

People's Theatre Project, Inc.

Financial Statements

June 30, 2019



CERTIFIED PUBLIC ACCOUNTANTS
AUDIT | TAX | ADVISORY

PEOPLE'S THEATRE PROJECT, INC.
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JUNE 30, 2019 WITH SUMMARIZED COMPARATIVE INFORMATION FOR 2018

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RICH AND BANDER, LLP
CERTIFIED PUBLIC ACCOUNTANTS

PETER R. RICH, CPA

JONATHAN A. BANDER, CPA

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
People's Theatre Project, Inc.
New York, NY

We have audited the accompanying financial statements of People's Theatre Project, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, 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 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 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 People's Theatre Project, Inc. as of June 30, 2019, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, People's Theatre Project, Inc. adopted Accounting Standards Update No. 2016-14, "*Presentation of Financial Statements of Not-for-Profit Entities*" Topic (958). Our opinion is not modified with respect to this matter.

Rich and Bander, LLP

New York, NY
January 10, 2020

PEOPLE'S THEATRE PROJECT, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019

ASSETS

Current assets

Cash and cash equivalents	\$ 72,889
Accounts receivable	85,699
Grants and contributions receivable	181,741
Prepaid expenses	8,146
Total current assets	<u>348,475</u>

Property and equipment, net of accumulated depreciation **7,542**

Other assets

Security deposits	8,200
Total other assets	<u>8,200</u>

TOTAL ASSETS **\$ 364,217**

LIABILITIES AND NET ASSETS

Current liabilities

Accounts payable and accrued expenses	\$ 25,880
Total current liabilities	<u>25,880</u>

Net assets

Without donor restrictions	249,487
With donor restrictions	88,850
Total net assets	<u>338,337</u>

TOTAL LIABILITIES AND NET ASSETS **\$ 364,217**

PEOPLE'S THEATRE PROJECT, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and support			
Grants and contributions			
Government	\$ 239,675	\$ 13,750	\$ 253,425
Foundations	162,000	74,000	236,000
Board and individuals	65,068	1,100	66,168
Special events income	74,881	-	74,881
Less: cost of direct benefits to donors	(16,464)	-	(16,464)
	<u>58,417</u>	<u>-</u>	<u>58,417</u>
Corporate	26,570	-	26,570
In-kind contributions	6,000	-	6,000
Total grants and contributions	<u>557,730</u>	<u>88,850</u>	<u>646,580</u>
Program service revenue			
Program service revenue	202,799	-	202,799
Total program service revenue	<u>202,799</u>	<u>-</u>	<u>202,799</u>
Other income			
Other revenue	3,551	-	3,551
Total other income	<u>3,551</u>	<u>-</u>	<u>3,551</u>
Net assets released from restrictions	<u>93,375</u>	<u>(93,375)</u>	<u>-</u>
	<u>857,455</u>	<u>(4,525)</u>	<u>852,930</u>
Expenses			
Program services	667,649	-	667,649
Supporting services			
Management and general	108,373	-	108,373
Fundraising	69,922	-	69,922
	<u>845,944</u>	<u>-</u>	<u>845,944</u>
Change in net assets	11,511	(4,525)	6,986
Net assets - beginning of year	237,976	93,375	331,351
Net assets - end of year	<u><u>\$ 249,487</u></u>	<u><u>\$ 88,850</u></u>	<u><u>\$ 338,337</u></u>

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

PEOPLE'S THEATRE PROJECT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	Program Services	Management & General	Fundraising	Cost of Direct Benefits to Donors	Total
Salaries and wages	\$ 482,800	\$ 18,849	\$ 46,922	\$ -	\$ 548,571
Payroll taxes and fringe benefits	69,556	2,303	7,027	-	78,886
Administrative and professional fees	7,915	65,754	5,198	-	78,867
Occupancy	65,795	4,146	2,521	2,500	74,962
Conferences, conventions, and meetings	8,560	5,427	963	-	14,950
Meals, entertainment and event expenses	-	-	-	13,964	13,964
Professional development	7,287	204	994	-	8,485
Equipment and office supplies	6,478	808	561	-	7,847
Computer and software expenses	4,697	77	1,430	-	6,204
Dues and subscriptions	1,976	524	2,703	-	5,203
Payroll service fees	-	5,020	-	-	5,020
Telephone	3,373	91	374	-	3,838
Marketing and promotion	2,888	50	548	-	3,486
Travel	777	2,016	225	-	3,018
Insurance	2,371	67	294	-	2,732
Depreciation	1,577	39	133	-	1,749
Credit card fees and bank charges	-	927	-	-	927
Printing and reproduction	537	2	23	-	562
Postage and delivery	62	4	6	-	72
Other expenses	1,000	2,065	-	-	3,065
Total expenses by function	667,649	108,373	69,922	16,464	862,408
Less expenses included with revenue on the statement of activities					
Cost of direct benefits to donors	-	-	-	(16,464)	(16,464)
Total expenses included in the expense section on the statement of activities	\$ 667,649	\$ 108,373	\$ 69,922	\$ -	\$ 845,944

