22,188)	(4,562)
Due to Con Edison	52,313	-
Net Cash Used By Operating and Non-Operating Activities	<u>(161,775)</u>	<u>(168,954)</u>
<b>Cash Flows From Investing Activities</b>		
Purchase of investments	(3,240,897)	(2,374,222)
Proceeds from sale of investments and donated securities	3,468,251	2,322,038
Purchase of property and equipment	<u>(4,343)</u>	<u>(3,499)</u>
Net Cash Provided (Used) By Investing Activities	<u>223,011</u>	<u>(55,683)</u>
Net increase (decrease) in cash and cash equivalents	61,236	(224,637)
Cash and cash equivalents, beginning of year	<u>543,712</u>	<u>768,349</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 604,948</u></u>	<u><u>\$ 543,712</u></u>

**Supplemental Disclosure:**

Non-Cash Activity

\*In fiscal years 2015 and 2014, the Organization received \$225,890 and \$2,565, respectively, of donated equipment and design fees which has been capitalized.

**See notes to financial statements.**



**THE 52ND STREET PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

**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 the purposes of the statements 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, 2015 AND 2014**

**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 statements 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. Equipment and furniture are being depreciated over the useful life of the related asset using the 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 Rental Income and Deferred Rental Income

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, 2015 AND 2014**

**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 a 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, 2014, 2013 and 2012 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.

m - Reclassifications

Investments allocation for the year ended June 30, 2014 financial statements have been reclassified for comparative purposes to conform to the presentation of the year ended June 30, 2015 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 52ND STREET PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

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

a) (continued)

The Organization has a spending policy of appropriating for distribution each year a set amount based on the Organization's current operating budget, \$478,308 (2015) and \$374,524 (2014). 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. During the years ended June 30, 2015 and 2014, the Organization transferred \$4,343 and \$3,499, respectively, from the board-designated fund to cover property and equipment capitalized.

During the year ended June 30, 2015, the Organization created an additional board-designated fund, Fund for the Future Campaign (the "Campaign"), to generate income to meet ongoing annual shortfalls in light of anticipated rising costs. The Campaign has three main areas of growth for which funds are needed: maintenance costs, technology upgrades and enhanced marketing, and infrastructure growth. As of June 30, 2015, the Organization has raised \$995,435 towards its \$6 million goal and has spent \$6,500 in consulting fees.

	<u>2015</u>	<u>2014</u>
General Endowment Fund	\$ 5,553,993	\$ 5,627,268
Fund for the Future Campaign	988,935	-
Total Board-Designated Funds	<u>\$ 6,542,928</u>	<u>\$ 5,627,268</u>

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

	<u>2015</u>	<u>2014</u>
Scholarship and music program	\$ 55,708	\$ 48,037
Restricted for use in future periods	35,000	35,000
Excess investment income (Note 4c)	-	214,757
Teen program	-	25,000
	<u>\$ 90,708</u>	<u>\$ 322,794</u>

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

	<u>2015</u>	<u>2014</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.

**THE 52ND STREET PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

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

c) (continued)

Any excess investment income is to be added to the Funds, with any losses reducing unrestricted net assets. During the years ended June 2015 and 2014, there was no excess from investing the Funds and the distribution was \$11,514 and \$38,621, 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, 2015 and 2014, the Organization awarded scholarships of \$22,500 and \$18,000, respectively.

The net investment income earned on the permanently restricted net assets has been fully utilized during the years ended June 30, 2015 and 2014 for the designated purposes.

**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, 2015, the Organization's uninsured cash balances totaled \$95,751. The Organization maintains investment balances at one financial institution. The balances are insured first by the Securities Investor Protection Corporation up to \$500,000 with additional private insurance up to \$19m. At June 30, 2015, 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, 2015 and 2014 was \$604,948 and \$543,712, respectively. Cash and short-term investments carrying amount approximates fair value because of the short maturities of those investments.

**THE 52ND STREET PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

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

b) Fair Values Measured on Recurring Basis

Fair values of assets measured on a recurring basis at June 30, 2015 and 2014 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, 2015 and 2014 was \$6,454,443 and \$5,710,265, 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:

	<u>2015</u>		<u>2014</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Government securities	\$ 2,389,835	\$ 2,380,994	\$ 2,069,588	\$ 2,045,897
Mutual funds	2,463,382	2,301,095	2,003,984	1,996,591
Equities	1,425,508	1,772,354	1,216,704	1,667,777
	<u>\$ 6,278,725</u>	<u>\$ 6,454,443</u>	<u>\$ 5,290,276</u>	<u>\$ 5,710,265</u>

c) Investment Income

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

	<u>2015</u>	<u>2014</u>
Interest and dividend income	\$ 237,948	\$ 220,860
Realized gain on sale of investments	194,442	205,417
Unrealized gain (loss) on investments	(244,271)	160,439
	<u>\$ 188,119</u>	<u>\$ 586,716</u>

The Organization incurred investment fees of \$63,296 and \$45,661 for the years ended June 30, 2015 and 2014, respectively.

