THE 52ND STREET PROJECT, INC.

FINANCIAL STATEMENTS
AND
SUPPLEMENTAL INFORMATION

JUNE 30, 2018 AND 2017

WITH INDEPENDENT AUDITOR'S REPORT

withum
AUDIT TAX ADVISORY

The 52nd Street Project, Inc.
June 30, 2018 and 2017

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AUDIT TAX ADVISORY

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees 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, 2018 and 2017, 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.

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, 2018 and 2017, 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.

WithumSmith+Brown, PC

October 4, 2018

The 52nd Street Project, Inc.
Statements of Financial Position
June 30, 2018 and 2017

	2018				2017			
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Assets								
Current Assets								
Cash and cash equivalents	$ 373,084	$ 166,575	$ 1,000	$ 540,659	$ 426,909	$ 126,722	$ -	$ 553,631
Accounts receivable	72,652	-	-	72,652	50,408	-	-	50,408
Unconditional promises to give	195,672	139,800	-	335,472	215,944	5,000	-	220,944
Prepaid expenses	63,703	-	-	63,703	36,502	-	-	36,502
Total Current Assets	705,111	306,375	1,000	1,012,486	729,763	131,722	-	861,485
Unconditional promises to give	101,288	30,931	-	132,219	149,156	92,815	-	241,971
Investments	6,334,784	5,127	396,736	6,736,647	6,444,741	-	396,736	6,841,477
Property and equipment, at cost, net of accumulated depreciation	11,388,857	-	-	11,388,857	11,792,718	-	-	11,792,718
Security deposit	5,625	-	-	5,625	5,625	-	-	5,625
Total Assets	$ 18,535,665	$ 342,433	$ 397,736	$ 19,275,834	$ 19,122,003	$ 224,537	$ 396,736	$ 19,743,276
Liabilities and Net Assets								
Liabilities								
Current Liabilities								
Accounts payable and accrued expenses	$ 110,398	$ -	$ -	$ 110,398	$ 65,532	$ -	$ -	$ 65,532
Deferred rental income	38,140	-	-	38,140	14,000	-	-	14,000
Due to Con Edison	6,826	-	-	6,826	6,624	-	-	6,624
Total Current Liabilities	155,364	-	-	155,364	86,156	-	-	86,156
Due to Con Edison	26,198	-	-	26,198	33,022	-	-	33,022
Total Liabilities	181,562	-	-	181,562	119,178	-	-	119,178
Commitments and contingencies								
Net Assets								
Unrestricted								
Property and equipment, net	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
Total Net Assets	18,354,103	342,433	397,736	19,094,272	19,002,825	224,537	396,736	19,624,098
Total Liabilities and Net Assets	$ 18,535,665	$ 342,433	$ 397,736	$ 19,275,834	$ 19,122,003	$ 224,537	$ 396,736	$ 19,743,276

The 52nd Street Project, Inc.
Statements of Activities
For the Years Ended June 30, 2018 and 2017

Operating Activities	2018 UNRESTRICTED	2018 BOARD - DESIGNATED	2018 TEMPORARILY RESTRICTED	2018 PERMANENTLY RESTRICTED	2018 TOTAL	2017 UNRESTRICTED	2017 BOARD - DESIGNATED	2017 TEMPORARILY RESTRICTED	2017 PERMANENTLY RESTRICTED	2017 TOTAL
Public Support and Other Revenue										
Public Support										
Government	$ 102,100	$ -	$ -	$ -	$ 102,100	$ 103,060	$ -	$ 5,000	$ -	$ 108,060
Foundations	173,501	9,000	175,115	-	357,616	178,556	-	140,539	-	319,095
Corporations	95,273	-	-	-	95,273	72,352	-	-	-	72,352
Individuals	217,078	55,261	5,127	1,000	278,466	185,546	238,191	-	-	423,737
Scholarship income	-	-	15,230	-	15,230	-	-	35,150	-	35,150
Fundraising benefits	466,639	-	-	-	466,639	449,696	-	-	-	449,696
Less: direct costs of fundraising benefits	(115,262)	-	-	-	(115,262)	(78,601)	-	-	-	(78,601)
Donated services and materials	33,771	-	-	-	33,771	51,934	-	-	-	51,934
Spending policy distribution	546,060	-	-	-	546,060	328,349	-	-	-	328,349
Net assets released from restrictions										
Foundations	57,576	-	(57,576)	-	-	52,220	-	(52,220)	-	-
Individuals	15,000	-	(15,000)	-	-	24,932	-	(24,932)	-	-
Government	5,000	-	(5,000)	-	-	12,500	-	(12,500)	-	-
Total Public Support	1,596,736	64,261	117,896	1,000	1,779,893	1,380,544	238,191	91,037	-	1,709,772
Other Revenue										
Theatre rental income	193,585	-	-	-	193,585	206,683	-	-	-	206,683
Concessions, net of costs of goods sold of $1,879 (2018) and $2,214 (2017)	2,494	-	-	-	2,494	2,726	-	-	-	2,726
Other income	286	-	-	-	286	8,606	-	-	-	8,606
Total Other Revenue	196,365	-	-	-	196,365	218,015	-	-	-	218,015
Total Public Support and Other Revenue	1,793,101	64,261	117,896	1,000	1,976,258	1,598,559	238,191	91,037	-	1,927,787
Expenses										
Program Services	1,855,986	-	-	-	1,855,986	1,655,413	-	-	-	1,655,413
Supporting Services										
Management and General	197,939	-	-	-	197,939	186,403	-	-	-	186,403
Fundraising	143,037	-	-	-	143,037	169,815	-	-	-	169,815
Total Supporting Services	340,976	-	-	-	340,976	356,218	-	-	-	356,218
Total Expenses	2,196,962	-	-	-	2,196,962	2,011,631	-	-	-	2,011,631
Increase (Decrease) in Net Assets Before Non-Operating Activities (carried forward)	**(403,861)** *	64,261	117,896	1,000	(220,704)	**(413,072)** *	238,191	91,037	-	(83,844)

