THE 52ND STREET PROJECT, INC.
Financial Statements
June 30, 2023 and 2022
With Independent Auditor's Report

withum
ADVISORY TAX AUDIT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
The 52nd Street Project, Inc.:

Opinion

We have audited the 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, 2023 and 2022, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of The 52nd Street Project, Inc. as of June 30, 2023 and 2022, 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.

Basis of Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (“GAAS”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As described in Note 1 to the financial statements, the Organization adopted Topic 842, *Leases,* as of July 1, 2022. Prior period amounts have not been adjusted and continue to be reported in accordance with the Organization’s historic accounting under Topic 840, *Leases,* Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization’s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Withum Smith+Brown, PC

November 27, 2023

The 52nd Street Project, Inc.
Statements of Financial Position
June 30, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Assets						
Current assets						
Cash and cash equivalents	240,006	$ 10,856	$ 250,862	$ 174,230	$ 92,251	$ 266,481
Accounts receivable, net allowance for uncollectables	30,250	-	30,250	35,953	-	35,953
Unconditional promises to give	68,678	105,000	173,678	116,425	-	116,425
Employee Retention Tax Credit receivable	2,562	-	2,562	308,432	-	308,432
Prepaid expenses	50,469	-	50,469	75,995	-	75,995
Total current assets	391,965	115,856	507,821	711,035	92,251	803,286
Investments	5,991,023	397,736	6,388,759	5,993,918	397,736	6,391,654
Property and equipment, at cost, net of accumulated depreciation	9,549,696	-	9,549,696	9,914,912	-	9,914,912
Operating right of use asset, net	2,187,104	-	2,187,104	-	-	-
			-			
Total assets	$ 18,119,788	$ 513,592	$ 18,633,380	$ 16,619,865	$ 489,987	$ 17,109,852
Liabilities and Net Assets						
Current liabilities						
Accounts payable and accrued expenses	$ 104,503	$ -	$ 104,503	$ 78,874	$ -	$ 78,874
Deferred income	15,000	-	15,000	5,640	-	5,640
EIDL loan payable, current portion	3,305	-	3,305	3,799	-	3,799
Operating lease payable, current portion	5,528	-	5,528	-	-	-
Total current liabilities	128,336	-	128,336	88,313	-	88,313
EIDL loan payable, net of current portion	145,112	-	145,112	145,987	-	145,987
Operating lease payable, net of current portion	2,181,576	-	2,181,576	-	-	-
Total liabilities	2,455,024	-	2,455,024	234,300	-	234,300
Net assets (deficit)						
Without donor restrictions						
Property and equipment, net	9,549,696	-	9,549,696	9,914,912	-	9,914,912
Board-designated	6,261,507	-	6,261,507	6,609,661	-	6,609,661
General operating	(146,439)	-	(146,439)	(139,008)	-	(139,008)
With donor restrictions	-	513,592	513,592	-	489,987	489,987
Total net assets	15,664,764	513,592	16,178,356	16,385,565	489,987	16,875,552
Total liabilities and net assets	$ 18,119,788	$ 513,592	$ 18,633,380	$ 16,619,865	$ 489,987	$ 17,109,852

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

The 52nd Street Project, Inc.
Statements of Activities
Years Ended June 30, 2023 and 2022

