

PEOPLE'S THEATRE PROJECT, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2023

WITH SUMMARIZED COMPARATIVE INFORMATION

FOR THE YEAR ENDED JUNE 30, 2022

PEOPLE'S THEATRE PROJECT, INC.

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(With summarized comparative information for the year ended June 30, 2022)

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RICH AND BANDER, LLP
CERTIFIED PUBLIC ACCOUNTANTS

PETER R. RICH, CPA

JONATHAN A. BANDER, CPA

INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2023, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 People's Theatre Project, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 People's Theatre Project, Inc.'s ability to continue as a going concern within 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 People's Theatre Project, Inc.'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 People's Theatre Project, Inc.'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.

Report on Summarized Comparative Information

We have previously audited People's Theatre Project, Inc.'s 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 28, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

As discussed in Note 1 to the financial statements, as of and for the year ended June 30, 2023, People's Theatre Project, Inc. adopted Accounting Standards Update 2016-02, *Leases* (Topic 842), using the effective transition method. Our opinion is not modified with respect to this matter.

Rich and Bander, LLP

New York, NY
January 19, 2024

PEOPLE'S THEATRE PROJECT, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023

(With summarized comparative information for the year ended June 30, 2022)

ASSETS	2023	2022
Current assets		
Cash and cash equivalents	\$ 1,011,696	\$ 932,912
Grants and contributions receivable, net	753,231	374,356
Accounts receivable	63,933	83,262
Federal credits accrued	3,673	213,106
Prepaid expenses	13,678	3,626
Total current assets	1,846,211	1,607,262
Noncurrent assets		
Grants and contributions receivable, net	1,069,847	97,032
Right-of-use assets	81,858	-
Property and equipment, net	222,813	76,166
Security deposits	8,100	4,300
Total noncurrent assets	1,382,618	177,498
TOTAL ASSETS	\$ 3,228,829	\$ 1,784,760
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 54,001	\$ 61,497
Lease liabilities	30,298	-
Loans payable	12,034	-
Total current liabilities	96,333	61,497
Noncurrent liabilities		
Lease liabilities	52,724	-
Loans payable	35,014	-
Total noncurrent liabilities	87,738	-
Total liabilities	184,071	61,497
Net assets		
Without donor restrictions		
Undesignated	587,761	819,231
Board-designated reserve fund	600,000	76,250
Board-designated capital campaign fund	1,174,997	-
Total without donor restrictions	2,362,758	895,481
With donor restrictions	682,000	827,782
Total net assets	3,044,758	1,723,263
TOTAL LIABILITIES AND NET ASSETS	\$ 3,228,829	\$ 1,784,760

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

PEOPLE'S THEATRE PROJECT, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023
(With summarized comparative information for the year ended June 30, 2022)

	Without Donor Restrictions	With Donor Restrictions	2023 Totals	2022 Totals
Revenue and support				
Grants and contributions				
Corporate	\$ 1,007,063	\$ 75,000	\$ 1,082,063	\$ 92,006
Foundations	740,910	320,218	1,061,128	663,217
Government	273,620	24,750	298,370	586,635
Gross special event revenue	130,175	-	130,175	84,636
Less: cost of direct benefits to donors	(56,360)	-	(56,360)	(19,780)
Net special event revenue	73,815	-	73,815	64,856
Board and individuals	54,441	-	54,441	87,541
Total grants and contributions	2,149,849	419,968	2,569,817	1,494,255
Program service revenue				
Program service revenue	96,377	-	96,377	182,644
Total program service revenue	96,377	-	96,377	182,644
Other income				
Miscellaneous income	33,781	-	33,781	27,848
Interest income	9,659	-	9,659	559
Total other income	43,440	-	43,440	28,407
Net assets released from restrictions	565,750	(565,750)	-	-
Total revenue and support	2,855,416	(145,782)	2,709,634	1,705,306
Expenses				
Program services	904,835	-	904,835	769,444
Supporting services				
Management and general	173,655	-	173,655	116,103
Fundraising	309,649	-	309,649	187,499
Total expenses	1,388,139	-	1,388,139	1,073,046
Change in net assets	1,467,277	(145,782)	1,321,495	632,260
Net assets - beginning of year	895,481	827,782	1,723,263	1,091,003
Net assets - end of year	\$ 2,362,758	\$ 682,000	\$ 3,044,758	\$ 1,723,263

