

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

**FINANCIAL STATEMENTS  
AND  
SUPPLEMENTAL INFORMATION**

**JUNE 30, 2016 AND 2015**

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

**TABLE OF CONTENTS**

	<b>Page</b>
Independent Auditor's Report .....	1-2
Financial Statements	
Statements of Financial Position .....	3
Statements of Activities .....	4-5
Statements of Cash Flows .....	6
Notes to Financial Statements .....	7-16
Supplemental Information	
Independent Auditor's Report on Supplemental Information .....	18
Schedule of Functional Expenses .....	19

## 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 statement of financial position as of June 30, 2016, and the related statements of activities and cash flows for the year then ended and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

## **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, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Prior Period Financial Statements**

The financial statements for the year ended June 30, 2015 were audited by Fried and Kowgios Partners CPA's LLP, who merged with WithumSmith+Brown, PC effective August 1, 2016, and they expressed an unmodified opinion on the statements in their report dated September 9, 2015. No auditing procedures have been performed with respect to the June 30, 2015 financial statements since that date.

*WithumSmith+Brown, PC*

New York, New York  
September 7, 2016

## THE 52ND STREET PROJECT, INC.

## STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2016 AND 2015

	2016				2015			
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
<b>Assets</b>								
Current Assets								
Cash and cash equivalents	\$ 492,582	\$ 71,000	\$ -	\$ 563,582	\$ 514,240	\$ 90,708	\$ -	\$ 604,948
Accounts receivable	13,611	-	-	13,611	31,127	-	-	31,127
Unconditional promises to give	215,553	62,500	-	278,053	23,160	-	-	23,160
Prepaid expenses	57,605	-	-	57,605	35,419	-	-	35,419
Total Current Assets	779,351	133,500	-	912,851	603,946	90,708	-	694,654
Unconditional promises to give	98,750	-	-	98,750	-	-	-	-
Investments	6,332,750	-	396,736	6,729,486	6,057,707	-	396,736	6,454,443
Property and equipment, at cost, net of accumulated depreciation and amortization	12,193,465	-	-	12,193,465	12,626,080	-	-	12,626,080
Security deposit	5,625	-	-	5,625	5,625	-	-	5,625
<b>Total Assets</b>	<b>\$ 19,409,941</b>	<b>\$ 133,500</b>	<b>\$ 396,736</b>	<b>\$ 19,940,177</b>	<b>\$ 19,293,358</b>	<b>\$ 90,708</b>	<b>\$ 396,736</b>	<b>\$ 19,780,802</b>
<b>Liabilities and Net Assets</b>								
Liabilities								
Current Liabilities								
Accounts payable and accrued expenses	\$ 46,702	\$ -	\$ -	\$ 46,702	\$ 66,037	\$ -	\$ -	\$ 66,037
Deferred rental income	17,305	-	-	17,305	6,000	-	-	6,000
Due to Con Edison	6,429	-	-	6,429	6,239	-	-	6,239
Total Current Liabilities	70,436	-	-	70,436	78,276	-	-	78,276
Due to Con Edison	39,646	-	-	39,646	46,074	-	-	46,074
Total Liabilities	110,082	-	-	110,082	124,350	-	-	124,350
Commitments and contingencies								
Net Assets								
Unrestricted								
Property and equipment, net	12,193,465	-	-	12,193,465	12,626,080	-	-	12,626,080
Board - designated	7,106,394	-	-	7,106,394	6,542,928	-	-	6,542,928
Temporarily Restricted	-	133,500	-	133,500	-	90,708	-	90,708
Permanently Restricted	-	-	396,736	396,736	-	-	396,736	396,736
Total Net Assets	19,299,859	133,500	396,736	19,830,095	19,169,008	90,708	396,736	19,656,452
<b>Total Liabilities and Net Assets</b>	<b>\$ 19,409,941</b>	<b>\$ 133,500</b>	<b>\$ 396,736</b>	<b>\$ 19,940,177</b>	<b>\$ 19,293,358</b>	<b>\$ 90,708</b>	<b>\$ 396,736</b>	<b>\$ 19,780,802</b>

See notes to financial statements.