	2023				2022			
	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	$ 175,380	$ -	$ -	$ 175,380	$ 171,850	$ -	$ -	$ 171,850
Foundations	161,500	-	105,000	266,500	80,000	-	25,000	105,000
Corporations	67,491	-	-	67,491	28,389	-	-	28,389
Individuals	286,796	-	-	286,796	570,605	-	-	570,605
Fundraising benefits	312,952	-	-	312,952	30,000	-	8,000	38,000
Less: Direct costs of fundraising benefits	(86,326)	-	-	(86,326)	(35,504)	-	-	(35,504)
Net assets released from restrictions	81,395	-	(81,395)	-	115,000	-	(115,000)	-
Total public support	999,188	-	23,605	1,022,793	960,340	-	(82,000)	878,340
Other revenue								
Theatre rental income	148,420	-	-	148,420	175,028	-	-	175,028
Labor reimbursements	17,192	-	-	17,192	83,727	-	-	83,727
Other income	6,889	-	-	6,889	7,973	-	-	7,973
Total other revenue	172,501	-	-	172,501	266,728	-	-	266,728
Total public support and other revenue	1,171,689	-	23,605	1,195,294	1,227,068	-	(82,000)	1,145,068
Expenses								
Program services	1,804,141	-	-	1,804,141	1,644,834	-	-	1,644,834
Supporting services								
Management and general	176,183	-	-	176,183	188,698	-	-	188,698
Fundraising	155,048	-	-	155,048	144,327	-	-	144,327
Total supporting services	331,231	-	-	331,231	333,025	-	-	333,025
Total expenses	2,135,372	-	-	2,135,372	1,977,859	-	-	1,977,859
Change in net assets before nonoperating activities (carried forward)	(963,683)	-	23,605	(940,078)	(750,791)	-	(82,000)	(832,791)

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

The 52nd Street Project, Inc.
Statements of Activities
Years Ended June 30, 2023 and 2022

	2023				2022			
	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 nonoperating activities (brought forward)	$ (963,683)	$ -	$ 23,605	$ (940,078)	$ (750,791)	$ -	$ (82,000)	$ (832,791)
Non-operating activities								
PPP loan forgiveness	-	-	-	-	225,430	-	-	225,430
Employee Retention Tax Credit revenue	-	-	-	-	150,578	-	-	150,578
Investment return, net	-	227,899	14,983	242,882	-	(1,045,648)	(65,092)	(1,110,740)
Excess earnings, net	-	14,983	(14,983)	-	-	(65,092)	65,092	-
Spending policy distribution	541,263	(541,263)	-	-	-	-	-	-
Total nonoperating activities	541,263	(298,381)	-	242,882	376,008	(1,110,740)	-	(734,732)
Change in net assets	(422,420)	(298,381)	23,605	(697,196)	(374,783)	(1,110,740)	(82,000)	(1,567,523)
Net transfers - purchase of property and equipment	49,773	(49,773)	-	-	-	-	-	-
Net assets								
Beginning of year	9,775,904	6,609,661	489,987	16,875,552	10,150,687	7,720,401	571,987	18,443,075
End of year	$ 9,403,257	$ 6,261,507	$ 513,592	$ 16,178,356	$ 9,775,904	$ 6,609,661	$ 489,987	$ 16,875,552

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, 2023

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Supporting Services: Costs of Direct Donor Benefits	Supporting Services: Total	Total Expenses
Salaries, wages, benefits, and taxes	$ 979,871	$ 92,503	$ 101,599	$ -	$ 194,102	$ 1,173,973
Marketing and press	3,790	5,409	3,782	-	9,191	12,981
Repairs and maintenance	31,509	1,458	1,458	-	2,916	34,425
Professional fees	105,663	26,715	4,953	-	31,668	137,331
Supplies and office expenses	18,146	1,055	1,002	-	2,057	20,203
Insurance	65,197	3,622	3,622	-	7,244	72,441
Lease and occupancy costs	132,109	7,339	7,339	-	14,678	146,787
Security	20,145	1,119	1,119	-	2,238	22,383
Telecommunications	8,286	460	460	-	920	9,206
Postage, delivery, and printing	814	43	4,092	-	4,135	4,949
Scholarships	36,500	-	-	-	-	36,500
Subscriptions, dues, and memberships	360	2,628	-	-	2,628	2,988
Direct event expenses	-	-	-	86,499	86,499	86,499
Indirect event expenses	-	-	3,584	-	3,584	3,584
Touring travel, housing, and food	13,749	865	782	-	1,647	15,396
Catering and hospitality	14,511	597	507	-	1,104	15,615
Bank and processing fees	-	7,197	-	-	7,197	7,197
Depreciation	373,491	20,749	20,749	-	41,498	414,989
Interest expense	-	4,424	-	-	4,424	4,424
	1,804,141	176,183	155,048	86,499	417,730	2,221,871
Less: Direct costs of special events netted with revenue	-	-	-	(86,499)	(86,499)	(86,499)
Total expenses	$ 1,804,141	$ 176,183	$ 155,048	$ -	$ 331,231	$ 2,135,372