PEOPLE'S THEATRE PROJECT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023
(With summarized comparative information for the year ended June 30, 2022)

	Program Services	Management and General	Fundraising	Cost of Direct Benefits to Donors	2023 Totals	2022 Totals
Salaries and wages	\$ 578,162	\$ 42,719	\$ 141,047	\$ -	\$ 761,928	\$ 660,871
Administrative and professional fees	107,057	99,867	118,435	-	325,359	170,126
Payroll taxes and fringe benefits	108,250	7,998	26,408	-	142,656	130,586
Occupancy	50,196	2,449	8,570	38,953	100,168	58,180
Conferences, conventions, and meetings	12,833	7,201	936	-	20,970	7,824
Meals, entertainment and event expenses	-	-	-	17,407	17,407	12,588
Other expenses	13,443	544	154	-	14,141	6,973
Computer and software expenses	5,499	220	6,814	-	12,533	9,615
Equipment and office supplies	7,970	494	945	-	9,409	7,186
Travel	3,313	3,170	588	-	7,071	3,217
Payroll service fees	4,575	338	1,116	-	6,029	5,764
Telephone	2,884	137	2,277	-	5,298	3,796
Insurance	3,929	290	958	-	5,177	3,686
Bad debts	-	3,553	-	-	3,553	2,346
Marketing and promotion	2,781	183	336	-	3,300	2,935
Credit card fees and bank charges	-	3,275	-	-	3,275	2,220
Dues and subscriptions	1,383	1,118	128	-	2,629	2,215
Depreciation	1,791	88	332	-	2,211	2,097
Printing and reproduction	585	3	207	-	795	174
Interest expense	-	-	368	-	368	-
Postage and delivery	184	8	30	-	222	66
Professional development	-	-	-	-	-	361
	<u>904,835</u>	<u>173,655</u>	<u>309,649</u>	<u>56,360</u>	<u>1,444,499</u>	<u>1,092,826</u>
Less expenses included with revenue on the statement of activities						
Cost of direct benefits to donors	-	-	-	(56,360)	(56,360)	-
Total expenses included in the expense section on the statement of activities	<u>\$ 904,835</u>	<u>\$ 173,655</u>	<u>\$ 309,649</u>	<u>\$ -</u>	<u>\$ 1,388,139</u>	<u>\$ 1,092,826</u>

PEOPLE'S THEATRE PROJECT, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023
(With summarized comparative information for the year ended June 30, 2022)

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,321,495	\$ 632,260
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities:</i>		
Discount on grants and contributions receivable	50,841	-
Bad debts	3,553	2,346
Depreciation	2,211	2,097
Loss on sale of fixed assets	417	-
Amortization of discount on grants and contributions receivable	(22,968)	(27,000)
Forgiveness of paycheck protection program loan	-	(139,029)
(Increase) decrease in operating assets:		
Federal credits accrued	209,433	(213,106)
Accounts receivable	15,776	(60,029)
Security deposits	(3,800)	3,900
Prepaid expenses	(10,052)	(163)
Right-of-use assets	(81,858)	-
Grants and contributions receivable	(1,379,563)	251,681
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	7,254	13,569
Lease liabilities	83,022	-
Total adjustments	<u>(1,125,734)</u>	<u>(165,734)</u>
Net cash provided by operating activities	<u>195,761</u>	<u>466,526</u>
Cash flows from investing activities:		
Purchases of property and equipment	(164,025)	(73,750)
Net cash used in investing activities	<u>(164,025)</u>	<u>(73,750)</u>
Cash flows from financing activities:		
Proceeds from issuance of loans payable	50,000	-
Principal payments on loans payable	(2,952)	-
Net cash provided by financing activities	<u>47,048</u>	<u>-</u>
Net increase in cash and cash equivalents	78,784	392,776
Cash and cash equivalents, beginning of year	932,912	540,136
Cash and cash equivalents, end of year	<u><u>\$ 1,011,696</u></u>	<u><u>\$ 932,912</u></u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	\$ 368	\$ -
Income taxes	\$ -	\$ -
Supplemental disclosures of non-cash activity:		
Forgiveness of paycheck protection program	<u><u>\$ -</u></u>	<u><u>\$ 109,254</u></u>

PEOPLE'S THEATRE PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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

Nature of the Organization

People's Theatre Project, Inc. (the "Organization") was organized as a not-for-profit organization on April 14, 2009 under the laws of the State of New York. Rooted in Washington Heights and Inwood, the Organization makes theatre with and for immigrant communities to build a more just and equitable world.

