THE 52ND STREET PROJECT, INC.
Financial Statements
June 30, 2019 and 2018
With Independent Auditor's Report

withum
ADVISORY TAX AUDIT

The 52nd Street Project, Inc.
June 30, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
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, 2019 and 2018, and the related statements of activities, functional expenses 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.

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, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2019, the Organization adopted Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities* (Topic 958). Our opinion is not modified with respect to this matter.

WithumSmith+Brown, PC

October 17, 2019

The 52nd Street Project, Inc.
Statements of Financial Position
June 30, 2019 and 2018

	2019			2018		
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Assets						
Current Assets						
Cash and cash equivalents	$ 420,318	$ 169,415	$ 589,733	$ 373,084	$ 167,575	$ 540,659
Accounts receivable	38,109	--	38,109	72,652	--	72,652
Unconditional promises to give	136,920	27,050	163,970	195,672	139,800	335,472
Prepaid expenses	49,867	--	49,867	63,703	--	63,703
Total Current Assets	645,214	196,465	841,679	705,111	307,375	1,012,486
Unconditional promises to give	87,306	--	87,306	101,288	30,931	132,219
Investments	6,441,491	401,854	6,843,345	6,334,784	401,863	6,736,647
Property and equipment, at cost, net of					--	
accumulated depreciation	11,016,117	--	11,016,117	11,388,857	--	11,388,857
Security deposit	--	--	--	5,625	--	5,625
Total Assets	$ 18,190,128	$ 598,319	$ 18,788,447	$ 18,535,665	$ 740,169	$ 19,275,834
Liabilities and Net Assets						
Liabilities						
Current Liabilities						
Accounts payable and accrued expenses	$ 128,977	$ --	$ 128,977	$ 110,398	$ --	$ 110,398
Deferred rental income	5,000	--	5,000	38,140	--	38,140
Due to Con Edison, current portion	7,032	--	7,032	6,826	--	6,826
Total Current Liabilities	141,009	--	141,009	155,364	--	155,364
Due to Con Edison, net of current portion	19,166	--	19,166	26,198	--	26,198
Total Liabilities	160,175	--	160,175	181,562	--	181,562
Commitments and contingencies						
Net Assets						
Without donor restrictions						
Property and equipment, net	11,016,117	--	11,016,117	11,388,857	--	11,388,857
Board - designated	7,013,836	--	7,013,836	6,965,246	--	6,965,246
With Donor Restriction	--	598,319	598,319	--	740,169	740,169
Total Net Assets	18,029,953	598,319	18,628,272	18,354,103	740,169	19,094,272
	$ 18,190,128	$ 598,319	$ 18,788,447	$ 18,535,665	$ 740,169	$ 19,275,834

The Notes to Financial Statements are an integral part of these statements.

The 52nd Street Project, Inc.
Statements of Activities
For the Years Ended June 30, 2019 and 2018

	2019				2018			
	WITHOUT DONOR RESTICTIONS				WITHOUT DONOR RESTICTIONS			
		BOARD -	WITH DONOR			BOARD -	WITH DONOR	
Operating Activities	UNRESTRICTED	DESIGNATED	RESTRICTIONS	TOTAL	UNRESTRICTED	DESIGNATED	RESTRICTIONS	TOTAL
Public Support and Other Revenue								
Public Support								
Government	$ 96,825	$ --	$ --	$ 96,825	$ 102,100	$ --	$ --	$ 102,100
Foundations	159,680	24,000	50,000	233,680	173,501	9,000	175,115	357,616
Corporations	63,590	--	--	63,590	95,273	--	--	95,273
Individuals	154,053	119,246	5,118	278,417	217,078	55,261	6,127	278,466
Scholarship income	--	--	32,703	32,703	--	--	15,230	15,230
Fundraising benefits	416,720	--	--	416,720	466,639	--	--	466,639
Less: direct costs of fundraising benefits	(80,502)	--	--	(80,502)	(115,262)	--	--	(115,262)
Donated services and materials	24,320	--	--	24,320	16,650	--	--	16,650
Spending policy distribution	539,495	--	--	539,495	546,060	--	--	546,060
Net assets released from restrictions							--	
Foundations	224,544	--	(224,544)	--	57,576	--	(57,576)	--
Individuals	5,127	--	(5,127)	--	15,000	--	(15,000)	--
Government	--	--	--	--	5,000	--	(5,000)	--
Total Public Support	1,603,852	143,246	(141,850)	1,605,248	1,579,615	64,261	118,896	1,762,772
Other Revenue								
Theatre rental income	235,781	--	--	235,781	193,585	--	--	193,585
Concessions, net of costs of goods sold of $3,107 (2019) and $1,879 (2018)	654	--	--	654	2,494	--	--	2,494
Other income	700	--	--	700	286	--	--	286
Total Other Revenue	237,135	--	--	237,135	196,365	--	--	196,365
Total Public Support and Other Revenue	1,840,987	143,246	(141,850)	1,842,383	1,775,980	64,261	118,896	1,959,137
Expenses								
Program Services	1,892,123	--	--	1,892,123	1,855,986	--	--	1,855,986
Supporting Services								
Management and General	182,968	--	--	182,968	180,818	--	--	180,818
Fundraising	159,840	--	--	159,840	143,037	--	--	143,037
Total Supporting Services	342,808	--	--	342,808	323,855	--	--	323,855
Total Expenses	2,234,931	--	--	2,234,931	2,179,841	--	--	2,179,841
Increase (Decrease) in Net Assets Before Non-Operating Activities (carried forward)	**(393,944)** *	143,246	(141,850)	(392,548)	**(403,861)** *	64,261	118,896	(220,704)