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, 2022

	Program Services	Supporting Services: Management and General	Fundraising	Costs of Direct Donor Benefits	Total	Total Expenses
Salaries, wages, benefits, and taxes	$ 924,423	$ 76,257	$ 99,739	$ -	$ 175,996	$ 1,100,419
Marketing and press	32	5,903	4,990	-	10,893	10,925
Repairs and maintenance	22,323	1,240	1,240	-	2,480	24,803
Professional fees	84,183	26,780	3,556	-	30,336	114,519
Supplies and office expenses	12,173	2,977	871	-	3,848	16,021
Insurance	49,578	2,754	2,754	-	5,508	55,086
Rent and utilities	128,136	7,125	6,937	-	14,062	142,198
Security	15,590	1,158	1,158	-	2,316	17,906
Telecommunications	8,575	476	476	-	952	9,527
Postage, delivery, and printing	1,009	58	2,092	-	2,150	3,159
Scholarships	27,000	-	-	-	-	27,000
Subscriptions, dues, and memberships	353	6,910	-	-	6,910	7,263
Direct event expenses	-	-	-	35,504	35,504	35,504
Indirect event expenses	871	-	-	-	-	871
Touring travel, housing, and food	444	63	262	-	325	769
Catering and hospitality	5,443	1,004	28	-	1,032	6,475
Bank and processing fees	-	8,056	-	-	8,056	8,056
Bad debt expense	-	23,162	-	-	23,162	23,162
Depreciation	364,701	20,224	20,224	-	40,448	405,149
Interest expense	-	4,551	-	-	4,551	4,551
	1,644,834	188,698	144,327	35,504	368,529	2,013,363
Less: Direct costs of special events netted with revenue	-	-	-	(35,504)	(35,504)	(35,504)
Total expenses	$ 1,644,834	$ 188,698	$ 144,327	$ -	$ 333,025	$ 1,977,859

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, 2023 and 2022

	2023	2022
Operating and nonoperating activities		
Change in net assets	$ (697,196)	$ (1,567,523)
Adjustments to reconcile change in net assets to net cash used in operating and nonoperating activities		
Depreciation	414,989	405,149
Bad debt expense	-	23,162
Amortization of right of use asset	5,359	-
Forgiveness from PPP loan payable	-	(225,430)
Realized loss on sale of investments	263,722	52,866
Unrealized loss on investments	(306,200)	1,187,465
Donated securities	(20,384)	(11,439)
Change in discount for present value of unconditional promises to give	-	(2,046)
(Increase) decrease in		
Accounts receivable	5,703	(19,344)
Employee Retention Tax Credit receivable	305,870	(229,193)
Prepaid expenses	25,526	(55,998)
Unconditional promises to give	(57,253)	355,503
Increase (decrease) in		
Accounts payable and accrued expenses	25,629	(6,003)
Deferred rental income	9,360	(3,750)
Lease liability, operating	(5,359)	-
Net cash used in operating and nonoperating activities	(30,234)	(96,581)
Investing activities		
Purchase of investments	(2,952,729)	(2,286,670)
Proceeds from sale of investments and donated securities	3,018,486	2,287,584
Purchase of property and equipment	(49,773)	-
Net cash provided by investing activities	15,984	914
Financing activities		
Principal payments on EIDL loan payable	(1,369)	(214)
Net cash used in financing activities	(1,369)	(214)
Net change in cash and cash equivalents	(15,619)	(95,881)
Cash and cash equivalents		
Beginning of year	266,481	362,362
End of year	$ 250,862	$ 266,481
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 4,424	$ 4,551
Non-cash investing and financing transactions		
Right of use assets in exchange for operating lease	$ 2,192,463	$ -

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" or the "Project") is a not-for-profit organization incorporated in New York State in January 1989. The mission of the Organization, 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 theatre professionals to create original theatre 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 in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

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.