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

The accompanying financial statements have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

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 and cash equivalents.

Revenue, Revenue Recognition, and Receivables

Grants and Contributions – Grants (from government and foundations) and contributions (from individuals, corporations, and other sources) are recognized when cash, securities or other assets; an unconditional promise to give; or notification of a beneficial interest is received. A portion of contributions includes the contribution element of special events. In addition, a portion of grant revenue is derived from cost-reimbursable government contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as grant advance in the statement of financial position. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of release/return, are not recognized until the conditions on which they depend have been substantially met.

Special Events – The exchange element of special events is recognized as special events revenue equal to the fair value of direct benefits to donors when the special event takes place or if the fair value amount is impracticable to obtain, the actual cost or non-tax deductibility is used. The excess amount received is the contribution element, which is recognized immediately as grants and contributions, unless there is a right of return if the special event does not take place.

PEOPLE'S THEATRE PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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

Revenue, Revenue Recognition, and Receivables (Cont'd)

Costs of Direct Benefits to Donors – The cost of the items and services furnished to donors as inducements to attend the Organization's special events are presented in their natural expense classification in the statement of functional expenses and backed out so that it is shown as a deduction from special events revenue on the statement of activities.

Contributed Nonfinancial Assets – A number of volunteers have donated significant amounts of their time to the Organization in connection with its programs. Directors and officers have made a significant contribution of their time to develop the Organization and its programs. These donated services are not reflected in the financial statements since they do not meet the criteria for recognition as contributed services. These donated services do not create or enhance a nonfinancial asset nor require a specialized skill that the contributors have and would typically need to be purchased if not provided through donation.

Grants and Contributions Receivable – Grants and contributions that are not yet collected are recorded as grants and contributions receivable. Amounts expected to be collected within one year are recorded at net realizable value. Grants and contributions that are expected to be collected in future years are recorded at the present value of their estimated future cash flows using an appropriate risk-adjusted interest rate of return at the date of the promises to give. Amortization of the discount is included in grants and contributions in the statement of activities. The Organization uses the allowance method to determine uncollectible grants and contributions receivable. The allowance is based on prior years' experience and management's analysis of specific grants received.

Program Service Revenue – Contracted service fee is generated by conducting in-school programs led by teaching artists. Fees are recognized upon satisfaction of service obligations. One-off workshop and lecture fees are recognized when the service obligation is satisfied. Program service revenue amounts received in advance of the satisfaction of the performance obligation are deferred to the applicable period.

Accounts Receivable – Accounts receivable represents program service revenue that has been earned but not collected as of the financial statement date at amounts expected to be collected. 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 accounts receivable.

PEOPLE’S THEATRE PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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

Contract Balances

Contract assets are recognized when the Organization has satisfied a contract obligation but must satisfy other performance obligations before being entitled to payment, or when the Organization has the right to bill a customer before satisfying any or some of the performance obligations. Contract liabilities are recognized when the Organization has an obligation to perform services to a customer for which the Organization has received advanced consideration or when payment is due prior to satisfying any or some of the performance obligations. The Organization does not have any opening balances for contract assets nor liabilities or such balances for the year ended June 30, 2023.