PEOPLE'S THEATRE PROJECT, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

Cash flows from operating activities:

Change in net assets	\$ 6,986
<i>Adjustments to reconcile change in net assets to net cash provided used in operating activities:</i>	
Depreciation	1,749
(Increase) decrease in operating assets:	
Accounts receivable	(39,915)
Grants and contributions receivable	(35,831)
Prepaid expenses	(4,808)
Security deposits	4,450
Increase (decrease) in operating liabilities:	
Accounts payable and accrued expenses	15,230
Total adjustments	(59,125)
Net cash used in operating activities	(52,139)

Cash flows from investing activities:

Purchase of property and equipment	(5,070)
Net cash used in investing activities	(5,070)

Net decrease in cash and cash equivalents (57,209)

Cash and cash equivalents, beginning of year 130,098

Cash and cash equivalents, end of year **\$ 72,889**

Supplemental disclosures of cash flow information:

Cash paid during the year for:

Interest	\$ -
Income taxes	\$ -

PEOPLE’S THEATRE PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

1) NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization

Rooted in Upper Manhattan, People’s Theatre Project, Inc. (the “Organization”) is an arts and social justice organization that creates ensemble-based theatre with and for immigrant communities to develop generations of diverse, socially-engaged artists and leaders.

The Organization’s programs are supported primarily by government, foundation, individual corporate donor contributions, in addition to program service revenues related to its exempt purpose.

Basis of Accounting

Revenues and expenses are recorded on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

The Organization considers all highly liquid investments, except those held for long-term investment, with maturities of three months or less when purchased to be cash equivalents.

Grants and Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded as pledges and grants receivable 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 Organization uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years’ experience and management’s analysis of specific promises made.

Property and Equipment

Property and equipment are recorded at cost. The Organization capitalizes expenditures for these items in excess of \$1,000. Lesser amounts are expensed. Depreciation for property and equipment is provided using the straight-line method for financial reporting purposes at rates based on the following estimated useful lives:

	<u>Years</u>
Furniture and equipment	3-5
Leasehold improvements	Lease term

Upon sale or retirement, the cost and related accumulated depreciation are eliminated from the respective accounts, and the resulting gain or loss is reported. Expenditures for major renewals and improvements that extend the useful lives of the property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

PEOPLE'S THEATRE PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2019

1) NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Accounts Receivable

Program service revenues earned but not yet received that are expected to be collected within one year are recorded as accounts receivable at net realizable value. The Organization uses the allowance method to determine uncollectible accounts receivable. The allowance is based on prior years' experience and management's analysis of specific receivables. The Organization believes its receivables to be fully collectible; accordingly, no allowance for doubtful account was recorded for the year ended June 30, 2019.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Revenue Recognition

Revenue is recognized when earned. Program service fees received in advance are deferred to the applicable period in which the related services are performed. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

PEOPLE'S THEATRE PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2019

1) NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to the Organization's program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed rent is recorded at fair value as determined by management.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis on the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Change in Accounting Principle

Effective July 1, 2018, the Organization adopted Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. Implementation of ASU 2016-14 did not require restatement or reclassification of any opening balances related to the period presented. The Organization's net assets previously reported as temporarily restricted are now reported as net assets with donor restrictions. Likewise, the Organization's net assets previously reported as unrestricted are now reported as net assets without donor restrictions. The Organization did not have any permanently restricted net assets.

Marketing and Promotion Costs

The Organization's policy is to expense marketing and promotion costs as they are incurred. For the year ended June 30, 2019, marketing and promotion costs totaled \$3,486.

PEOPLE'S THEATRE PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2019

1) NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued an accounting standard update which affects the revenue recognition of entities that enter into either (1) certain contracts to transfer goods or services to customers or (2) certain contracts for the transfer of nonfinancial assets. The update indicates an entity should recognize revenue in an amount that reflects the consideration the entity expects to be entitled to in exchange for the goods or services transferred by the entity. The update is to be applied to the beginning of the year of implementation or retrospectively and is effective for annual periods beginning after December 15, 2018 and in interim periods in annual periods beginning after December 15, 2019.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. This new standard is effective for fiscal years beginning after December 15, 2020. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies and improves guidance concerning, 1) the determination whether a transaction should be accounted for as an exchange transaction or as a contribution, and 2) whether a contribution received is conditional. ASU 2018-08 is effective for annual periods beginning after December 15, 2018 for entities that are resource recipients and for annual periods beginning after December 15, 2019 for entities that are resource providers, with early adoption permitted. ASU 2018-08 should be applied on a modified prospective basis.

