THE 52ND STREET PROJECT, INC.
Financial Statements
June 30, 2021 and 2020
With Independent Auditor's Report

withum
ADVISORY TAX AUDIT

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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, 2021 and 2020, the related statements of activities, functional expenses and cash flows for the years then ended and the related notes to 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 from 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, 2021 and 2020, 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

September 30, 2021

The 52nd Street Project, Inc.
Statements of Financial Position
June 30, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Assets						
Current assets						
Cash and cash equivalents	$ 318,111	$ 44,251	$ 362,362	$ 575,620	$ 78,936	$ 654,556
Accounts receivable, net allowance for uncollectables	108,348	-	108,348	21,186	-	21,186
Unconditional promises to give	320,590	130,000	450,590	125,889	72,952	198,841
Prepaid expenses	19,997	-	19,997	24,999	-	24,999
Total current assets	767,046	174,251	941,297	747,694	151,888	899,582
Unconditional promises to give, net of current portion	29,954	-	29,954	72,953	-	72,953
Investments	7,223,510	397,736	7,621,246	6,300,446	374,784	6,675,230
Property and equipment, at cost, net of accumulated depreciation	10,320,061	-	10,320,061	10,718,282	-	10,718,282
Total assets	$ 18,340,571	$ 571,987	$ 18,912,558	$ 17,839,375	$ 526,672	$ 18,366,047
Liabilities and Net Assets						
Current liabilities						
Accounts payable and accrued expenses	$ 84,877	$ -	$ 84,877	$ 51,760	$ -	$ 51,760
PPP loan payable, current portion	3,757	-	3,757	208,974		208,974
EIDL loan payable, current portion	3,003	-	3,003	-	-	-
Deferred income	9,390	-	9,390	10,199	-	10,199
Due to Con Edison, current portion	-	-	-	7,246	-	7,246
Total current liabilities	101,027	-	101,027	278,179	-	278,179
PPP loan payable, net of current portion	221,459	-	221,459	-	-	-
EIDL loan payable, net of current portion	146,997	-	146,997	-	-	-
Due to Con Edison, net of current portion	-	-	-	11,920	-	11,920
Total liabilities	469,483	-	469,483	290,099	-	290,099
Net assets (deficit)						
Without donor restrictions						
Property and equipment, net	10,320,061	-	10,320,061	10,718,282	-	10,718,282
Board-designated	7,720,401	-	7,720,401	6,983,912	-	6,983,912
General operating	(169,374)	-	(169,374)	(152,918)	-	(152,918)
With donor restrictions	-	571,987	571,987	-	526,672	526,672
Total net assets	17,871,088	571,987	18,443,075	17,549,276	526,672	18,075,948
Total liabilities and net assets	$ 18,340,571	$ 571,987	$ 18,912,558	$ 17,839,375	$ 526,672	$ 18,366,047

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

The 52nd Street Project, Inc.
Statements of Activities
Years Ended June 30, 2021 and 2020

	2021				2020			
	Without Donor Restrictions				Without Donor Restrictions			
Operating activities	Unrestricted	Board - Designated	With Donor Restrictions	Total	Unrestricted	Board - Designated	With Donor Restrictions	Total
Public support and other revenue								
Public support								
Government	$ 222,056	$ -	$ -	$ 222,056	$ 136,420	$ -	$ -	$ 136,420
Foundations	163,000	-	130,000	293,000	197,500	-	70,000	267,500
Corporations	55,685	-	10,000	65,685	69,697	38,200	-	107,897
Individuals	188,046	43,500	-	231,546	152,688	-	-	152,688
Fundraising benefits	315,915	-	-	315,915	350,658	-	-	350,658
Less: Direct costs of fundraising benefits	(34,773)	-	-	(34,773)	(42,635)	-	-	(42,635)
Donated services and materials	-	-	-	-	8,724	-	-	8,724
Spending policy distribution	58,921	-	-	58,921	520,194	-	-	520,194
Net assets released from restrictions								
Foundations	70,000	-	(70,000)	-	83,000	-	(83,000)	-
Individuals	24,685	-	(24,685)	-	58,647	-	(58,647)	-
Total public support	1,063,535	43,500	45,315	1,152,350	1,534,893	38,200	(71,647)	1,501,446
Other revenue								
Theatre rental income	27,200	-	-	27,200	121,591	-	-	121,591
Other income	864	-	-	864	3,597	-	-	3,597
Total other revenue	28,064	-	-	28,064	125,188	-	-	125,188
Total public support and other revenue	1,091,599	43,500	45,315	1,180,414	1,660,081	38,200	(71,647)	1,626,634
Expenses								
Program services	1,438,751	-	-	1,438,751	1,878,374	-	-	1,878,374
Supporting services								
Management and general	141,354	-	-	141,354	173,395	-	-	173,395
Fundraising	143,760	-	-	143,760	157,951	-	-	157,951
Total supporting services	285,114	-	-	285,114	331,346	-	-	331,346
Total expenses	1,723,865	-	-	1,723,865	2,209,720	-	-	2,209,720
Change in net assets before non-operating activities (carried forward)	(632,266) *	43,500	45,315	(543,451)	(549,639) *	38,200	(71,647)	(583,086)