## THE 52ND STREET PROJECT, INC.

## STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016					2015				
	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										
Government	\$ 90,560	\$ -	\$ 12,500	\$ -	\$ 103,060	\$ 65,360	\$ -	\$ -	\$ -	\$ 65,360
Foundations	140,350	340,150	50,000	-	530,500	126,595	-	35,000	-	161,595
Corporations	109,411	-	-	-	109,411	108,534	-	-	-	108,534
Individuals	163,794	357,436	-	-	521,230	147,284	995,435	-	-	1,142,719
Scholarship income	-	-	41,792	-	41,792	21,561	-	28,518	-	50,079
Fundraising benefits	492,798	-	-	-	492,798	432,468	-	-	-	432,468
Less: direct costs of fundraising benefits	(105,602)	-	-	-	(105,602)	(96,145)	-	-	-	(96,145)
Donated services and materials	41,209	-	-	-	41,209	37,083	-	-	-	37,083
Net assets released from restrictions										
Foundations	35,000	-	(35,000)	-	-	60,000	-	(60,000)	-	-
Individuals	26,500	-	(26,500)	-	-	20,847	-	(20,847)	-	-
Total Public Support	994,020	697,586	42,792	-	1,734,398	923,587	995,435	(17,329)	-	1,901,693
Other Revenue										
Theatre rental income	201,071	-	-	-	201,071	148,959	-	-	-	148,959
Concessions, net of costs of goods sold of \$704 (2016) and \$2,588 (2015)	3,034	-	-	-	3,034	2,654	-	-	-	2,654
Other income	527	-	-	-	527	7,250	-	-	-	7,250
Spending policy distribution	243,983	-	-	-	243,983	408,512	-	-	-	408,512
Total Other Revenue	448,615	-	-	-	448,615	567,375	-	-	-	567,375
Total Public Support and Other Revenue	1,442,635	697,586	42,792	-	2,183,013	1,490,962	995,435	(17,329)	-	2,469,068
<b>Expenses</b>										
Program Services	1,520,723	-	-	-	1,520,723	1,509,103	-	-	-	1,509,103
Supporting Services										
Management and General	188,303	-	-	-	188,303	230,864	-	-	-	230,864
Fundraising	166,224	-	-	-	166,224	211,502	-	-	-	211,502
Total Supporting Services	354,527	-	-	-	354,527	442,366	-	-	-	442,366
Total Expenses	1,875,250	-	-	-	1,875,250	1,951,469	-	-	-	1,951,469
Increase (Decrease) in Net Assets Before Non-Operating Activities (carried forward)	(432,615) *	697,586	42,792	-	307,763	(460,507) *	995,435	(17,329)	-	517,599

\* Includes depreciation expense of \$432,615 (2016) and \$460,507 (2015)  
Decrease in unrestricted net assets before depreciation  
expense and non-operating activities

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\$ -
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See notes to financial statements.

## THE 52ND STREET PROJECT, INC.

## STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016					2015				
	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)	\$ (432,615)	\$ 697,586	\$ 42,792	\$ -	\$ 307,763	\$ (460,507)	\$ 995,435	\$ (17,329)	\$ -	\$ 517,599
<b>Non-Operating Activities</b>										
Foundations	35,000	-	-	-	35,000	-	-	-	-	-
Investment income	-	160,661	-	11,552	172,213	-	113,309	-	11,514	124,823
Excess earnings	-	11,552	-	(11,552)	-	-	226,271	(214,757)	(11,514)	-
Spending policy distribution	62,350	(306,333)	-	-	(243,983)	6,500	(415,012)	-	-	(408,512)
Capacity building expenses	(97,350)	-	-	-	(97,350)	(6,500)	-	-	-	(6,500)
Donated equipment and design fees	-	-	-	-	-	225,890	-	-	-	225,890
Total Non-Operating Activities	-	(134,120)	-	-	(134,120)	225,890	(75,432)	(214,757)	-	(64,299)
Increase (decrease) in net assets	(432,615)	563,466	42,792	-	173,643	(234,617)	920,003	(232,086)	-	453,300
Net transfers - purchase of property and equipment	-	-	-	-	-	4,343	(4,343)	-	-	-
Net assets, beginning of year	12,626,080	6,542,928	90,708	396,736	19,656,452	12,856,354	5,627,268	322,794	396,736	19,203,152
<b>Net Assets, End of Year</b>	<b>\$ 12,193,465</b>	<b>\$ 7,106,394</b>	<b>\$ 133,500</b>	<b>\$ 396,736</b>	<b>\$ 19,830,095</b>	<b>\$ 12,626,080</b>	<b>\$ 6,542,928</b>	<b>\$ 90,708</b>	<b>\$ 396,736</b>	<b>\$ 19,656,452</b>

See notes to financial statements.

