

THEATER FOR THE NEW CITY FOUNDATION, INC.

**FINANCIAL STATEMENTS
AND
ADDITIONAL INFORMATION**

JUNE 30, 2016

WITH COMPARATIVE TOTALS FOR 2015

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To the Board of Directors
Theater for the New City Foundation, Inc.
New York, New York

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of Theater for the New City Foundation, Inc., a not-for-profit organization, which comprise the statement of financial position as at June 30, 2016, and the related statement of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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 Theater for the New City Foundation, Inc. as at June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 12 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited Theater for the New City Foundation, Inc.'s 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 3, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Rosen Kuslanstky, CPA, P.C." The signature is written in a cursive style.

Certified Public Accountants

New York, New York
October 26, 2016

THEATER FOR THE NEW CITY FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2016
WITH COMPARATIVE TOTALS FOR 2015

ASSETS

	<u>2016</u>	<u>2015</u>
Current assets:		
Cash (Notes 2 and 9)	\$ 200,924	\$ 206,367
Prepaid expenses	1,000	8,796
Grants and contributions receivable (Notes 2 and 3)	7,000	11,310
Other receivables (Note 8)	30,000	3,038
Security deposit	<u>2,518</u>	<u>2,518</u>
Total current assets	241,442	232,029
 Property and equipment, net (Notes 2, 4 and 5)	 <u>1,561,622</u>	 <u>1,594,629</u>
 TOTAL ASSETS	 <u>\$ 1,803,064</u>	 <u>\$ 1,826,658</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and accrued expenses	\$ 25,453	\$ 26,548
Security deposit payable	2,000	500
Deferred income	<u>9,905</u>	<u>20,705</u>
Total current liabilities	<u>37,358</u>	<u>47,753</u>
 Total liabilities	 <u>37,358</u>	 <u>47,753</u>
 Commitments and contingencies (Note 6)		
 Net assets:		
Unrestricted	1,765,039	1,778,905
Temporarily restricted (Note 7)	<u>667</u>	<u>-</u>
Total net assets	<u>1,765,706</u>	<u>1,778,905</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 1,803,064</u>	 <u>\$ 1,826,658</u>

See accompanying notes to financial statements.

THEATER FOR THE NEW CITY FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE TOTALS FOR 2015

	Unrestricted	Temporarily Restricted	Total 2016	Total 2015
Revenues and other support:				
Contributions (Notes 2 and 5)	\$ 386,430	\$ 667	\$ 387,097	\$ 463,141
Government grants	39,392	-	39,392	40,979
Gross benefit income	23,685	-	23,685	33,360
Less: direct benefit expenses	(15,373)	-	(15,373)	(17,342)
Box office receipts	251,557	-	251,557	256,621
Rental income (Note 8)	170,635	-	170,635	121,000
Interest	87	-	87	87
Other	44,472	-	44,472	48,354
	<u>900,885</u>	<u>667</u>	<u>901,552</u>	<u>946,200</u>
Expenses:				
Program services:				
Resident theater	411,468	-	411,468	523,499
Presenting theater	151,860	-	151,860	114,281
Street theater	116,868	-	116,868	110,733
Community festival	52,810	-	52,810	47,552
Arts in education	33,239	-	33,239	32,675
	<u>766,245</u>	<u>-</u>	<u>766,245</u>	<u>828,740</u>
Supporting services:				
General and administrative	106,057	-	106,057	121,543
Fund-raising	42,449	-	42,449	40,023
	<u>148,506</u>	<u>-</u>	<u>148,506</u>	<u>161,566</u>
Total expenses	<u>914,751</u>	<u>-</u>	<u>914,751</u>	<u>990,306</u>
Changes in net assets	(13,866)	667	(13,199)	(44,106)
Beginning net assets	<u>1,778,905</u>	<u>-</u>	<u>1,778,905</u>	<u>1,823,011</u>
Ending net assets	<u>\$ 1,765,039</u>	<u>\$ 667</u>	<u>\$ 1,765,706</u>	<u>\$ 1,778,905</u>

See accompanying notes to financial statements.