* Includes depreciation expense of $406,836 (2021) and $396,721 (2020)

	2021	2020
Change in net assets without donor restrictions before depreciation expense and non-operating activities	$ (225,430)	$ (152,918)

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

The 52nd Street Project, Inc.
Statements of Activities
Years Ended June 30, 2021 and 2020

	2021				2020			
	Without Donor Restrictions				Without Donor Restrictions			
	Unrestricted	Board-Designated	With Donor Restrictions	Total	Unrestricted	Board-Designated	With Donor Restrictions	Total
Change in net assets before non-operating activities (brought forward)	$ (632,266)	$ 43,500	$ 45,315	$ (543,451)	$ (549,639)	$ 38,200	$ (71,647)	$ (583,086)
Non-operating activities								
PPP1 loan forgiveness	208,974	-	-	208,974	-	-	-	-
Investment return, net	-	715,976	41,772	757,748	-	428,822	27,628	456,450
Excess earnings, net	-	41,772	(41,772)	-	-	27,628	(27,628)	-
Donated equipment	2,777	-	-	2,777	94,506	-	-	94,506
Spending policy distribution	-	(58,921)	-	(58,921)	-	(520,194)	-	(520,194)
Total non-operating activities	211,751	698,827	-	910,578	94,506	(63,744)	-	30,762
Change in net assets	(420,515)	742,327	45,315	367,127	(455,133)	(25,544)	(71,647)	(552,324)
Net transfers - purchase of property and equipment	5,838	(5,838)	-	-	4,380	(4,380)	-	-
Net assets								
Beginning of year	10,565,364	6,983,912	526,672	18,075,948	11,016,117	7,013,836	598,319	18,628,272
End of year	$ 10,150,687	$ 7,720,401	$ 571,987	$ 18,443,075	$ 10,565,364	$ 6,983,912	$ 526,672	$ 18,075,948

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

The 52nd Street Project, Inc.
Statement of Functional Expenses
Year Ended June 30, 2021

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Supporting Services: Total	Total Expenses
Salaries, wages, benefits and taxes	$ 739,420	$ 68,879	$ 107,140	$ 176,019	$ 915,439
Marketing and press	2,098	5,794	5,127	10,921	13,019
Repairs and maintenance	34,670	1,926	1,926	3,852	38,522
Professional fees	51,889	20,203	7,078	27,281	79,170
Supplies and office expenses	8,223	1,046	561	1,607	9,830
Insurance	46,506	2,577	2,577	5,154	51,660
Rent and utilities	117,858	4,558	6,827	11,385	129,243
Security	14,407	800	800	1,600	16,007
Telecommunications	9,739	529	529	1,058	10,797
Postage, delivery, and printing	164	9	2,397	2,406	2,570
Scholarships	31,000	-	-	-	31,000
Subscriptions, dues and memberships	240	1,850	-	1,850	2,090
Direct event expenses	-	-	34,773	34,773	34,773
Touring travel, housing and food	-	325	46	371	371
Catering and hospitality	111	1,113	615	1,728	1,839
Bank and processing fees	-	9,322	-	9,322	9,322
Bad debt expense	-	3,000	-	3,000	3,000
Depreciation	382,426	16,273	8,137	24,410	406,836
Interest expense	-	3,150	-	3,150	3,150
	1,438,751	141,354	178,533	319,887	1,758,638
Less: Direct costs of special events netted with revenue	-	-	(34,773)	(34,773)	(34,773)
Total expenses	$ 1,438,751	$ 141,354	$ 143,760	$ 285,114	$ 1,723,865

The Notes to Financial Statements are an integral part of this statement.