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").

**THE 52ND STREET PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

**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, 2015 and 2014, 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>2015</u>	<u>2014</u>
Leasehold improvements	39	\$ 14,288,415	\$ 14,281,211
Equipment	3-10	556,272	337,586
Furniture and fixtures	7	320,228	315,885
Website development	3	27,756	27,756
		<u>15,192,671</u>	<u>14,962,438</u>
Less: accumulated depreciation and amortization		<u>(2,566,591)</u>	<u>(2,106,084)</u>
		<u>\$ 12,626,080</u>	<u>\$ 12,856,354</u>

Depreciation expense for the years ended June 30, 2015 and 2014 was \$460,507 and \$470,638, respectively. Leasehold improvements include \$10,600,000 contributed by the 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 in collaboration with the DCA. DCA 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 2016 and 2017.

**THE 52ND STREET PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

**Note 7 - Commitments and Contingencies (continued)**

b) (continued)

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 \$61,901 and \$59,756 for the years ended June 30, 2015 and 2014, respectively, 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, 2015, 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 to the Organization as follows as of June 30, 2015:

For the year ending June 30, 2016	\$ 19,000
“ “ “ “ June 30, 2017	16,500
For the eleven months ending May 31, 2018	<u>19,000</u>
	<u>\$ 54,500</u>

d) During the year ended June 30, 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. In December 2014, Con Edison and the Organization agreed to the amount due for the past five years of usage, which has been reflected within the accompanying financial statements. The Organization agreed to a monthly installment plan payable as follows:

For the year ending June 30, 2016	\$ 6,239
“ “ “ “ June 30, 2017	6,428
“ “ “ “ June 30, 2018	6,623
“ “ “ “ June 30, 2019	6,825
“ “ “ “ June 30, 2020	7,032
Thereafter, through December 20, 2022	<u>19,166</u>
Total Principal Due as of June 30, 2015	<u>\$ 52,313</u>



**THE 52ND STREET PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

**Note 8 - Donated Services and Materials**

The Organization received donated services and materials during the years ended June 30, 2015 and 2014 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>2015</u>	<u>2014</u>
Equipment and design fees - capitalized	\$ 225,890	\$ 2,565
Legal services	20,294	17,105
Audit and tax services	9,839	13,421
Housing	4,900	2,950
Automobiles	1,050	1,900
Publicity and press services	1,000	12,500
	<u>\$ 262,973</u>	<u>\$ 50,441</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, 2015 and 2014.

**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 9, 2015, 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, 2015 and 2014, and have issued our report thereon dated September 9, 2015, 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, 2015 with comparative totals for 2014 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 9, 2015

## THE 52ND STREET PROJECT, INC.

## SCHEDULE OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2015 WITH COMPARATIVE TOTALS FOR 2014

	Program Services	Supporting Services			2015	2014
		Management and General	Fundraising	Total	Total Expenses	Total Expenses
Salaries	\$ 520,961	\$ 125,325	\$ 111,346	\$ 236,671	\$ 757,632	\$ 737,692
Benefits, taxes and payroll expenses	95,311	22,928	20,371	43,299	138,610	152,599
Artists and other fees	10,849	-	-	-	10,849	15,227
Marketing and press	15,845	1,562	1,562	3,124	18,969	37,057
Repairs and maintenance	23,223	869	745	1,614	24,837	20,657
Theatrical production materials	4,702	-	-	-	4,702	5,452
Professional fees	10,147	36,772	9,700	46,472	56,619	45,864
Supplies and office expenses	14,239	-	10	10	14,249	15,507
Insurance	48,474	6,630	6,145	12,775	61,249	57,601
Computers and equipment	7,379	2,290	1,577	3,867	11,246	10,102
Rent and utilities	192,988	7,224	6,192	13,416	206,404	134,535
Cleaning	11,579	2,786	2,475	5,261	16,840	18,106
Security	20,868	781	670	1,451	22,319	18,824
Telephone and internet	5,302	1,261	1,121	2,382	7,684	8,425
Postage and printing	9,015	685	6,764	7,449	16,464	9,668
Scholarships	22,500	-	-	-	22,500	18,000
Subscriptions, dues and memberships	3,479	837	7,479	8,316	11,795	4,293
Indirect event expenses	-	-	11,437	11,437	11,437	28,666
Touring travel, housing and food	61,608	992	9,641	10,633	72,241	53,224
Investment fees	-	63,296	-	63,296	63,296	45,661
Finance charges	-	3,029	6,007	9,036	9,036	9,693
Miscellaneous	60	775	945	1,720	1,780	1,226
Total expenses before depreciation	1,078,529	278,042	204,187	482,229	1,560,758	1,448,079
Depreciation	430,574	16,118	13,815	29,933	460,507	470,638
Total Expenses, 2015	<u>\$ 1,509,103</u>	<u>\$ 294,160</u>	<u>\$ 218,002</u>	<u>\$ 512,162</u>	<u>\$ 2,021,265</u>	
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>

See independent auditor's report on supplemental information.