## THE 52ND STREET PROJECT, INC.

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<b>Cash Flows From Operating and Non-Operating Activities</b>		
Increase in net assets	\$ 173,643	\$ 453,300
Adjustments to reconcile increase in net assets to net cash provided (used) by operating and non-operating activities:		
Depreciation	432,615	460,507
Realized (gain) loss on sale of investments	104,912	(194,442)
Unrealized loss (gain) on investments	(152,184)	244,271
Donated securities	(55,068)	(1,021,361)
Change in discount for present value of unconditional promises	11,564	-
Donated equipment and design fees*	-	(225,890)
(Increase) decrease in:		
Accounts receivable	17,516	(30,961)
Unconditional promises to give	(365,207)	71,535
Prepaid expenses	(22,186)	12,692
Increase (decrease) in:		
Accounts payable and accrued expenses	(19,335)	38,449
Deferred rental income	11,305	(22,188)
Due to Con Edison	(6,238)	52,313
Net Cash Provided (Used) By Operating and Non-Operating Activities	<u>131,337</u>	<u>(161,775)</u>
<b>Cash Flows From Investing Activities</b>		
Purchase of investments	(14,089,159)	(3,240,897)
Proceeds from sale of investments and donated securities	13,916,456	3,468,251
Purchase of property and equipment	-	(4,343)
Net Cash Provided (Used) By Investing Activities	<u>(172,703)</u>	<u>223,011</u>
Net increase (decrease) in cash and cash equivalents	(41,366)	61,236
Cash and cash equivalents, beginning of year	<u>604,948</u>	<u>543,712</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 563,582</u>	<u>\$ 604,948</u>

**Supplemental Disclosure:**

## Non-Cash Activity

\*In fiscal year 2015, the Organization received \$225,890 of donated equipment and design fees which has been capitalized.

Interest expense paid	<u>\$ 2,128</u>	<u>\$ -</u>
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See notes to financial statements.



**THE 52ND STREET PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

**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. The fair value measurement hierarchy prioritizes the 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 and 2 of the fair value hierarchy. Fair value is determined using quoted market values.

**THE 52ND STREET PROJECT, INC.****NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2016 AND 2015****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 received or 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. Concession income is recognized in the period to which the fees relate.

**THE 52ND STREET PROJECT, INC.****NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2016 AND 2015****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 in the United States of America 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, 2015, 2014 and 2013 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. The Organization did not recognize any tax related interest and/or penalties in the accompanying financial statements, but would record any such interest and/or penalties as a component of other expense.

**m - Reclassifications**

Certain amounts for the year ended June 30, 2015 financial statements have been reclassified for comparative purposes to conform to the presentation of the year ended June 30, 2016 financial statements. Such reclassifications had no effect on the net assets of the Organization

**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, 2016 AND 2015**

**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. As of June 30, 2016, \$243,983 was appropriated for operating and \$62,350 for capacity building expenses. As of June 30, 2015, \$408,512 was appropriated for operating and \$6,500 for capacity building expenses. 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, 2016 and 2015, the Organization transferred \$0 and \$4,343, respectively, from the board-designated fund to cover property and equipment capitalized.

During the year ended June 30, 2015, the Organization began a new capacity campaign, Fund for the Future Campaign (the "Campaign"), to be added to the existing board designated funds. The campaign has two main areas of growth for which funds are needed: programs and sustainability. These include increasing resources for maintenance costs, technology upgrades, enhanced marketing and fundraising, and infrastructure growth. As of June 30, 2016, the Organization has raised \$1,755,371 towards its goal of between \$5m and \$6m to be finalized by the Board at the conclusion of the campaign quiet phase. As of June 30, 2016 and 2015, the Organization has spent \$97,350 and \$6,500, respectively, in consulting fees.

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

	<u>2016</u>	<u>2015</u>
Scholarship and music program	\$ 71,000	\$ 55,708
Teen program	37,500	-
Future periods	25,000	35,000
	<u>\$ 133,500</u>	<u>\$ 90,708</u>

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

	<u>2016</u>	<u>2015</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, 2016 AND 2015**

**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 30, 2016 and 2015, there was no excess from investing the Funds and the distribution was \$11,552 and \$11,514, 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, 2016 and 2015, the Organization awarded scholarships of \$26,500 and \$22,500, respectively.