THEATER FOR THE NEW CITY FOUNDATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE TOTALS FOR 2015

	2016	2015
<u>Cash flows from operating activities:</u>		
Change in net assets	\$ (13,199)	\$ (44,106)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	68,546	67,796
Non-cash contributions	(30,000)	-
Change in assets and liabilities:		
Prepaid expenses	7,796	(7,136)
Grants and contributions receivable	4,310	(3,337)
Other receivables	(26,962)	(3,038)
Security deposit	-	(2,518)
Accounts payable and accrued expenses	(1,095)	11,244
Security deposit payable	1,500	500
Deferred income	(10,800)	(1,610)
Deferred lease credits	-	(2,730)
Net cash provided by operating activities	96	15,065
<u>Cash flows from investing activities:</u>		
Building improvements - in process	(5,539)	-
Net increase (decrease) in cash	(5,443)	15,065
Cash, beginning of the year	206,367	191,302
Cash, end of the year	\$ 200,924	\$ 206,367

See accompanying notes to financial statements.

THEATER FOR THE NEW CITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

(Note 1) Nature of Organization:

Theater for the New City Foundation, Inc. ("Theater"), is a 501(c)(3) not-for-profit organization that produces and performs new works, mostly by American playwrights. Through the operation of a four theater facility, it serves as a community-based cultural center for the East Village, Lower East Side of Manhattan, providing extensive outreach programs as well as experimental theater performances for the theater-going public. The Theater also commissions new works from America's established and emerging playwrights and offers a training program with an extensive workshop series for performers in street theater as well as a playwright development program involving workshops and production.

The Theater is supported through public contributions and program revenues. The Theater was incorporated in the State of New York in 1970.

(Note 2) Summary of Significant Accounting Policies:

A. Basis of Accounting:

The financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. The Theater's net assets and revenue are classified based on the existence or absence of donor imposed restrictions in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958, *Not-for-Profit Entities*.

B. Basis of Presentation:

FASB ASC 958, Not-for-Profit Entities establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories according to externally (donor) imposed restrictions. FASB ASC 958, Not-for-Profit Entities requires that unconditional promises to give (pledges) be recorded as receivables and revenue and requires that the organization distinguish between contributions received for each net asset category in accordance with donor imposed restrictions. A description of the three net asset categories follows:

Unrestricted net assets - Net assets that are not subject to donor imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Theater and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor imposed stipulations that they be maintained permanently by the Theater. The Theater has not received any contributions with donor imposed restrictions that would result in permanently restricted net assets.

THEATER FOR THE NEW CITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

(Note 2) Summary of Significant Accounting Policies (continued):

C. Contributions:

Contributions are recognized when the donor makes a promise to give to the Theater that is, in substance, unconditional. Gifts of cash and other assets are classified as restricted revenue and support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restricted is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activity as net assets released from restrictions. However, if a restriction is fulfilled in the fiscal year in which the contribution is recognized, the Theater records the contribution as unrestricted contributions in the accompanying financial statements.

Contributed property and equipment is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support when the long-lived assets are placed in service.

D. Contributions Receivable:

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

E. Use of Estimates:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

F. Property and Equipment:

Property and equipment are recorded at cost or, if donated, the approximate fair value at the date of donation. Depreciation is provided on a straight line basis over the estimated useful lives of the assets.

Building and improvements	40 years
Theater equipment	10 years
Truck	5 years

Construction in progress is not depreciated until the project is completed.

THEATER FOR THE NEW CITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

(Note 2) Summary of Significant Accounting Policies (continued):

G. Income Taxes:

The Theater is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been made in the accompanying financial statement. Management has evaluated all income tax positions and concluded that no disclosures relating to uncertain tax positions are required in the financial statements.

As of June 30, 2016, the tax years that remain subject to examination by federal and state jurisdictions, under the respective statute of limitation is from June 30, 2012 forward (with limited exceptions).

H. Cash and cash equivalents:

Cash equivalents include money market funds and certificates of deposits with original maturities of three months or less.

I. Functional Allocation of Expenses:

The costs of providing services have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated between programs and supporting services. Program activities are those direct costs which specifically meet and carry out the exempt objectives for which the Theater was established. Supporting activities are indirect costs to programs which cannot be specifically identified with a particular program objective. Management allocates administrative costs to programs and general operations in accordance with estimated services provided.