Property and Equipment

Property and equipment are recorded at cost. The Organization capitalizes expenditures for these items in excess of \$1,000. Leasehold improvements are amortized over the lesser of the remaining term of the lease or the useful life of the improvement utilizing the straight-line method. 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

Federal Credits

The Organization has elected to account for the Employee Retention Credit (“ERC”), Emergency Paid Sick Leave Act (“EPSLA”), and the Emergency Family and Medical Leave Expansion Act (“Expanded FMLA”) under Accounting Standards Update (“ASU”) 2018-08 *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958) based on management’s continued belief from the application to receipt of the credit that approval is probable. In accordance with the standard, the Organization recognizes an employee retention credit receivable on the statement of financial position when the conditions for the credit are substantially met. The Organization elected to consider approval of the ERC, EPSLA, and Expanded FMLA by the Internal Revenue Service (“IRS”) a formality and not a barrier; accordingly, government grant income is recognized on the statement of activities at the end of the quarter that the relevant credit is applicable to. Accrual (for the periods filed) and receipt of the credit (via cash or as a credit to future payroll expenses) is reported on the statement of cash flows as operating activities and as an adjustment to reconcile operating activity net cash, respectively.

PEOPLE'S THEATRE PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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

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.

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. The governing board has designated from net assets without donor restrictions, net assets for a board-designated reserve fund and capital campaign fund.

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 those resources be maintained in perpetuity. 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 statement of activities as net assets released from restrictions.

Adoption of Accounting Standard

In February 2016, the Financial Accounting Standards Board (“FASB”) issued ASU 2016-02, *Leases* (Topic 842), which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The new ASU establishes a right-of-use (“ROU”) model that requires a lessee to recognize a ROU asset and lease liability on the statement of financial position for most leases with terms longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of the expense recognition in the statement of activities. The effective date for this standard has been delayed to annual reporting periods beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. On July 1, 2022, the Organization has adopted ASU 2016-02, using the effective transition method.

PEOPLE'S THEATRE PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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

Comparative Data

The amounts shown for the year ended June 30, 2022 in the accompanying financial statements are included to provide a basis for comparison with 2023 and present summarized totals only. Accordingly, the 2022 totals are not intended to present all information necessary for a fair presentation in conformity with accounting principles generally accepted in the United States of America. Such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

Leases

The Organization determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term. The Organization does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

Marketing and Promotion Costs

The Organization's policy is to expense marketing and promotion costs as they are incurred.

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 has no obligation for any unrelated business income tax.

The Organization's Forms 990, *Return of Organizations Exempt from Income Tax*, for the years ended June 30, 2022, 2021, and 2020 are subject to examination by 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, 2023, the Organization does not have any significant uncertain tax positions for which a reserve would be necessary.

PEOPLE'S THEATRE PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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

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.

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. 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.

2) FAIR VALUE MEASUREMENTS

The Organization's financial instruments are reported at fair value in the accompanying statement of financial position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Accounting Standards Codification 820, *Fair Value Measurement*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority; level 2, defined as inputs other than the quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions. The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Organization has no investments at year-end.

PEOPLE'S THEATRE PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

3) LIQUIDITY AND AVAILABILITY

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

<u>Financial assets at year-end</u>	<u>Gross amount</u>	<u>Less: Amounts not available to be used within one year</u>	<u>Financial assets available to meet general expenditures within one year</u>
Cash and cash equivalents	\$ 1,011,696	\$ 307,032	\$ 704,664
Grants and contributions receivable	1,823,078	350,218	1,472,860
Accounts receivable	63,933	-	63,933
Federal credits accrued	<u>3,673</u>	<u>-</u>	<u>3,673</u>
Total	<u>\$ 2,902,380</u>	<u>\$ 657,250</u>	<u>\$ 2,245,130</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. The Organization's Board of Directors established a board-designated reserve fund and capital campaign fund totaling \$1,774,997 (see Note 15). These reserve funds could be made available at any time to meet cash requirements for general expenditure at the discretion of the board.

4) PROPERTY AND EQUIPMENT

The following is a summary of property and equipment less accumulated depreciation as of June 30, 2023. Depreciation for the year ended June 30, 2023 was \$2,211.

Equipment	\$ 18,643
Less: accumulated depreciation	<u>(8,541)</u>
	10,102
Construction in progress (Note 6)	<u>212,711</u>
	<u>\$ 222,813</u>

**PEOPLE’S THEATRE PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

5) FUNCTIONALIZED EXPENSES

The financial statements report certain categories of expenses that are attributable to one or more program 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, certain administrative and professional fees, payroll taxes and fringe benefits, occupancy, credit card fees and bank charges, equipment and supplies expense, depreciation and amortization, telephone, loss on disposal, and insurance, which are allocated using the Organization’s general expense allocation rate. The general expense allocation rate is determined as a percentage of salaries on the basis of estimates of time and effort.