The 52nd Street Project, Inc.
Statement of Functional Expenses
Year Ended June 30, 2020

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Supporting Services: Total	Total Expenses
Salaries, wages, benefits and taxes	$ 1,076,483	$ 80,869	$ 117,533	$ 198,402	$ 1,274,885
Marketing and press	19,946	206	4,377	4,583	24,529
Repairs and maintenance	25,983	2,346	1,443	3,789	29,772
Theatrical production and recreation	1,581	376	-	376	1,957
Professional fees	77,418	35,976	7,437	43,413	120,831
Supplies and office expenses	11,615	8,589	4,094	12,683	24,298
Insurance	46,804	1,315	2,595	3,910	50,714
Rent and utilities	125,089	8,587	6,949	15,536	140,625
Security	17,575	976	976	1,952	19,527
Telecommunications	8,190	455	455	910	9,100
Postage, delivery, and printing	776	28	1,645	1,673	2,449
Scholarships	36,240	-	-	-	36,240
Subscriptions, dues and memberships	245	6,169	-	6,169	6,414
Direct event expenses	-	-	42,635	42,635	42,635
Indirect event expenses	-	-	1,222	1,222	1,222
Touring travel, housing and food	36,552	1,386	314	1,700	38,252
Catering and hospitality	9,419	579	977	1,556	10,975
Bank and processing fees	-	8,598	-	8,598	8,598
Bad debt expense	11,540	55	-	55	11,595
Depreciation	372,918	15,869	7,934	23,803	396,721
Interest expense	-	1,016	-	1,016	1,016
	1,878,374	173,395	200,586	373,981	2,252,355
Less: Direct costs of special events netted with revenue	-	-	(42,635)	(42,635)	(42,635)
Total expense	$ 1,878,374	$ 173,395	$ 157,951	$ 331,346	$ 2,209,720

The Notes to Financial Statements are an integral part of this statement.

The 52nd Street Project, Inc.
Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	2021	2020
Operating and non-operating activities		
Change in net assets	$ 367,127	$ (552,324)
Adjustments to reconcile change in net assets to		
net cash used in operating and non-operating activities		
Depreciation	406,836	396,721
Bad debt expense	-	11,595
Forgiveness from PPP 1 loan payable	(208,974)	-
Realized gain on sale of investments	(814,312)	(145,332)
Unrealized loss (gain) on investments	278,556	(179,305)
Donated equipment	(2,777)	(94,506)
Donated securities	(11,545)	(33,561)
Change in discount for present value of unconditional promises to give	(6,502)	(5,379)
(Increase) decrease in		
Accounts receivable	(87,162)	5,328
Unconditional promises to give	(202,248)	(15,139)
Prepaid expenses	5,002	24,868
Increase (decrease) in		
Accounts payable and accrued expenses	33,117	(77,217)
Deferred rental income	(809)	5,199
Due to Con Edison	(19,166)	(7,032)
Net cash used in operating and non-operating activities	(262,857)	(666,084)
Investing activities		
Purchase of investments	(7,717,816)	(2,523,198)
Proceeds from sale of investments and donated securities	7,319,101	3,049,511
Purchase of property and equipment	(5,838)	(4,380)
Net cash (used in) provided by investing activities	(404,553)	521,933
Financing activities		
Proceeds from PPP 1 loan payable	-	208,974
Proceeds from EIDL loan payable	150,000	-
Proceeds from PPP 2 loan payable	225,216	-
Net cash provided by financing activities	375,216	208,974
Net change in cash and cash equivalents	(292,194)	64,823
Cash and cash equivalents		
Beginning of year	654,556	589,733
End of year	$ 362,362	$ 654,556
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 3,150	$ 1,016
Donated equipment	$ 2,777	$ 94,506

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. Due to COVID-19, the Organization temporarily closed its facilities effective March 2020, and certain programming continued virtually during fiscal year 2021. In July 2021, in-person programming resumed.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States 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:

Net assets 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. In addition, net assets without donor restrictions include board designated endowment funds and property and equipment used in operations.

Net assets 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. Cash reserve funds held by the investment manager are considered as cash.