* Includes depreciation expense of $393,944 (2019) and $403,861 (2018)

	2019	2018
Decrease in unrestricted net assets before depreciation expense and non-operating activities	$ --	$ --

The Notes to Financial Statements are an integral part of these statements.

The 52nd Street Project, Inc.
Statements of Activities (continued)
For the Years Ended June 30, 2019 and 2018

	2019				2018			
	WITHOUT DONOR RESTICTIONS				WITHOUT DONOR RESTICTIONS			
	UNRESTRICTED	BOARD - DESIGNATED	WITH DONOR RESTRICTIONS	TOTAL	UNRESTRICTED	BOARD - DESIGNATED	WITH DONOR RESTRICTIONS	TOTAL
Increase (Decrease) in Net Assets Before Non-Operating Activities (brought forward)	$ (393,944)	$ 143,246	$ (141,850)	$ (392,548)	$ (403,861)	$ 64,261	$ 118,896	$ (220,704)
Non-Operating Activities								
Investment income	--	438,264	27,779	466,043	--	221,521	15,417	236,938
Excess earnings, net	--	27,779	(27,779)	--	--	15,417	(15,417)	--
Spending policy distribution	--	(539,495)	--	(539,495)	--	(546,060)	--	(546,060)
Total Non-Operating Activities	--	(73,452)	--	(73,452)	--	(309,122)	--	(309,122)
Increase (decrease) in net assets	(393,944)	69,794	(141,850)	(466,000)	(403,861)	(244,861)	118,896	(529,826)
Net transfers - purchase of property and equipment	21,204	(21,204)	--	--	--	--	--	--
Net assets, beginning of year	11,388,857	6,965,246	740,169	19,094,272	11,792,718	7,210,107	621,273	19,624,098
Net Assets, End of Year	$ 11,016,117	$ 7,013,836	$ 598,319	$ 18,628,272	$ 11,388,857	$ 6,965,246	$ 740,169	$ 19,094,272

The Notes to Financial Statements are an integral part of these statements.

The 52nd Street Project, Inc.
Statements of Functional Expenses
For the Year Ended June 30, 2019

		Supporting Services			2019
	Program Services	Management and General	Fundraising	Total	Total Expenses
Salaries, wages, benefits and taxes	$ 1,036,786	$ 68,124	$ 108,951	$ 177,075	$ 1,213,861
Marketing and press	19,088	237	3,424	3,661	22,749
Repairs and maintenance	44,796	4,703	2,478	7,181	51,977
Theatrical production and recreation	20,530	693	--	693	21,223
Professional fees	79,434	46,219	15,513	61,732	141,166
Supplies and office expenses	16,769	16,273	550	16,823	33,592
Insurance	44,003	2,441	2,441	4,882	48,885
Rent and utilities	123,034	7,237	6,835	14,072	137,106
Security	17,912	995	995	1,990	19,902
Telecommunications	7,853	436	436	872	8,725
Postage, delivery, and printing	4,311	144	1,354	1,498	5,809
Scholarships	32,500	--	--	--	32,500
Subscriptions, dues and memberships	409	5,231	--	5,231	5,640
Indirect event expenses	--	--	8,312	8,312	8,312.0
Touring travel, housing and food	60,336	1,551	298	1,849	62,185
Catering and hospitality	14,055	1,095	374	1,469	15,524
Bank and processing fees	--	10,934	--	10,934	10,934
Interest expense	--	897	--	897	897
Total expenses before depreciation	1,521,816	167,210	151,961	319,171	1,840,987
Depreciation	370,307	15,758	7,879	23,637	393,944
Total Expenses, 2019	$ 1,892,123	$ 182,968	$ 159,840	$ 342,808	$ 2,234,931