6) CONDITIONAL DESIGNATION AGREEMENT

In December 2021, the Organization received a conditional designation from New York City Economic Development Corporation (“NYCEDC”), as Operator, to negotiate with NYCEDC a funding agreement and related documents to provide the Organization with the funding for the acquisition, development, and fit-out of a leasehold condominium unit (the “Premises”) located in the building (“Building”) to be constructed at 407 West 206th Street (the “Property”), not to exceed the lesser of \$15,000,000 and the appraised value of the Premises. The Property is currently owned by West 207 Grocery Owners LLC and ground leased to Inwood Lot 9 Associates LLC (the “Developer”) who will own the Building and other improvements on the Property. The Building is a mixed-use 14-story residential building consisting of residential, commercial, parking and community facility uses, which will be constructed by the Developer. As of report date, the Funding agreement is still in draft form. On May 31, 2023, the contract that will govern the purchase and sale agreement of the Premises between the Organization (purchaser) and the Developer (seller) was executed. The Premises will be called The People's Theatre: Centro Cultural Inmigrante, a cultural center that will deliver theater that is more equitable and representative of immigrants and people of color.

According to the conditional designation letter, the Organization shall be responsible for the costs and expenses associated with the project during the designation term, including but not limited to the fees of outside consultants, legal services, architect fees, other professional fees, due diligence, environmental studies, title, and any other related costs or expenses. Furthermore, the Organization shall retain a legal counsel experienced in condominium matters reasonably acceptable to NYCEDC and provide NYCEDC with a written commitment from Developer (a) to reimburse the Organization for its costs and expenses, including cost of such counsel in the event legal services are not provided to the Organization on a pro bono basis and (b) to pre-pay (through funding an escrow to be held and applied by NYCEDC in its discretion) or reimburse NYCEDC, at NYCEDC’s option, for the services of condominium counsel retained by NYCEDC to represent NYCEDC in connection with this project.

During the year ended 2023, the Organization paid consulting and concept design fees totaling \$153,711 which are accounted for as construction in progress. As of June 30, 2023, the Organization has \$212,711 construction of progress in the statement of financial position.

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7) GRANTS AND CONTRIBUTIONS RECEIVABLE

Grants and contributions receivable are due as follows:

Within one year after June 30, 2023	\$ 753,231
More than one year after June 30, 2023	<u>1,125,000</u>
	1,878,231
Less: discount to present value	<u>(55,153)</u>
Total	<u>\$ 1,823,078</u>

Grants and contributions receivable at June 30, 2023 consists of the following:

New York-Presbyterian Hospital	\$ 850,000
Miranda Family Fund	600,000
New York Community Trust	175,000
Pierre and Tana Matisse Foundation	120,000
Various	<u>133,231</u>
	1,878,231
Less: discount to present value	<u>(55,153)</u>
Total	<u>\$ 1,823,078</u>

The Organization believes its receivables to be fully collectible; accordingly, no allowance for doubtful accounts was recorded for the year then ended. Grants and contributions receivable for periods after one year are discounted to net present value using a discount rate of approximately 3%.

8) NET ASSETS WITH DONOR RESTRICTIONS

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

Subject to expenditure for specified purpose:	
Capital campaign	\$ 280,218
PTP Academy	212,032
Social worker hire	75,000
Production programming	<u>15,000</u>
	582,250
Subject to passage of time:	
For periods after June 30, 2023	<u>99,750</u>
Total net assets with donor restrictions	<u>\$ 682,000</u>

PEOPLE’S THEATRE PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
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8) 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, 2023:

Expiration of time restrictions	\$ 134,500
Satisfaction of purpose restrictions	
PTP Academy	191,000
Capital campaign	76,250
Social worker hire	75,000
Residency and performances	35,000
Strategic planning consultancy	23,000
Various programs	<u>31,000</u>
	<u>431,250</u>
Total restrictions released	<u>\$ 565,750</u>

9) SPECIAL EVENTS DISCUSSION

During the year ended June 30, 2023, the Organization held a People’s Gala on June 6, 2023. For the period ended June 30, 2023, gross proceeds raised amounted to \$130,175. Accordingly, the cost of direct special events amounted to \$56,361. The management determined the fair value of cost of direct benefits provided to donors totaled to \$22,525.