J. Donated Services:

A substantial number of unpaid volunteers have made significant contributions of their time for the Theater's program services and fund-raising. The value of this contributed time is not included in the financial statements because they are not susceptible to objective measurement and evaluation.

K. Advertising:

The Theater expenses advertising costs as they are incurred. Advertising expense for the year ended June 30, 2016 was \$46,282.

L. Comparative Financial Statements:

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Theater's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

THEATER FOR THE NEW CITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

(Note 3) Contributions Receivable:

The Theater received unconditional promises to give in the amount of \$7,000 for the year ended June 30, 2016. The contributions receivable is due as follows:

	<u>Future Programs and Periods</u>
Less than one year	\$ <u>7,000</u>

Uncollectible promises are expected to be insignificant.

(Note 4) Property and Equipment:

Property and equipment consist of:

Land	\$ 459,936
Building and improvements	2,711,858
Theater equipment	70,132
Truck	23,000
Building improvements - in process	<u>5,539</u>
	3,270,465
Less: accumulated depreciation and amortization	<u>(1,708,843)</u>
Total	<u>\$ 1,561,622</u>

In 1987, the Theater purchased the land and building (other than air and development rights retained by the New York City Economic Development Corporation formerly the New York City Public Development Corporation ("the City")) and renovated the building into a theater complex and obtained a certificate of occupancy as a live theater facility.

In 1999, the City sold the air rights and development rights, and, as required by the City, the Theater sold the land and building, to a purchaser developer. The purchaser developer constructed a new building on the property consisting of lobby, common elements, and 42 residential units. In 2002, the purchaser developer conveyed to the Theater a commercial condominium unit consisting of the Theater's original land and building less a portion of its lobby.

Common charges are allocated to the Theater in proportions originally established. For the year ended June 30, 2016, these fees totaled \$3,600.

Depreciation expense charged to operations for the year ended June 30, 2016 was \$68,546.

THEATER FOR THE NEW CITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

(Note 5) Donated Equipment:

During the year ended June 30, 2016, The Theater received a non-cash contribution of a piano with an appraised value of approximately \$30,000. In accordance with ASC 958-605, *Not-for-Profit Entities*, the contribution was recognized at its fair value of \$30,000 and is reported within property and equipment on the accompanying statement of financial position.

(Note 6) Commitments and Contingencies:

- A. As of June 30, 2016, the Theater leases office equipment under an operating lease with monthly lease payments of \$499 expiring on February 15, 2018. Lease expense recognized during the year for office equipment was \$6,539.

The minimum lease payments required under the above operating leases as of June 30, 2016 follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 5,988
2018	<u>3,992</u>
	<u>\$ 9,980</u>

- B. On July 17, 2013, the Theater received a capital projects award of \$925,000 for a roof and HVAC replacement from the NYC Department of Cultural Affairs ("DCA"). On July 20, 2015, the Theater also received a capital project award of \$140,000 for the lighting system from the DCA. The projects will be administered by the NYC Design and Construction Department. As of the date of this report, the projects have not yet commenced and thus the awards have not been recognized in the accompanying financial statements in accordance with ASC 958-360, *Not-for-Profit Entities*.

(Note 7) Temporarily Restricted Net Assets:

Temporarily restricted net assets by revenue source for the year ended June 30, 2016 follow:

Purpose restricted	\$ <u>667</u>
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(Note 8) Rental Income:

- A. The Theater rents its theater facilities to various unaffiliated organizations and individuals on a short term basis. For the year ended June 30, 2016, the Theater recognized \$122,635 of rental income on its short term leases.
- B. As of June 30, 2016, the Theater leases a portion of its premises to the NYC Department of Sanitation ("DOS"). As part of the lease renewal agreement that commenced on March 1, 2016 and ends June 30, 2024, the Theater will receive \$20,000 from the DOS as a retroactive increase to the rent from July 1, 2014 to February 29, 2016. For the year ended June 30, 2016, total rent recognized under the rental agreement with the NYC Department of Sanitation was \$48,000. As of June 30, 2016, \$30,000 is due from the DOS.