* Includes depreciation expense of $403,861 (2018) and $413,072 (2017)

	2018	2017
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
For the Years Ended June 30, 2018 and 2017

	2018					2017				
	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)	$ (403,861)	$ 64,261	$ 117,896	$ 1,000	$ (220,704)	$ (413,072)	$ 238,191	$ 91,037	$ -	$ (83,844)
Non-Operating Activities										
Investment income	-	221,521	-	15,417	236,938	-	238,771	-	16,138	254,909
Excess earnings, net	-	15,417	-	(15,417)	-	-	16,138	-	(16,138)	-
Spending policy distribution	-	(546,060)	-	-	(546,060)	48,713	(377,062)	-	-	(328,349)
Capacity building expenses	-	-	-	-	-	(48,713)	-	-	-	(48,713)
Total Non-Operating Activities	-	(309,122)	-	-	(309,122)	-	(122,153)	-	-	(122,153)
Increase (decrease) in net assets	(403,861)	(244,861)	117,896	1,000	(529,826)	(413,072)	116,038	91,037	-	(205,997)
Net transfers - purchase of property and equipment	-	-	-	-	-	12,325	(12,325)	-	-	-
Net assets, beginning of year	11,792,718	7,210,107	224,537	396,736	19,624,098	12,193,465	7,106,394	133,500	396,736	19,830,095
Net Assets, End of Year	$ 11,388,857	$ 6,965,246	$ 342,433	$ 397,736	$ 19,094,272	$ 11,792,718	$ 7,210,107	$ 224,537	$ 396,736	$ 19,624,098

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, 2018 and 2017

	2018	2017
Cash Flows From Operating and Non-Operating Activities		
Decrease in net assets	$ (529,826)	$ (205,997)
Adjustments to reconcile decrease in net assets to net cash used by operating and non-operating activities:		
Depreciation	403,861	413,072
Realized gain on sale of investments	(127,624)	(97,524)
Unrealized (gain) loss on investments	15,329	(57,137)
Donated securities	(51,340)	(61,999)
Change in discount for present value of unconditional promises	(19,377)	23,994
(Increase) decrease in:		
Accounts receivable	(22,244)	(36,797)
Unconditional promises to give	14,601	(110,106)
Prepaid expenses	(27,201)	21,103
Increase (decrease) in:		
Accounts payable and accrued expenses	44,866	18,830
Deferred rental income	24,140	(3,305)
Due to Con Edison	(6,622)	(6,429)
Net Cash Used By Operating and Non-Operating Activities	(281,437)	(102,295)
Cash Flows From Investing Activities		
Purchase of investments	(3,082,477)	(2,638,793)
Proceeds from sale of investments and donated securities	3,350,942	2,743,462
Purchase of property and equipment	-	(12,325)
Net Cash Provided By Investing Activities	268,465	92,344
Net decrease in cash and cash equivalents	(12,972)	(9,951)
Cash and cash equivalents, beginning of year	553,631	563,582
Cash and Cash Equivalents, End of Year	$ 540,659	$ 553,631
Supplemental Disclosure:		
Interest expense paid (Con Edison)	$ 1,098	$ 1,374

The notes to financial statements are an integral part of these statements.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a - 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.

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

"Fair Value Measurements and Disclosures" establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. "Fair Value Measurements and Disclosures" defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price" in an orderly transaction between market participants).