The Notes to Financial Statements are an integral part of these statements.

The 52nd Street Project, Inc.
Statements of Functional Expenses
For the Year Ended June 30, 2018

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Supporting Services: Total	2018 Total Expenses
Salaries, wages, benefits and taxes	$ 1,049,680	$ 66,998	$ 103,663	$ 170,661	$ 1,220,341
Marketing and press	16,689	4,187	1,750	5,937	22,626
Repairs and maintenance	33,939	2,016	1,883	3,899	37,838
Theatrical production and recreation	5,446	168	--	168	5,614
Professional fees	81,705	45,197	3,426	48,623	130,328
Supplies and office expenses	12,492	3,046	412	3,458	15,950
Insurance	46,020	269	2,557	2,826	48,846
Rent and utilities	115,058	11,281	6,392	17,673	132,731
Security	23,930	1,513	1,329	2,842	26,772
Telecommunications	7,084	394	394	788	7,872
Postage, delivery, and printing	725	1,891	2,045	3,936	4,661
Scholarships	27,000	--	--	--	27,000
Subscriptions, dues and memberships	448	5,234	--	5,234	5,682
Indirect event expenses	--	--	6,164	6,164	6,164
Touring travel, housing and food	45,306	5,051	244	5,295	50,601
Catering and hospitality	12,854	2,817	662	3,479	16,333
Bank and processing fees	--	12,630	--	12,630	12,630
Bad debt expense	--	2,632	--	2,632	2,632
Interest expense	--	1,359	--	1,359	1,359
Total expenses before depreciation	1,478,376	166,683	130,921	297,604	1,775,980
Depreciation	377,610	14,135	12,116	26,251	403,861
Total Expenses, 2018	$ 1,855,986	$ 180,818	$ 143,037	$ 323,855	$ 2,179,841

The Notes to Financial Statements are an integral part of these statements.

The 52nd Street Project, Inc.
Statements of Cash Flows
For the Years Ended June 30, 2019 and 2018

	2019	2018
Cash Flows From Operating and Non-Operating Activities		
Decrease in net assets	$ (466,000)	$ (529,826)
Adjustments to reconcile decrease in net assets to net cash used by operating and non-operating activities:		
Depreciation	393,944	403,861
Realized gain on sale of investments	(168,710)	(127,624)
Unrealized (gain) loss on investments	(160,579)	15,329
Donated securities	(67,105)	(51,340)
Change in discount for present value of unconditional promises to give	(2,255)	(19,377)
(Increase) decrease in:		
Accounts receivable	34,543	(22,244)
Unconditional promises to give	218,670	14,601
Prepaid expenses	13,836	(27,201)
Security deposit	5,625	--
Increase (decrease) in:		
Accounts payable and accrued expenses	18,579	44,866
Deferred rental income	(33,140)	24,140
Due to Con Edison	(6,826)	(6,622)
Net Cash Used By Operating and Non-Operating Activities	(219,418)	(281,437)
Cash Flows From Investing Activities		
Purchase of investments	(3,047,799)	(3,082,477)
Proceeds from sale of investments and donated securities	3,337,495	3,350,942
Purchase of property and equipment	(21,204)	--
Net Cash Provided By Investing Activities	268,492	268,465
Net increase (decrease) in cash and cash equivalents	49,074	(12,972)
Cash and cash equivalents, beginning of year	540,659	553,631
Cash and Cash Equivalents, End of Year	$ 589,733	$ 540,659
Supplemental Disclosure:		
Interest expense paid (Con Edison)	$ 897	$ 1,359

The Notes to Financial Statements are an integral part of these statements.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization
The 52nd Street Project, Inc. (the "Organization") is a not-for-profit organization incorporated in New York State 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.