Investments
Investments are reported at fair value, which is determined by using quoted market prices, when available. Common stocks are valued at the closing price reported on the active market on which the individual securities are traded. Corporate bonds are valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing the value on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, those corporate bonds are valued under a discounted cash flow approach that maximizes observable inputs, such as current yields or similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks.

Investments in mutual funds are valued at the net asset value as of the close of each business day. Mutual funds are open-end mutual funds and are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at those published prices. The mutual funds held by the Organization are deemed to be actively traded.

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.

Gains and losses, both realized and unrealized, resulting from increases or decreases in the fair value of investments are reflected in the statements of activities as increases or decreases in net assets without donor restriction unless the use was restricted by explicit donor stipulations or by law. Donated investments are recorded at the fair value at the date of receipt. Investment related fees are offset with net investment income.

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 and Support Recognition
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 and grants 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. There has not been an allowance for uncollectible established as of June 30, 2021 and 2020 against these receivables based on prior years' experience and management's analysis of specific promises made.

Revenue from Contracts with Customers
The Organization accounts for concession income as an exchange transaction in the statements of activities. Revenues from contracts with customers are treated as revenues without donor restrictions. Funds received in advance from customers for services that have not been performed have been recorded as contract liabilities and shown as deferred income in the statements of financial position.

The following summarizes the Organization's performance obligations:

The timing of revenue recognition, billings and cash collections results in contract liabilities which are shown as deferred income on the statements of financial position. Contract liabilities as of June 30, 2021 and 2020 were $9,390 and $10,199, respectively.

Other revenues are obtained from theatre rentals, investment income and other income. These revenues are used to offset program, management and general and fundraising expenses. Revenue from these sources are recognized when earned. Certain investment income has been classified as with donor restrictions based on donor stipulations.

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 accounting principles generally accepted 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.

Operating Measure
The statement of activities includes operating and non-operating classifications. Non-operating activities include the forgiveness of indebtedness on the PPP loan funds, investment return, and donated equipment as well as the impact of the spending policy on investments. All other revenues and expenses are included in operating activities within the statement of activities.

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 organization.

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.

Reclassifications
Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. These changes have had no effect on the net assets of the Organization.

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, 2021 and 2020 are $7,720,401 and $6,893,912, 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, 2021 and 2020 are $10,320,061 and $10,718,282, 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, 2021 and 2020, the Organization appropriated $58,921 and $520,194, 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, 2021, the Organization has raised approximately $3,230,000 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:

	2021	2020
Scholarship and music program	$ 34,251	$ 58,400
Future periods	140,000	20,536
Teen program	-	50,000
	174,251	128,936
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	$ 571,987	$ 526,672

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 net assets without donor restrictions. During the years ended June 30, 2021 and 2020, there was no excess from investing the Funds and the distribution was $41,772 and $27,628, 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, 2021 and 2020, the Organization awarded scholarships of $31,000 and $36,240, respectively.

The net investment income earned on the endowment net assets with donor restrictions has been fully utilized during the years ended June 30, 2021 and 2020 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 with 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 are as follows for the years ended June 30:

	2021	2020
	With Donor Restrictions	With Donor Restrictions
Endowment net assets, June 30	$ 397,736	$ 397,736
Investment return, net	41,772	27,628
Appropriation for spending	(41,772)	(27,628)
Endowment net assets, June 30	$ 397,736	$ 397,736

3. FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of June 30, 2021 and 2020, 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:

	2021	2020
Financial assets		
Cash and cash equivalents	$ 318,111	$ 575,620
Accounts receivable	108,348	21,186
Unconditional promises to give	320,590	125,889
Total financial assets and liquidity resources available within one year	$ 747,049	$ 722,695

The Organization's cash flows have fluctuations during the year attributable to the timing of program operations. A significant number 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's financial instruments that are exposed to concentrations of credit risk consist primarily of its cash, cash equivalents, receivables and investments. At times during the years, cash of the Organization deposited in financial institutions exceeds the Federal Deposit Insurance Corporation ("FDIC") limit or is in accounts not covered by FDIC insurance. The management of the Organization follows an investment policy that is designed to limit investment risk and deposits cash with high quality institutions to lessen the amount of uninsured exposure. Although subject to market fluctuations this investment policy somewhat limits the Organization's exposure to concentrations of credit risk.

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 $1,900,000. SIPC does not protect investors from market risk.

5. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Financial Accounting Standards Board established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. 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 asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The three levels of the fair value hierarchy are described below. There were no changes in investment leveling methodology for the years ended June 30, 2021 and 2020. In addition, there were no transfers in Level 3 investments during the years ended June 30, 2021 and 2020**.**

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access. Such inputs include quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are financial instruments whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant judgment or estimation.

The following tables represent the Organization's fair value hierarchy for its financial assets measured at fair value on a recurring basis as of June 30:

	2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Equities	$ 3,055,200	$ -	$ -	$ 3,055,200
Corporate fixed income	-	786,829	-	786,829
Government securities	1,583,549	-	-	-
Mutual funds	2,195,668	-	-	2,195,668
	$ 6,834,417	$ 786,829	$ -	$ 6,037,697

	2020			
	Level 1	**Level 2**	**Level 3**	**Total**
Government securities	$ 829,291	$ 1,328,045	$ -	$ 2,157,336
Equities	2,517,052	-	-	2,517,052
Corporate bonds	-	2,000,842	-	2,000,842
	$ 3,346,343	$ 3,328,887	$ -	$ 6,675,230

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

	2021	2020
Interest and dividend income	$ 275,052	$ 184,663
Realized gain on sale of investments	814,312	145,332
Unrealized (loss) gain on investments	(278,556)	179,305
Investment fees	(53,060)	(52,850)
Investment return, net	$ 757,748	$ 456,450

6. UNCONDITIONAL PROMISES TO GIVE

Unconditional Promises to Give

When estimating fair value of unconditional promises to give, 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 risk-adjusted rate of 5%. Uncollectible promises are expected to be insignificant. Unconditional promises to give consist of the following as of June 30:

	2021		
	Less Than One Year	Over One Year	Total
Without donor restrictions	$ 320,590	$ 32,000	$ 352,590
With donor restrictions	130,000	-	130,000
	450,590	32,000	482,590
Less: Discount for present value	-	(2,046)	(2,046)
	$ 450,590	$ 29,954	$ 480,544

	2020		
	Less Than One Year	Over One Year	Total
Without donor restrictions	$ 125,889	$ 81,501	$ 207,390
With donor restrictions	72,952	-	72,952
	198,841	81,501	280,342
Less: Discount for present value	-	(8,548)	(8,548)
	$ 198,841	$ 72,953	$ 271,794

7. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	Life/Years	2021	2020
Leasehold improvements	39	$ 14,288,415	$ 14,288,415
Equipment	3-10	691,465	684,307
Furniture and fixtures	7	326,065	324,608
Website development	3	27,756	27,756
		15,333,701	15,325,086
Less: Accumulated depreciation		(5,013,640)	(4,606,804)
		$ 10,320,061	$ 10,718,282

Depreciation and amortization expense for the years ended June 30, 2021 and 2020 was $406,836 and $396,721, respectively. Leasehold improvements include $10,600,000 contributed by the New York City Department of Cultural Affairs ("DCA") (see Note 9b).

8. ECONOMIC INJURY DISASTER LOAN PAYABLE

On August 28, 2020, the Organization was approved for an Economic Injury Disaster Loan ("EIDL") in the amount of $150,000. The EIDL is a 30-year term loan. The loan bears interest at an annual rate of 2.75% and is collateralized by all tangible and intangible assets of the Organization. Monthly installments on the loan begin 12 months from the date of the loan. The loan is due as follows:

June 30, 2022	$ 3,003
June 30, 2023	3,799
June 30, 2024	3,905
June 30, 2025	4,013
Thereafter through August 28, 2050	135,280
	$ 150,000

9. 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. The DCA has contributed approximately $10,600,000 for all design and construction costs for the Organization's spaces through the date of these financial statements. 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 were $67,761 and $65,347 for the years ended June 30, 2021 and 2020, respectively, subject to consumer price index increases, rent adjustments and reserve adjustments.

The lease term is subject to rent adjustments which are 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 at June 30 as follows:

June 30, 2022	$ 42,115
June 30, 2023	42,115
June 30, 2024	27,115
	$ 111,345

d) The Organization entered into a member services agreement with Arts Pool Services, Inc. ("ArtsPool") for financial and workforce administration services. The agreement can be terminated by either party with a sixty day written notice of termination. 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 $60,000 and $76,000 for the years ended June 30, 2021 and 2020, 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 which has been fully paid off as of June 30, 2021.