The net investment income earned on the permanently restricted net assets has been fully utilized during the years ended June 30, 2016 and 2015 for the designated purposes.

**Note 3 - Concentration of Credit Risk**

The Organization maintains its 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, 2016, the Organization's uninsured cash balances totaled \$110,843. 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 \$1.9m. SIPC does not protect investors from market risk.

**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, 2016 and 2015 was \$563,582 and \$604,948, 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, 2016 AND 2015**

**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, 2016 and 2015 consist of government securities, equities and mutual funds (all of which are Level 1 measurements that are carried at fair value based on quoted prices in active markets) and corporate bonds (which are Level 2). The fair value and quoted prices in active markets for identical assets for investments as of June 30, 2016 and 2015 was \$6,729,486 and \$6,454,443, 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>2016</b>		<b>2015</b>	
	<b>Cost</b>	<b>Fair Value</b>	<b>Cost</b>	<b>Fair Value</b>
Government securities	\$ 3,301,574	\$ 3,361,053	\$ 2,389,835	\$ 2,380,994
Equities	1,613,560	1,823,249	1,425,508	1,772,354
Corporate bonds	1,486,450	1,545,184	-	-
Mutual funds	-	-	2,463,382	2,301,095
	<b>\$ 6,401,584</b>	<b>\$ 6,729,486</b>	<b>\$ 6,278,725</b>	<b>\$ 6,454,443</b>

c) Investment Income

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

	<b>2016</b>	<b>2015</b>
Interest and dividend income	\$ 162,997	\$ 237,948
Unrealized gain (loss) on investments	152,184	(244,271)
Realized gain (loss) on sale of investments	(104,912)	194,442
Investment fees	(38,056)	(63,296)
	<b>\$ 172,213</b>	<b>\$ 124,823</b>

The percentage allowed to be utilized towards the Organization's operations within the Organization's endowment policy is based on 6% of the average value of the prior 12 quarters of held investments. Any net excess of 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, 2016 AND 2015**

**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. Uncollectible promises are expected to be insignificant. Unconditional promises to give to be received after one year are discounted at a rate of 5%. As of June 30, 2015, all unconditional promises to give were due within one year. Unconditional promises to give consist of the following as of June 30, 2016:

	<b>Less Than One Year</b>	<b>One to Three Years</b>	<b>Total</b>
Unrestricted	\$ 68,220	\$ -	\$ 68,220
Restricted for programs	62,500	-	62,500
Board designated capital projects	147,333	110,314	257,647
	278,053	110,314	388,367
Less: discount for present value	-	(11,564)	(11,564)
	<u>\$ 278,053</u>	<u>\$ 98,750</u>	<u>\$ 376,803</u>

**Note 6 - Property and Equipment**

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

	<b>Life/Years</b>	<b>2016</b>	<b>2015</b>
Leasehold improvements	39	\$ 14,288,415	\$ 14,288,415
Equipment	3-10	556,272	556,272
Furniture and fixtures	7	320,228	320,228
Website development	3	27,756	27,756
		15,192,671	15,192,671
Less: accumulated depreciation and amortization		(2,999,206)	(2,566,591)
		<u>\$ 12,193,465</u>	<u>\$ 12,626,080</u>

Depreciation expense for the years ended June 30, 2016 and 2015 was \$432,615 and \$460,507, 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, 2016 AND 2015**

**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 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 \$62,057 and \$61,901 for the years ended June 30, 2016 and 2015, 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, 2016, 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, 2016:

For the year ending June 30, 2017	\$ 16,500
For the eleven months ending May 31, 2018	19,000
	\$ 35,500

- d) The Organization entered into a member services agreement with Arts Pool Services, Inc. ("ArtsPool") for financial and workforce administration services. The agreement expires on June 30, 2017. Per the agreement, ArtsPool is responsible for maintaining a chart of accounts, maintaining and monitoring the operating budget, preparing reports, processing payroll and managing compliance tasks. ArtsPool is entitled to a fee of 3% of the Organization's projected operating expenses for the fiscal year, which was approximately \$45,000 for the year ended June 30, 2016.