In determining fair value, the Organization uses various valuation approaches, including market, income and/or cost approaches. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements), and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under "Fair Value Measurements and Disclosures" and the Organization's related types are described below.

Level 1: Quoted prices of identical instruments in active markets.

Level 2: Quoted prices of similar instruments in active markets; quoted prices of identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3: Significant inputs to the valuation model are unobservable.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e - 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. Unrealized gains and losses are included in the statements of activities. 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 - Revenue Recognition 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 sale takes place.

i - Financial Satement 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Organization Exempt from Income Tax*, for the years ended June 30, 2017, 2016 and 2015 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.

2. RESTRICTIONS ON NET ASSETS

a) Board Designated Net Assets

The Board of Trustees has designated unrestricted net assets as a general endowment fund to support the mission of the Organization. Since these funds resulted from an internal designation and are not donor-restricted, it is classified and reported as unrestricted net assets.

The Organization has a spending policy of appropriating for distribution each year a set amount based on the Organization's current operating budget. As of June 30, 2018, $546,060 was appropriated for operating and $0 for capacity building expenses. As of June 30, 2017, $328,349 was appropriated for operating and $48,713 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 year ended June 30, 2017, the Organization transferred $12,325 from the board-designated fund to cover property and equipment capitalized.

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, 2018, the Organization has raised $2,930,000 towards its goal of $5m. During the years ended June 30, 2018 and 2017, the Organization has spent $0 and $48,713, respectively, in consulting fees included in the statements of activities.

b) Temporarily Restricted Net Assets

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

	2018	2017
Future periods	$ 188,205	$ 140,539
Scholarship and music program	79,228	78,998
Teen program	75,000	5,000
	$ 342,433	$ 224,537

2. RESTRICTIONS ON NET ASSETS (CONTINUED)

c) Permanently Restricted Net Assets/Endowment

The Organization's endowment consists of several donor-restricted endowment funds established for specific purposes. As required by generally accepted accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

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 as permanently restricted net assets (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 in permanently restricted net assets is classified as temporarily restricted net assets 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.

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

	2018	2017
One-on-One program endowment	$ 250,000	$ 250,000
Scholarship program	147,736	146,736
	$ 397,736	$ 396,736

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, 2018 and 2017, there was no excess from investing the Funds and the distribution was $15,417 and $16,138, respectively.

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

2. RESTRICTIONS ON NET ASSETS (CONTINUED)

c) Permanently Restricted Net Assets/Endowment (continued)

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, 2018 and 2017, the Organization awarded scholarships of $27,000 and $24,000, respectively.

The net investment income earned on the permanently restricted net assets has been fully utilized during the years ended June 30, 2018 and 2017 for the designated purposes.

Return Objectives and Risk Parameters

The Organization has adopted 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.

3. CONCENTRATION OF CREDIT RISK

The Organization maintains its cash balances at three financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to $250,000 per institution. At June 30, 2018, the Organization's uninsured cash balances totaled $11,603. 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.

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, 2018 and 2017 was $540,659 and $553,631, respectively. Cash and short-term investments carrying amount approximates fair value because of the short maturities of those investments.

b) Fair Values Measured on Recurring Basis

Fair values of assets measured on a recurring basis at June 30, 2018 and 2017 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, 2018 and 2017 was $6,736,647 and $6,841,477, 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 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

4. CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

b) Fair Values Measured on Recurring Basis (continued)

Investments consist of the following at June 30 2017:

	Fair Value			Cost
	Level 1	Level 2	Total	Total
Government securities	$ 1,875,792	$ 1,253,832	$ 3,129,624	$ 3,147,818
Equities	1,942,696	-	1,942,696	1,557,055
Corporate bonds	-	1,769,157	1,769,157	1,751,565
	$ 3,818,488	$ 3,022,989	$ 6,841,477	$ 6,456,438

c) Investment Income

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

	2018	2017
Interest and dividend income	$ 178,198	$ 152,655
Realized gain on sale of investments	127,624	97,524
Unrealized gain (loss) on investments	(15,329)	57,137
Investment fees	(53,555)	(52,407)
	$ 236,938	$ 254,909

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 UPMIFA.