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

The Organization's resources are classified and reported as separate classes of net assets based on the existence or absence of donor-imposed restrictions as follows:

Without donor restrictions - include expendable resources that are used to carry out the Organization's operations and are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by the Organization or may be limited by contractual agreements without side parties. In addition, net assets without donor restrictions include board designated endowment funds and property and equipment used in operations.

With donor restrictions - Net assets subject to donor-imposed restrictions that will be met either by the actions of the Organization or through the passage of time. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been met in the year of receipt. Expirations of restrictions on net assets with donor restrictions are reported as net assets released from restrictions. Also included in this category are net assets subject to donor-imposed restrictions to be maintained permanently by the Organization, including gifts and pledges wherein donors stipulate that the corpus of the gift be held in perpetuity and that only the income may be made available for operations, subject to the Organization's spending policy.

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

Investments
Investments in marketable securities with readily determinable fair values and all investment in debt securities are reported at their fair values in the statements of financial position. Gains and losses are included in the statements of activities. Investment income and gains restricted by a donor are reported as increases in net assets with donor restrictions unless the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized, which will then be included in net assets without donor restrictions. Purchases and sales of investments are recorded on a trade date basis.

Dividend income is recorded on the ex-dividend date. Dividends from foreign securities where the ex-dividend date may have passed are recorded as soon as the Organization has determined the ex-dividend date. Dividend income from investments are recorded as earned. Investments in securities traded on a national securities exchange (or reported on the NASDAQ national market) are stated at the closing price on the day of valuation or, if no sales occurred on such day, at the mean of the “bid” and “ask” price at the close of business on such day.

Investments in mutual funds are valued at the net asset value as of the close of each business day. Fixed income securities acquired over 60 days to maturity are valued using the last bid prices or using valuations based on a matrix system (which considers such factors as security prices, yields, maturities, and ratings), both as furnished by independent pricing services. Interest income is recorded as earned.

Fair Value Measurements

Investments are reflected within the statements of financial position at fair value with changes in unrealized gains and losses resulting from changes in fair value included in investment income within the statements of activities in accordance with authoritative guidance on fair value measurements and disclosures under generally accepted accounting principles (“GAAP”).

Fair value is the amount that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date (i.e., the exit price). In accordance with GAAP, the Organization discloses the fair value of its investments in a hierarchy which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is impacted by a number of factors, including the type of investment, the characteristics specific to the investment, and the state of the marketplace (including the existence and transparency of transactions between market participants). Investments with readily-available actively quoted prices or for which fair value can be measured from actively-quoted prices in an orderly market will generally have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Investments measured and reported at fair value are classified and disclosed in one of the following categories based on inputs:

Level I - Unadjusted quoted prices in active markets for identical assets or liabilities. The type of investments which would generally be included in Level I include listed equity securities and listed derivatives. The Organization, to the extent that it holds such investments, does not adjust the quoted price for these investments, even in situations where the Organization holds a large position and a sale could reasonably impact the quoted price.

Level II - Observable inputs other than quoted prices included in Level I that are observable for the asset or liability either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates, and similar data. The types of investments which would generally be included in this category include publicly-traded securities with restrictions on disposition.

Level III - Unobservable inputs for the asset or liability to the extent that relevant observable inputs are not available, representing the Organization's own assumptions for investments held by the Organization, about the assumptions that a market participant would use in valuing the asset or liability, and that would be based on the best information available. The types of investments which would generally be included in this category include debt and equity securities issued by private entities.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level III.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

The financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The valuation levels are not necessarily an indication of the risk or liquidity associated with the underlying assets and liabilities.

Contributions and Promises to Give

Grants and contributions are recognized when cash is received or when the donor makes a promise to give to the Organization that is, in substance, unconditional. Grants and contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted grants and contributions are reported as increases in net assets with donor restrictions. When a restriction expires, donor restricted net assets are reclassified to net assets without donor restrictions.

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.

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 contributions without donor restrictions 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 contributions with donor restrictions. 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 net assets with donor restrictions to net assets without donor restrictions 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.

Revenue Recognition and Deferred Rental Income

Theatre 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. Deferred rental income 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 sale takes place.