10) MARKETING AND PROMOTION COSTS

For the year ended June 30, 2023, marketing and promotion costs totaled \$3,300.

11) LOANS PAYABLE

On January 11, 2023, the Organization entered into a convertible loan agreement and received proceeds in the amount of \$50,000 from Upper Manhattan Empowerment Zone development Corporation (“UMEZ”). The loan will be used for working capital purposes. The loan is payable in monthly installments of \$1,107, including principal and interest at a fixed rate of 3% starting March 1, 2023 and will mature on February 1, 2027. As stated in the agreement, 25% of the principal sum of the loan is forgivable in January 2026 provided that UMEZ reasonably determines that the Organization has satisfied the conditions of the agreement. The balance of the loan as of June 30, 2023 was \$47,048.

Interest expense for the year then ended totaled \$368.

PEOPLE'S THEATRE PROJECT, INC.
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11) LOANS PAYABLE (CONT'D)

At June 30, 2023, future maturities of the Organization's loans payable is as follow:

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ 12,034
2025	12,400
2026	12,777
2027	<u>9,837</u>
Total	<u>\$ 47,048</u>

12) LEASE COMMITMENTS

The Organization evaluated current contracts to determine which met the criteria of a lease. The right-of-use (ROU) assets represent the Organization's right to use underlying assets for the lease term, and the lease liabilities represent the Association's obligation to make lease payments arising from the leases. The ROU assets and lease liabilities, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms. The Organization has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments. The discount rate applied to calculate lease liabilities as of February 1, 20223 was 3.75%. As of February 1, 2022, the weighted-average remaining lease term for the Organization's operating leases was 3 years.

On February 8, 2023, the Organization entered into a 3-year non-cancellable office lease agreement which commenced in February 2023 and expires in February 2026. The monthly lease payments start at \$2,700, with \$100 escalation annually. Occupancy expense for the year ended June 30, 2023 was \$61,215, excluding cost of direct benefits to donors.

Total right-of-use assets and lease liabilities at June 30, 2023 are as follows:

	<u>Right-of-use asset</u>	<u>Lease liability</u>
Balance, July 1, 2022	\$ -	\$ -
Additions	94,342	94,342
Lease payments	-	(12,729)
Amortization	(12,484)	-
Interest	-	<u>1,409</u>
Balance, June 30, 2023	<u>\$ 81,858</u>	<u>\$ 83,022</u>

PEOPLE’S THEATRE PROJECT, INC.
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12) LEASE COMMITMENTS (CONT’D)

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

June 30,	
2024	\$ 32,900
2025	34,100
2026	<u>20,300</u>
Total lease payments	87,300
Less interest	<u>4,278</u>
Total	<u>\$ 83,022</u>

13) 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, 2023, uninsured balances totaled \$765,532. 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.

During the year ended June 30, 2023, the Organization received approximately 54% of its total grants and contributions revenue from two foundation donors. As of June 30, 2023, approximately 77% of the grants and contributions receivable is from the same donors. The concentration from the contributors do not make the Organization vulnerable to a risk of severe near-term impact because the Organization only spends money according to the amount received from the contributor and other revenue.

14) DISSAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

The following table disaggregates the Organization’s revenue from contracts with customers based on the timing of satisfaction of performance obligations for the year ended June 30, 2023:

Revenue recognized at a point in time:	
Program income	\$ 96,377
Special events (exchange portion)	<u>22,525</u>
Total revenue recognized at a point in time	118,902
Total revenue from contracts with customers	<u>\$ 118,902</u>

15) BOARD-DESIGNATED RESERVE FUND AND CAPITAL CAMPAIGN FUND

The Board passed a resolution on January 22, 2024, approving the establishment of the Board-Designated Reserve Fund and Capital Campaign Fund of \$600,000 and \$1,174,997, respectively. The resolution includes a retroactive implementation of the fund as of the commencement of the fiscal year 2023, starting from July 1, 2022. All cash withdrawals from the fund will require board approval.

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16) SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 19, 2024, which is the date the financial statements were available to be issued. Management is not aware of any material subsequent events.