Operating Measure

The statements of activities include operating and nonoperating classifications. Nonoperating activities include the forgiveness of indebtedness on the Paycheck Protection Program ("PPP") loan funds, Employee Retention Tax Credit income, investment return, net, 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 statements of activities.

New Accounting Pronouncement Adopted

In February 2016, the Financial Accounting Standards Board ("FASB") issued an Accounting Standards Update ("ASU") ("Topic 842"), *Leases*, amending the accounting for leases. The Organization adopted the new standard effective July 1, 2022, using the modified retrospective approach. Comparative prior periods were not adjusted upon adoption, as the Organization utilized the practical expedient available under the guidance. Further, the Organization elected to implement the package of practical expedients, whereby the Organization did not (i) reassess existing contracts for embedded leases, (ii) reassess existing lease agreements for finance or operating classification, or (iii) reassess existing lease agreements in consideration of initial direct costs. The implementation of this standard did not have a material impact to the statements of activities.

Upon adoption, the Organization recognized $2,192,463 in right-of-use (“ROU”) operating assets related to its leased property and equipment. Corresponding operating lease liabilities of $2,192,463 were also recognized. There was no cumulative effect of applying the new standard and accordingly there was no adjustment to net assets upon adoption.

New Accounting Pronouncement Not Yet Adopted
In June 2016, the FASB issued ASU 2016-13, *Measurement of Credit Losses on Financial Instruments*, which is effective for fiscal years beginning after December 15, 2022, and requires an organization to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions will now use forward-looking information to better inform their credit loss estimates. The Organization is currently evaluating the effect that this pronouncement will have on its financial statements and related disclosures.

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.

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.

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 restrictions 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 is recorded at cost. Expenditures for maintenance and repairs are charged to income as incurred; replacements and betterments that extend the useful lives are capitalized. 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 the 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.

Leases

The Organization categorizes leases with contractual terms longer than twelve months as either operating or finance. Finance leases are generally those leases that allow the Organization to substantially utilize or pay for the entire asset over its estimated life. All other leases are categorized as operating leases. Leases with contractual terms of 12 months or less are not recorded on the statement of financial position. The Organization had no finance leases during 2023.

Certain lease contracts include obligations to pay for other services, such as operations, property taxes, and maintenance. For leases of property, the Organization did not account for these other services as a component of the lease, the services are accounted for separately and the Organization allocates payments to the lease and other services components based on estimated stand-alone prices.

Lease liabilities are recognized at the present value of the fixed lease payments, reduced by landlord incentives, using a risk-free rate based on similarly secured borrowings available to the Organization. Right of use assets are recognized based on the initial present value of the fixed lease payments, reduced by landlord incentives, plus any direct costs from executing the leases. Lease assets are tested for impairment in the same manner as long-lived assets used in operations.

Options to extend lease terms, terminate leases before the contractual expiration date, or purchase the leased assets, are evaluated for their likelihood of exercise. If it is reasonably certain that the option will be exercised, the option is considered in determining the classification and measurement of the lease.

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 promises to give established as of June 30, 2023 and 2022 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. The price for these transactions is fixed and recognized at point in time. Revenues from contracts with customers are treated as revenues without donor restrictions.

Rental income and reimbursed tenant expenses - Rental income and reimbursed tenant expenses are earned monthly based on the terms of the tenant's lease or upon the satisfaction of the terms of short-term leases. Reimbursed tenant expenses are recorded once the Organization has incurred the expense and identified it as a tenant reimbursable expense.