10. 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, 2021 and 2020.

11. RELATED PARTY TRANSACTIONS

During fiscal years 2020 and 2019, contributions aggregating approximately $72,000 and $79,000, respectively, were received from members of the board of directors.

12. DONATED SERVICES, MATERIALS AND EQUIPMENT

The Organization received donated professional services during the year ended June 30, 2020 in support of its program and operations of $8,724. Additionally, during the years ended June 30, 2021 and 2020, donated equipment of $2,777 and $94,506, respectively, was recorded.

13. NEW ACCOUNTING PRONOUNCEMENTS ISSUED NOT YET EFFECTIVE

Leases
In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, *Leases* (Topic 842) ("ASU 2016-02"), which requires lessees to recognize on the statement of financial position the assets and liabilities for the rights and obligations created by leases with lease terms of more than 12 months. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee will continue to primarily depend on its classification as a finance or operating lease. However, unlike current U.S. GAAP, which requires only capital leases to be recognized on the statement of financial position, ASU 2016-02 will require both types of leases to be recognized on the statement of financial position. ASU 2016-02 also requires disclosures about the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements, providing additional information about the amounts recorded in the financial statements. ASU 2016-02 is effective beginning July 1, 2022, with early application permitted and is not expected to have a significant impact on the financial statements.

Contributed Nonfinancial Assets
In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958), which is effective for fiscal years beginning after June 15, 2021, with early adoption permitted, and is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, along with expanded disclosure requirements.

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

14. PAYCHECK PROTECTION PROGRAM LOANS PAYABLE

On January 25, 2021, the Organization issued an unsecured promissory note (the "PPP2 Loan") for $225,430 through the Paycheck Protection Program ("PPP") established under the Consolidated Appropriations Act of 2021 and administered by the U.S. Small Business Administration ("SBA"). The PPP2 Loan is guaranteed by the SBA. The PPP2 Loan may be forgiven, in whole or in part, if the Organization was eligible for the PPP2 Loan at the time of application, used the loan proceeds for eligible expenses within the defined 24-week period after the PPP2 Loan was disbursed ("Covered Period"), and otherwise satisfied PPP requirements.

The PPP2 Loan was made through Signature Bank (the "Lender"), has a five-year term, bears interest at 1.00% per annum, and matures on January 25, 2026. If the PPP2 Loan is not forgiven, monthly principal and interest payments are deferred until ten months after the end of the Covered Period. The PPP2 Loan may be prepaid at any time prior to maturity with no prepayment penalties. Accordingly, the Organization has reflected the PPP2 Loan as short-term and long-term debt in the accompanying statements of financial position. The Organization will record the forgiveness of the loan as a gain on extinguishment in the period in which legal release is received. There is no certainty that any or all of the PPP2 Loan will be forgiven.

Future maturities of the PPP2 Loan, assuming it is not forgiven, are as follows:

June 30, 2022	$	3,757
June 30, 2023		45,086
June 30, 2024		45,086
June 30, 2025		45,086
June 30, 2026		86,415
	$	225,430

The PPP loan that was issued in April 17, 2020 for $208,974, which was shown as debt at June 30, 2020, was fully forgiven in January 2021. The loan was recorded as forgiveness of indebtedness in the statement of activities for the year ended June 30,2021.

15. EMPLOYEE RETENTION CREDIT

The Organization has applied for the employee retention credit in the amount of $79,239. The credit will be claimed against the Organization's payroll tax obligations for each calendar quarter based on qualified wages, subject to certain limitations. For the year ended June 30, 2021, the Organization recorded revenue totaling $79,239, which is included in government revenue in the accompanying statement of activities.

16. 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 and detailed within the statements of functional expenses. 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, and 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.

17. RISKS AND UNCERTAINTIES

On January 30, 2020, the World Health Organization declared the outbreak of a novel strain of Coronavirus (“COVID-19”) a “Public Health Emergency of International Concern” and in early March 2020, declared the Coronavirus outbreak a global pandemic. Management is continuing to monitor the impact that the COVID-19 pandemic will continue to have on global operations and has concluded that the specific impact in 2021 is not readily determinable as of the date of these financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

18. EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events occurring after the statement of financial position date through the date of September 30, 2021, which is the date the financial statements were available to be issued. Based upon this evaluation, the Organization has determined that no events have occurred which require recognition or disclosure in the financial statements.