**THE 52ND STREET PROJECT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016 AND 2015**

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

- e) In 2014, Con Edison notified the Organization that there was 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, 2017	\$ 6,429
“ “ “ “ June 30, 2018	6,623
“ “ “ “ June 30, 2019	6,825
“ “ “ “ June 30, 2020	7,032
“ “ “ “ June 30, 2021	7,246
Thereafter, through December 20, 2022	<u>11,920</u>
Total Principal Due as of June 30, 2016	46,075
Less: Current Portion	<u>(6,429)</u>
Long-Term Portion	<u>\$ 39,646</u>

**Note 8 - Donated Services and Materials**

The Organization received donated services and materials during the years ended June 30, 2016 and 2015 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>2016</u>	<u>2015</u>
Housing	\$ 19,900	\$ 4,900
Audit and tax services	13,003	9,839
Automobiles	3,700	1,050
Video shoot	3,327	-
Legal services	1,279	20,294
Equipment and design fees - capitalized	-	225,890
Publicity and press services	-	1,000
Total Donated Services and Materials	<u>41,209</u>	<u>262,973</u>
Less: Operating Portion	<u>(41,209)</u>	<u>(37,083)</u>
Non-Operating Portion	<u>\$ -</u>	<u>\$ 225,890</u>

**THE 52ND STREET PROJECT, INC.****NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2016 AND 2015****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, 2016 and 2015.

**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 7, 2016, the date which the financial statements were available to be issued.

**SUPPLEMENTAL INFORMATION**

**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 year ended June 30, 2016, and have issued our report thereon dated September 7, 2016, which contained an unmodified opinion on those financial statements. Our audit was 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, 2016 with comparative totals for 2015 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 audit 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.

The financial statements for the year ended June 30, 2015, were audited by Fried and Kowgios Partners CPA's LLP, who merged with WithumSmith+Brown, PC effective August 1, 2016, and they expressed an unmodified opinion on the statements in their report dated September 9, 2015. Their report, as of the same date, on the Schedule of Functional Expenses for the year ended June 30, 2015 stated that, in their opinion, such information was fairly stated in all material respects in relation to the financial statements for the year ended June 30, 2015, as a whole.

*WithumSmith+Brown, PC*

New York, New York  
September 7, 2016

## THE 52ND STREET PROJECT, INC.

## SCHEDULE OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2016 WITH COMPARATIVE TOTALS FOR 2015

	Program Services	Supporting Services			Total	2016	2015
		Management and General	Fundraising	Capacity Building		Total Expenses	Total Expenses
Salaries, wages, benefits and taxes	\$ 761,197	\$ 75,917	\$ 100,162	\$ -	\$ 176,079	\$ 937,276	\$ 911,514
Marketing and press	13,154	2,538	-	-	2,538	15,692	18,968
Repairs and maintenance	12,573	3,068	1,683	-	4,751	17,324	41,678
Theatrical production and recreation	5,603	498	32	-	530	6,133	5,900
Professional fees	53,844	28,292	13,165	97,350	138,807	192,651	67,468
Supplies and office expenses	11,770	1,228	6,109	-	7,337	19,107	27,276
Insurance	21,953	22,485	3,073	-	25,558	47,511	45,978
Rent and utilities	116,004	8,879	16,201	-	25,080	141,084	206,404
Security	13,259	5,021	1,844	-	6,865	20,124	22,319
Telecommunications	5,648	1,015	782	-	1,797	7,445	7,685
Postage, delivery, and printing	3,926	1,794	3,453	-	5,247	9,173	16,464
Scholarships	26,500	-	-	-	-	26,500	22,500
Subscriptions, dues and memberships	-	5,997	-	-	5,997	5,997	11,795
Indirect event expenses	-	-	5,044	-	5,044	5,044	11,437
Touring travel, housing and food	62,217	2,694	702	-	3,396	65,613	53,838
Catering and hospitality	8,580	1,908	996	-	2,904	11,484	17,202
Bank and processing fees	-	9,699	-	-	9,699	9,699	9,036
Interest expense	-	2,128	-	-	2,128	2,128	-
Total expenses before depreciation	1,116,228	173,161	153,246	97,350	423,757	1,539,985	1,497,462
Depreciation	404,495	15,142	12,978	-	28,120	432,615	460,507
Total Expenses, 2016	<u>\$ 1,520,723</u>	<u>\$ 188,303</u>	<u>\$ 166,224</u>	<u>\$ 97,350</u>	<u>\$ 451,877</u>	<u>\$ 1,972,600</u>	
Total Expenses, 2015	<u>\$ 1,509,103</u>	<u>\$ 230,864</u>	<u>\$ 211,502</u>	<u>\$ 6,500</u>	<u>\$ 448,866</u>		<u>\$ 1,957,969</u>

See independent auditor's report on supplemental information.