Special event revenue - Special event revenue comprises an exchange element, based on the benefits received, and a contribution element for the difference and is treated as revenue without donor restrictions. The Organization does not have any significant financing components, as payment is received at or shortly after the point of sale. The contribution portion is recognized as a conditional contribution when received and reported as a refundable advance on the statements of financial position and is recognized as revenue when the condition is met, which is when the event takes place. For the exchange portion, funds received in advance of the event date are recorded as contract liabilities in the statements of financial position. Revenue from the exchange portion is recognized at a point in time, which is on the date the event is held.

The following summarizes the Organization's performance obligations:

In determining the appropriate amount of revenue to be recognized as it fulfills its obligations under its agreements, the Organization performs the following steps: (i) identify contracts with customers; (ii) identify performance obligations; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations; and (v) recognize revenue when (or as) the Organization satisfies each performance obligation.

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, 2023 and 2022 were $15,000 and $5,640, respectively. Contract liabilities as of July 1, 2020 were $9,390.

Other revenues are obtained from investment income and other income. These revenues are used to offset program, management and general, and fundraising expenses. Revenue from these sources is 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 U.S. GAAP 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.

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. During the year ended June 30, 2023, the Organization appropriated $49,773 of Board-designated net assets. Board-designated net assets as of June 30, 2023 and 2022 are $6,261,507 and $6,609,661, respectively.

The property and equipment fund reflects all transactions related to property, equipment, and construction in progress, when applicable. During the year ended June 30, 2023, the Organization transferred $49,773 of net assets from Board-designated net assets. Property and equipment fund net assets as of June 30, 2023 and 2022 are $9,549,696 and $9,914,912, 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 year ended June 30, 2023, the Organization appropriated $541,263. There was no appropriation for the year ended June 30, 2022. 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.

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

	2023	2022
Scholarship and music program	$ 10,856	$ 34,251
Future periods	105,000	58,000
	115,856	92,251
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	$ 513,592	$ 489,987

The Organization's endowment consists of several donor-restricted endowment funds established for specific purposes. As required by U.S. 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 collectively, (the “Funds”) is 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, 2023 and 2022, there was no excess from investing added to the Funds and the distribution was $14,983 and $0, respectively.

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

Scholarship Program Fund

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, 2023 and 2022, the Organization awarded scholarships of $36,500 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, 2023 and 2022 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.

Return Objectives and Risk Parameters

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:

	2023 With Donor Restrictions	2022 With Donor Restrictions
Endowment net assets, June 30	$ 397,736	$ 397,736
Investment return, net	14,983	-
Appropriation for spending	(14,983)	-
Endowment net assets, June 30	$ 397,736	$ 397,736

3. FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of June 30, 2023 and 2022, 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:

	2023	2022
Financial assets		
Cash and cash equivalents	$ 240,006	$ 174,230
Accounts receivable	30,250	35,953
Employee Retention Tax Credit receivable	2,562	308,432
Unconditional promises to give	68,678	116,425
Total financial assets and liquidity resources available within one year	$ 341,496	$ 635,040

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 1, 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 has significant cash balances at financial institutions which throughout the year regularly exceed the federally insured limit of $250,000. Any loss incurred or a lack of access to such funds could have a significant adverse impact on the Organization's financial condition, results of operations, and cash flows.

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of these securities will occur in the near term and that such changes could materially affect the amounts reported on the statements of financial position. Investments are diversified to avoid overconcentration from a specific issuer or sector. Credit risk is minimized by limiting the types of investments as well as through diversification of the investment portfolio.

5. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820, *Fair Value Measurements and Disclosures*, establishes 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 three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 – Inputs are quoted or published prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2 – Inputs are inputs other than quoted or published prices included in Level 1 that are either directly or indirectly observable for the assets or liabilities.

Level 3 – Inputs are unobservable inputs for the assets or liabilities.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement.

There have been no changes in investment leveling methodology and there were no purchases, issuances or transfers in or out of Level 3 during the years ended June 30, 2023 and 2022.