Scholarships

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

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. Significant estimates used in the preparation of these financial statements include depreciation and the present value of pledges receivable. Actual results could differ from those estimates.

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 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. There are no income tax related penalties or interest included in these financial statements.

New Accounting Pronouncements Adopted in Current Year
During 2018, the Organization adopted ASU No. 2016-14 – *Not-for-Profit Entities* (Topic 958) *Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance and cash flows.

The main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity and expenses by both their natural and functional classification.

A recap of the net asset classifications driven by the adoption of ASU 2016-14 as of June 30, 2018 and 2017 are as follows:

	June 30, 2018			June 30, 2017		
Net Asset Classifications	**Without Donor Restrictions**	**With Donor Restrictions**	**Total Net Assets**	**Without Donor Restrictions**	**With Donor Restrictions**	**Total Net Assets**
As previously presented:						
Unrestricted	$ 11,388,857	$ --	$ 11,388,857	$ 11,792,718	$ --	$ 11,792,718
Board designated	6,965,246	--	6,965,246	7,210,107	--	7,210,107
Temporarily restricted	--	342,433	342,433	--	224,537	224,537
Permanently restricted	--	397,736	397,736	--	396,736	396,736
Net assets reclassified	$ 18,354,103	$ 740,169	$ 19,094,272	$ 19,002,825	$ 621,273	$ 19,624,098

Reclassification
Certain amounts for the year ended June 30, 2018 financial statements have been reclassified for comparative purposes to conform to the presentation of the year ended June 30, 2019 financial statements.

2. RESTRICTIONS ON NET ASSETS

Net Assets Without Donor Restrictions

Net assets without donor restrictions include board designated funds and the property and equipment fund.

The board established funds to provide long-term stability to the Organization with annual cash flows from investment income to be used to fund ongoing operations, to provide cash reserves for operations and to support the mission of the Organization. Board designated net assets as of June 30, 2019 and 2018 are $7,013,836 and $6,965,246, respectively.

The property and equipment fund reflects all transactions related to property, equipment and construction in progress, when applicable. Property and equipment fund net assets as of June 30, 2019 and 2018 are $11,016,117 and $11,388,857, respectively.

The Organization has a spending policy of appropriating for distribution each year a set amount based on the Organization's current operating budget. During the years ended June 30, 2019 and 2018, the organization appropriated $539,495 and $546,060, respectively, for operating. 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.

In 2015, the Organization began a 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, 2019, the Organization has raised approximately $3,075,000 towards its goal of $5,000,000.

Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes as of June 30:

	2019	2018
Scholarship and music program	$ 111,931	$ 79,228
Future periods	38,652	188,205
Teen program	50,000	75,000
	200,583	342,433
Donor designated endowments		
One-on-One program endowment	250,000	250,000
Scholarship program	147,736	147,736
	397,736	397,736
Total net assets with donor restrictions	$ 598,319	$ 740,169

The Organization's endowment consists of several donor-restricted endowment funds established for specific purposes. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. 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 30, 2019 and 2018, there was no excess from investing the Funds and the distribution was $27,779 and $15,417, respectively.

<u>One-on-One Endowment Fund</u>
The One-on-One program is an annual summer program run by the Organization that culminates with a theatrical production featuring enrolled youths.

<u>Scholarship Program Fund</u>
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, 2019 and 2018, the Organization awarded scholarships of $32,500 and $27,000, respectively.

The net investment income earned on the endowment net assets with donor restrictions has been fully utilized during the years ended June 30, 2019 and 2018 for the designated purposes.

The Board of Trustees of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result, the Organization classifies these donor-restricted endowments as net assets with donor restrictions, including (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations and decrements to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. The remaining portion of the donor-restricted endowment fund that is not classified as a permanent endowment is classified as net assets without donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following facts in making a determination to appropriate or accumulate donor-restricted endowment funds:

a. The duration and preservation of the fund;
b. The purposes of the Organization and the donor-restricted endowment fund;
c. General economic conditions;
d. The possible effect of inflation and deflation;
e. The expected total return from income and the appreciation of investments;
f. Other resources of the Organization; and
g. The investment policy of the Organization.

<u>Return Objectives and Risk Parameters</u>
The Organization has adopted an investment policy for endowment assets with the primary goal of maintaining the original value of the endowment principal, while providing funding to programs supported by its endowment. Under this policy, the endowment assets are invested in a manner that is intended to produce income and preserve principal while assuming a very low level of investment risk.