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. 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, 2018:

	Less Than One Year	Over One Year	Total
Unrestricted	$ 104,440	$ -	$ 104,440
Restricted for programs	132,800	25,000	157,800
Board designated capital projects	98,232	123,400	221,632
	335,472	148,400	483,872
Less: discount for present value	-	(16,181)	(16,181)
	$ 335,472	$ 132,219	$ 467,691

5. UNCONDITIONAL PROMISES TO GIVE (CONTINUED)

Unconditional promises to give consist of the following as of June 30, 2017:

	Less Than One Year	Over One Year	Total
Unrestricted	$ 50,410	$ -	$ 50,410
Restricted for programs	5,000	92,815	97,815
Board designated capital projects	165,534	184,714	350,248
	220,944	277,529	498,473
Less: discount for present value	-	(35,558)	(35,558)
	$ 220,944	$ 241,971	$ 462,915

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	Life/Years	2018	2017
Leasehold improvements	39	$ 14,288,415	$ 14,288,415
Equipment	3-10	568,597	568,597
Furniture and fixtures	7	320,228	320,228
Website development	3	27,756	27,756
		15,204,996	15,204,996
Less: accumulated depreciation		(3,816,139)	(3,412,278)
		$ 11,388,857	$ 11,792,718

Depreciation expense for the years ended June 30, 2018 and 2017 was $403,861 and $413,072, respectively. Leasehold improvements include $10,600,000 contributed by the New York City Department of Cultural Affairs (DCA) (see Note 7b).

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. One not-for-profit moved in fall of 2016, the other not-for-profit organization's spaces are expected to be occupied in December 2018.

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 $64,094 and $62,844 for the years ended June 30, 2018 and 2017 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.

7. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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 totaling $32,440 for the year ending June 30, 2019.

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, 2019. 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 $68,000 and $48,000 for the years ended June 30, 2018 and 2017, 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, 2019	$ 6,826
" " " " 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, 2018	33,024
Less: Current Portion	(6,826)
Long-Term Portion	$ 26,198

8. DONATED SERVICES AND MATERIALS

The Organization received donated services and materials during the years ended June 30, 2018 and 2017 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:

	2018	2017
Audit and tax services	$ 17,121	$ 12,536
Housing	7,600	21,950
Legal	5,550	-
Automobile rentals	3,500	3,600
Catering and beverages	-	10,158
Video shoot	-	3,690
Total Donated Services and Materials	$ 33,771	$ 51,934

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, 2018 and 2017.

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.

11. EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through October 4, 2018, 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.

SUPPLEMENTAL INFORMATION

withum
AUDIT TAX ADVISORY

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

To the Board of Trustees 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, 2018 and 2017, and have issued our report thereon dated October 4, 2018, 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, 2018 with comparative totals for 2017 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.

WithumSmith+Brown, PC

October 4, 2018

The 52nd Street Project, Inc.
Schedule of Functional Expenses
For the Year Ended June 30, 2018 with Comparative Totals for 2017

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Supporting Services: Capacity Building	Supporting Services: Total	2018 Total Expenses	2017 Total Expenses
Salaries, wages, benefits and taxes	$ 1,049,680	$ 66,998	$ 103,663	$ -	$ 170,661	$ 1,220,341	$ 1,055,539
Marketing and press	16,689	4,187	1,750	-	5,937	22,626	18,405
Repairs and maintenance	33,939	2,016	1,883	-	3,899	37,838	29,832
Theatrical production and recreation	5,446	168	-	-	168	5,614	7,440
Professional fees	81,705	62,318	3,426	-	65,744	147,449	167,914
Supplies and office expenses	12,492	3,046	412	-	3,458	15,950	19,962
Insurance	46,020	269	2,557	-	2,826	48,846	49,357
Rent and utilities	115,058	11,281	6,392	-	17,673	132,731	127,445
Security	23,930	1,513	1,329	-	2,842	26,772	21,104
Telecommunications	7,084	394	394	-	788	7,872	8,765
Postage, delivery, and printing	725	1,891	2,045	-	3,936	4,661	4,867
Scholarships	27,000	-	-	-	-	27,000	24,000
Subscriptions, dues and memberships	448	5,234	-	-	5,234	5,682	5,361
Indirect event expenses	-	-	6,164	-	6,164	6,164	6,844
Touring travel, housing and food	45,306	5,051	244	-	5,295	50,601	76,802
Catering and hospitality	12,854	2,817	662	-	3,479	16,333	14,049
Bank and processing fees	-	12,630	-	-	12,630	12,630	8,212
Bad debt expense	-	2,632	-	-	2,632	2,632	-
Interest expense	-	1,359	-	-	1,359	1,359	1,374
Total expenses before depreciation	1,478,376	183,804	130,921	-	314,725	1,793,101	1,647,272
Depreciation	377,610	14,135	12,116	-	26,251	403,861	413,072
Total Expenses, 2018	$ 1,855,986	$ 197,939	$ 143,037	$ -	$ 340,976	$ 2,196,962	
Total Expenses, 2017	$ 1,655,413	$ 186,403	$ 169,815	$ 48,713	$ 404,931		$ 2,060,344

See independent auditor's report on supplemental information.