The Organization is currently evaluating the effect these updates will have on its financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management of the Organization to use estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Date of Management's Review

Management has evaluated subsequent events through January 10, 2020, which is the date the financial statements were available to be issued.

PEOPLE'S THEATRE PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2019

1) NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. It is also exempt from state income taxes. However, any unrelated business income may be subject to taxation. Currently, the Organization does not have any unrelated business income

The Organization's Forms 990, *Return of Organizations Exempt from Income Tax*, for the years ended June 30, 2018, 2017 and 2016 are subject to examination by the Internal Revenue Service ("IRS"), generally for three years after they were filed.

The Organization has evaluated its current tax positions and has concluded that as of June 30, 2019, the Organization does not have any significant uncertain tax positions for which a reserve would be necessary.

2) LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restriction limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$ 45,539
Accounts receivable	85,699
Pledges and grants receivable	<u>121,241</u>
Total	<u>\$ 252,479</u>

The Organization is supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

3) FAIR VALUE MEASUREMENTS

The Organization has a number of financial instruments, none of which are held for trading purposes. The Organization estimates that the fair value of all financial instruments at June 30, 2019, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position. The estimated fair value amounts have been determined by the Organization using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and accordingly, the estimates are not necessarily indicative of the amounts that the Organization could realize in a current market exchange.

PEOPLE'S THEATRE PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2019

4) PROPERTY AND EQUIPMENT

The following is a summary of property and equipment less accumulated depreciation as of June 30, 2019. Depreciation for the year ended June 30, 2019 was \$1,749.

Equipment	\$ 7,351
Leasehold improvements	<u>2,155</u>
	9,506
Less: accumulated depreciation	<u>1,964</u>
	<u>\$ 7,542</u>

5) GRANTS AND CONTRIBUTIONS RECEIVABLE

Grants and contributions receivable at June 30, 2019 consists of the following:

Hispanic Federation	\$ 48,356
New York City Department of Cultural Affairs	40,185
New York State Office of Children and Family Services	25,000
Howard Gilman Foundation	20,000
New York State Education Department	20,000
WarnerMedia	15,000
Individuals/Various Foundations	7,700
New York State Council on the Arts	<u>5,500</u>
Total	<u>\$ 181,741</u>

These amounts are generally collected within one year. The Organization believes its receivables to be fully collectible; accordingly, no allowance for doubtful account was recorded for the year then ended.

6) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes of periods:

Subject to expenditure for specified purpose:	
Full-time development position	\$ 35,000
After-school and theatre programs	31,250
PTP Company	20,000
PTP Partnerships	<u>1,500</u>
	<u>87,850</u>
Subject to the passage of time:	
For periods after June 30, 2019	<u>1,100</u>
Total	<u>\$ 88,850</u>

PEOPLE'S THEATRE PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2019

6) NET ASSETS WITH DONOR RESTRICTIONS (CONT'D)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended June 30, 2019:

Expiration of time restrictions:	<u>\$ 93,375</u>
	<u>\$ 93,375</u>

7) IN-KIND CONTRIBUTIONS

During the year ended June 30, 2019, the Organization received donated rent from Columbia University for a fundraiser held. The donated rent has been recognized as both in-kind contribution support and occupancy in the accompanying financial statements for a total of \$6,000 which represents the estimated fair market value of the space as determined by management.

8) FUNCTIONALIZED EXPENSES

The financial statements report certain categories of expenses that are attributable to one or more programs or supporting functions of the Organization. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, payroll taxes and fringe benefits, occupancy, telephone, insurance, depreciation, and postage and delivery, which are allocated on the basis of estimates of time and effort.

9) CONCENTRATIONS OF RISK

The Organization maintains its cash balances at a major financial institution. The balances, at times, may exceed federally insured limits. As of June 30, 2019, there were no uninsured balances. The Organization has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk regarding its cash balances.

10) COMPENSATED ABSENCES

Employees of the Organization are entitled to paid vacation, paid sick days, and personal days off, depending on job classification, length of service, and other factors. It is impracticable to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying financial statements. The Organization's policy is to recognize the costs of compensated absences when actually paid to employees.

PEOPLE'S THEATRE PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2019

11) LEASE COMMITMENTS

The Organization leases office and studio space in New York City under non-cancelable operating leases which expire on December 31, 2021 and August 7, 2021, respectfully. Occupancy expense for the year ended June 30, 2019 was \$74,962. The difference between rent expense incurred by the Organization on the straight-line basis and cash paid for rent was deemed immaterial by management and thus is reported on a cash paid basis.

Future minimum lease payments under the non-cancelable leases are as follows:

Year Ending	
June 30,	
2020	\$ 51,850
2021	53,924
2022	18,540
Thereafter	<u>-</u>
Total	<u>\$ 124,314</u>