Changes in endowment assets is as follows for the year ended June 30, 2019:

	With Donor Restrictions
Endowment net assets, June 30, 2018	$ 397,736
Contributions	--
Investment income, net	27,779
Appropriation for spending	(27,779)
Endowment net assets, June 30, 2019	$ 397,736

Changes in endowment assets is as follows for the year ended June 30, 2018:

	With Donor Restrictions
Endowment net assets, June 30, 2017	$ 396,736
Contributions	1,000
Investment income, net	15,417
Appropriation for spending	(15,417)
Endowment net assets, June 30, 2018	$ 397,736

3. FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of June 30, 2019, financial assets and liquidity resources available within one year for general expenditures, such as operating expenses, scheduled principal payments on debt, and capital construction costs not financed with debt, were as follows:

Financial assets	
Cash and cash equivalents	$ 589,733
Accounts receivable	38,109
Unconditional promises to give	136,920
Total financial assets and liquidity resources available within one year	$ 764,762

The Organization's cash flows have fluctuations during the year attributable to the timing of program operations. A significant amount of contributions received are received annually that support the operations of the Organization. As described in Note 2, the Organization's board designated fund and donor-restricted endowments provide for annual distributions for operating purposes under the board policy and when funds are spent within the donor requirements.

4. CONCENTRATION OF CREDIT RISK

The Organization maintains its cash balances at three financial institutions located in New York, NY. Cash and cash equivalent accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000 per institution. At June 30, 2019, the Organization's uninsured cash balances totaled $27,072.

The Organization maintains investment balances at one financial institution. The balances are insured 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.

5. CASH, CASH EQUIVALENTS AND INVESTMENTS

Fair Value of Financial Instruments

The fair value and carrying amount of the Organization's cash and short-term investments as of June 30, 2019 and 2018 was $589,733 and $540,659, respectively. Cash and short-term investments carrying amount approximates fair value because of the short maturities of those investments.

Fair Values Measured on Recurring Basis

Fair values of assets measured on a recurring basis at June 30, 2019 and 2018 consist of government securities, equities and corporate bonds. The fair value and quoted prices in active markets for identical assets for investments as of June 30, 2019 and 2018 was $6,843,345 and $6,736,647, 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, 2019:

	Fair Value			Cost
	Level 1	Level 2	Total	Total
Government securities	$ 1,489,840	$ 886,753	$ 2,376,593	$ 2,308,357
Equities	2,652,413	--	2,652,413	2,262,783
Corporate bonds	--	1,814,339	1,814,339	1,741,916
	$ 4,142,253	$ 2,701,092	$ 6,843,345	$ 6,313,056

Investments consist of the following at June 30, 2018:

	Fair Value			Cost
	Level 1	Level 2	Total	Total
Government securities	$ 1,462,771	$ 837,372	$ 2,300,143	$ 2,367,483
Equities	2,655,552	--	2,655,552	2,169,456
Corporate bonds	--	1,780,952	1,780,952	1,829,998
	$ 4,118,323	$ 2,618,324	$ 6,736,647	$ 6,366,937

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

	2019	2018
Interest and dividend income	$ 188,693	$ 178,198
Realized gain on sale of investments	168,710	127,624
Unrealized gain (loss) on investments	160,579	(15,329)
Investment fees	(51,939)	(53,555)
Investment income, net	$ 466,043	$ 236,938

6. UNCONDITIONAL PROMISES TO GIVE

Unconditional Promises to Give

When estimating fair value of unconditional promises to give, management considers the relationships with the 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. Unconditional promises to give to be received after one year are discounted at a rate of 5%. Uncollectible promises are expected to be insignificant.