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:

	2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Equities	$ 2,881,279	$ -	$ -	$ 2,881,279
Corporate fixed income	-	626,630	-	626,630
Government securities	1,146,885	-	-	1,146,885
Mutual funds	1,733,965	-	-	1,733,965
	$ 5,762,129	$ 626,630	$ -	$ 6,388,759

	2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Equities	$ 2,477,330	$ -	$ -	$ 2,477,330
Corporate fixed income	-	717,937	-	717,937
Government securities	1,323,731	-	-	1,323,731
Mutual funds	1,872,656	-	-	1,872,656
	$ 5,673,717	$ 717,937	$ -	$ 6,391,654

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

	2023	**2022**
Interest and dividend income	$ 254,308	$ 195,364
Realized loss on sale of investments	(263,722)	(52,866)
Unrealized gain (loss) on investments	306,200	(1,187,465)
Investment fees	(53,904)	(65,773)
Investment return, net	$ 242,882	$ (1,110,740)

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:

	2023	2022
	Less Than One Year	Less Than One Year
Without donor restrictions	$ 68,678	$ 116,425
With donor restrictions	105,000	-
Total	$ 173,678	$ 116,425

7. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	Estimated Life/Years	2023	2022
Leasehold improvements	39	$ 14,299,256	$ 14,288,415
Equipment	3-10	691,465	691,465
Furniture and fixtures	7	326,065	326,065
Website development	3	66,688	27,756
		15,383,474	15,333,701
Less: Accumulated depreciation		(5,833,778)	(5,418,789)
		$ 9,549,696	$ 9,914,912

Depreciation and amortization expense for the years ended June 30, 2023 and 2022 was $414,989 and $405,149, respectively. Leasehold improvements include $10,600,000 contributed by the New York City Department of Cultural Affairs ("DCA").

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 for the years ending June 30:

2024	$ 3,305
2025	3,410
2026	3,507
2027	3,606
Thereafter through August 28, 2050	134,589
	$ 148,417

9. LEASE COMMITMENTS

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 lease agreement 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, respectively, subject to consumer price index increases, rent adjustments, and reserve adjustments. Because the rate implicit in the lease is not available, the Organization utilized a risk-free rate as the discount rate.

The following is a maturity analysis of the annual undiscounted cash flows of the operating lease liabilities as of June 30, 2023:

2024	$ 73,279
2025	73,279
2026	73,279
2027	73,279
2028	73,279
Thereafter	5,770,719
Gross payments due	6,137,114
Less: Imputed Interest	(3,950,010)
Operating lease liability at June 30, 2023	$ 2,187,104

Lease expense for the year ended June 30, 2023 was $73,279 which is included in lease and occupancy costs. The weighted average discount rate associated with operating lease as of June 30, 2023 is 3.11%. The weighted average remaining term of the operating lease is 83.75 years.

10. OTHER COMMITMENTS AND CONTINGENCIES

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 July – August during certain production runs with approximate rental payments payable at June 30 as follows:

2024	$ 27,115

11. 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, 2023 and 2022.

12. RELATED PARTY TRANSACTIONS

During fiscal years 2023 and 2022, contributions aggregating approximately $95,333 and $219,000, respectively, were received from members of the board of directors.

13. PAYCHECK PROTECTION PROGRAM LOANS PAYABLE

On January 20, 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”). On December 30, 2021, the Organization received notice that the SBA had forgiven the loan in full.

14. EMPLOYEE RETENTION TAX CREDIT

The Organization has applied for the employee retention tax credits totaling of $313,544. 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, 2022, the Organization recorded revenue of $234,305 of which $83,727 is recorded in operating revenue and $150,578 which is included in nonoperating revenue, as it relates to expenses incurred in the prior year. Receivables of $2,562 and $308,432 were outstanding as of June 30, 2023 and 2022, respectively.

15. 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 expenses 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.

16. EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events occurring after the statement of financial position date through the date of November 27, 2023, 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 that require recognition or disclosure in the financial statements.