THEATER FOR THE NEW CITY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

(Note 8) Rental Income (Continued):

Future minimum lease rental income follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 36,000
2018	36,000
2019	36,000
2020	37,800
2021	37,800
Thereafter	<u>113,400</u>
	<u>\$ 297,000</u>

(Note 9) Concentration of Credit Risk:

In 2016, the Theater places its cash and cash equivalents with high quality financial institutions. At times cash balances may be in excess of the amounts insured by the Federal Deposit Insurance Corporation.

(Note 10) Subsequent Events:

The Theater has evaluated subsequent events through October 26, 2016, the date which the financial statements were available to be issued. The Theater is not aware of any subsequent events which would require recognition or disclosure in the financial statements other than on August 1, 2016, the Theater received a capital project grant of \$49,500 from the New York State Council on the Arts to install an ADA compliant lift in fiscal year 2017.

ADDITIONAL INFORMATION

THEATER FOR THE NEW CITY FOUNDATION, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016
WITH COMPARATIVE TOTALS FOR 2015

	Program services					Supporting Services			Total	
	Resident Theater	Presenting Theater	Street Theater	Community Festival	Arts in Education	Program Total	General and Administrative	Fund-Raising	Total 2016	Total 2015
Salaries and related expenses	\$ 85,505	\$ 17,101	\$ 17,101	\$ 8,550	\$ 8,550	\$ 136,807	\$ 17,101	\$ 17,101	\$ 171,009	\$ 145,971
Fringe benefits and payroll taxes	18,008	3,602	3,602	1,801	1,801	28,814	3,601	3,602	36,017	30,179
Payroll processing	3,410	682	682	341	341	5,456	681	682	6,819	5,976
Performers	73,813	31,781	22,768	1,450	-	129,812	300	-	130,112	180,499
Directors, designers and mentors	27,449	7,839	3,500	775	-	39,563	-	-	39,563	60,994
Technical	31,481	10,907	8,551	1,157	375	52,471	12,436	-	64,907	45,418
Administrative	809	3,305	355	2,750	-	7,219	7,336	200	14,755	11,778
Playwright and composer fees	23,469	30,830	-	-	-	54,299	-	-	54,299	67,624
Production	28,581	10,165	8,814	5,344	716	53,620	3,749	-	57,369	55,201
Travel and Meals	71	-	7,170	-	-	7,241	2,578	20	9,839	10,898
Printing and photocopy	-	732	1,403	7,066	-	9,201	4,505	470	14,176	13,658
Postage and mailings	80	-	3,699	2,371	-	6,150	2,495	-	8,645	6,526
Publicity and advertising	20,111	6,131	4,637	6,821	-	37,700	8,582	-	46,282	68,872
Utilities	31,713	9,514	11,417	4,440	3,174	60,258	3,168	-	63,426	72,045
Repair and maintenance	14,655	4,396	5,276	2,051	1,465	27,843	1,851	-	29,694	31,133
Insurance	8,561	2,568	3,082	1,199	855	16,265	857	-	17,122	15,445
Professional fees and consultants	-	-	100	-	11,895	11,995	8,729	-	20,724	24,470
Common charges	1,800	540	648	252	180	3,420	180	-	3,600	3,600
Telephone	4,597	1,379	1,655	644	460	8,735	459	-	9,194	8,081
Office supplies and miscellaneous	1,410	106	70	1,000	-	2,586	14,991	42	17,619	28,723
Dues and subscription	1,672	-	-	-	-	1,672	204	-	1,876	2,105
Café expenses	-	-	-	-	-	-	8,826	-	8,826	11,430
Indirect benefit expenses	-	-	-	-	-	-	-	5,266	5,266	4,858
Development	-	-	-	-	-	-	-	15,066	15,066	17,026
Depreciation and amortization	34,273	10,282	12,338	4,798	3,427	65,118	3,428	-	68,546	67,796
Total	\$ 411,468	\$ 151,860	\$ 116,868	\$ 52,810	\$ 33,239	\$ 766,245	\$ 106,057	\$ 42,449	\$ 914,751	\$ 990,306

See independent auditors' report.