Unconditional promises to give consist of the following as of June 30, 2019:

	Less Than One Year	Over One Year	Total
Without donor restrictions	$ 136,920	$ 101,232	$ 238,152
With donor restrictions	27,050	--	27,050
	163,970	101,232	265,202
Less: discount for present value	--	(13,926)	(13,926)
	$ 163,970	$ 87,306	$ 251,276

Unconditional promises to give consist of the following as of June 30, 2018:

	Less Than One Year	Over One Year	Total
Without donor restrictions	$ 195,672	$ 113,400	$ 309,072
With donor restrictions	139,800	35,000	174,800
	335,472	148,400	483,872
Less: discount for present value	--	(16,181)	(16,181)
	$ 335,472	$ 132,219	$ 467,691

7. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

	Life/Years	2019	2018
Leasehold improvements	39	$ 14,288,415	$ 14,288,415
Equipment	3-10	589,801	568,597
Furniture and fixtures	7	320,228	320,228
Website development	3	27,756	27,756
		15,226,200	15,204,996
Less: accumulated depreciation		(4,210,083)	(3,816,139)
		$ 11,016,117	$ 11,388,857

Depreciation expense for the years ended June 30, 2019 and 2018 was $393,944 and $403,861, respectively. Leasehold improvements include $10,600,000 contributed by the New York City Department of Cultural Affairs (DCA) (see Note 8b).

8. 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. A second not-for-profit moved in during the fall of 2016 and the third not-for-profit organization moved in during January 2019.

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 $64,989 and $64,094 for the years ended June 30, 2019 and 2018 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 15th anniversary thereafter.

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

For the year ending	June 30, 2020	$ 73,955
" " " "	June 30, 2021	42,115
" " " "	June 30, 2022	42,115
" " " "	June 30, 2023	42,115
Months ending	June 30, 2024	27,115
		$ 227,415

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, 2020. 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 4% of the Organization's projected operating expenses for the fiscal year, which was approximately $75,000 and $68,000 for the years ended June 30, 2019 and 2018, respectively.

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, 2020	$ 7,032
" " " "	June 30, 2021	7,246
" " " "	June 30, 2022	7,466
" " " "	June 30, 2023	4,454
Total Principal Due as of June 30, 2019		26,198
Less: Current Portion		(7,032)
Long-Term Portion		$ 19,166

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, 2019 and 2018.

10. NEW ACCOUNTING PRONOUNCEMENTS ISSUED NOT YET EFFECTIVE

In June 2018 the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-08, *Not-for-Profit Entities*, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). The FASB is issuing this ASU to improve and clarify existing guidance on revenue recognition of grants and contracts by not-for-profit organizations ("NFPs") because there is diversity in practice among NFPs with characterizing grants and similar contracts with government agencies and others as reciprocal transactions (exchanges) or nonreciprocal transactions (contributions) and distinguishing between conditional and unconditional contributions. This ASU also provides guidance to help determine whether a contribution is conditional or unconditional, and better distinguish a donor-imposed condition from a donor-imposed restriction. The effective date would be for fiscal years ending in 2021.

In May 2014, the FASB issued accounting standards update ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), which provides a comprehensive new revenue recognition model that requires a company to recognize revenue in an amount that reflects the consideration it expects to receive for the transfer of promised goods or services to its customer. The standard also requires additional disclosure regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

This ASU, which was deferred by ASU 2015-14, is effective for annual periods and interim periods beginning after December 15, 2018 (fiscal year 2020). The ASU is to be applied retrospectively or using a cumulative effect transition method. Early adoption is permitted.

In February 2016, FASB issued ASU 2016-02, *Leases* (Topic 842), which requires the recognition of a "right to use" asset and a lease liability, initially measured at the present value of the lease payments, on the statement of financial position for all of the Organization's lease obligations. This ASU is effective for years beginning after December 15, 2019 (fiscal year 2021).

In November 2016, FASB issued Accounting Standards Update (" ASU") No. 2016-18, *Restricted Cash*, which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. ASU No. 2016-18 is effective for fiscal years beginning after December 15, 2018. Early adoption is permitted and should be applied using a retrospective transition method to each period presented.

The Organization is currently evaluating the effect that these pronouncements will have on its financial statements and related disclosures.

11. FUNCTIONAL ALLOCATION OF EXPENSES

The cost of providing the various programs and the supporting services has been summarized on a functional basis in the statements of activities. Costs have been allocated among the programs and supporting services based on analysis of personnel time and utilization of related activities. Management and general expense include those expenses that are not directly identifiable with any specific function but provide for the overall support and direction of the Organization. The expenses that are allocated include occupancy, depreciation and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, office expense, insurance, and other, which are allocated on the basis of estimates of time and effort.

12. EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through October 17, 2019, the date which the financial statements were available to be issued. Management has determined that there are no subsequent events that require disclosure in the financial statements.