MANHATTAN THEATRE CLUB, INC. AND SUBSIDIARY
Consolidated Financial Statements
June 30, 2023 and 2022
With Independent Auditor's Report

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ADVISORY TAX AUDIT

Manhattan Theatre Club, Inc. and Subsidiary
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Manhattan Theatre Club, Inc. and Subsidiary:

Opinion

We have audited the consolidated financial statements of Manhattan Theatre Club, Inc. and MTC Productions, Inc. (the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Organization as of June 30, 2023 and 2022, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for 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 Consolidated 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 discussed in Note 1 to the consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 consolidated financial statements are available to be issued.

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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.

WithumSmith+Brown, PC

November 1, 2023

Manhattan Theatre Club, Inc. and Subsidiary
Consolidated 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	$ 2,675,815	$ 4,440,513	$ 7,116,328	$ 8,362,841	$ 2,785,090	$ 11,147,931
Accounts receivable	38,841	-	38,841	5,649	-	5,649
Employee retention tax credit receivable	339,683	-	339,683	-	-	-
Unconditional promises to give, net	4,558,387	3,701,222	8,259,609	4,387,209	3,560,153	7,947,362
Prepaid expenses	333,158	-	333,158	103,628	-	103,628
Total current assets	7,945,884	8,141,735	16,087,619	12,859,327	6,345,243	19,204,570
Employee retention tax credit receivable	1,397,705	-	1,397,705	-	-	-
Unconditional promises to give, net of current portion	-	1,828,716	1,828,716	3,245,130	1,031,126	4,276,256
Investments	12,385,822	1,759,324	14,145,146	9,933,141	1,664,458	11,597,599
Property and equipment, at cost, net of accumulated depreciation and amortization	18,993,161	-	18,993,161	18,783,959	-	18,783,959
Right-of-use asset - operating, net	5,955,772	-	5,955,772	-	-	-
Right-of-use asset - financing, net	32,290,567	-	32,290,567	32,290,567	-	32,290,567
Beneficial interest in charitable trusts held by others	-	172,637	172,637	-	172,637	172,637
Restricted certificate of deposit	123,423	-	123,423	123,423	-	123,423
Security deposits	10,063	-	10,063	68,373	-	68,373
Total assets	$ 79,102,397	$ 11,902,412	$ 91,004,809	$ 77,303,920	$ 9,213,464	$ 86,517,384
Liabilities and Net Assets						
Liabilities						
Current liabilities						
Accounts payable and accrued expenses	$ 1,015,874	$ -	$ 1,015,874	$ 1,098,919	$ -	$ 1,098,919
Deferred ticket revenue	2,620,135	-	2,620,135	2,426,657	-	2,426,657
Other deferred revenue	55,582	-	55,582	166,637	-	166,637
Current portion of lease liabilities - operating	478,967	-	478,967	-	-	-
Current portion of lease liabilities - financing	259,126	-	259,126	-	-	-
PPP2 loan payable	-	-	-	2,000,000	-	2,000,000
Deferred compensation plan payable	-	-	-	102,383	-	102,383
Total current liabilities	4,429,684	-	4,429,684	5,794,596	-	5,794,596
Accrued vacation payable	311,459	-	311,459	327,518	-	327,518
Lease liabilities - operating, less current portion	5,543,724	-	5,543,724	-	-	-
Lease liabilities - financing, less current portion	32,894,931	-	32,894,931	32,498,101	-	32,498,101
Total liabilities	43,179,798	-	43,179,798	38,620,215	-	38,620,215
Net assets						
Without donor restrictions						
Property and equipment, net of financing lease liabilities	18,129,671	-	18,129,671	18,576,425	-	18,576,425
Board designated	17,792,928	-	17,792,928	20,107,280	-	20,107,280
Total net assets without donor restrictions	35,922,599	-	35,922,599	38,683,705	-	38,683,705
With donor restrictions	-	11,902,412	11,902,412	-	9,213,464	9,213,464
Total net assets	35,922,599	11,902,412	47,825,011	38,683,705	9,213,464	47,897,169
Total liabilities and net assets	$ 79,102,397	$ 11,902,412	$ 91,004,809	$ 77,303,920	$ 9,213,464	$ 86,517,384

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

Manhattan Theatre Club, Inc. and Subsidiary
Consolidated Statements of Activities
Years Ended June 30, 2023 and 2022

	2023 Without Donor Restrictions	2023 With Donor Restrictions	2023 Total	2022 Without Donor Restrictions	2022 With Donor Restrictions	2022 Total
Operating activities						
Public support and other revenue						
Public support						
Individuals	$ 2,086,309	$ 2,848,663	$ 4,934,972	$ 2,300,147	$ 1,650,429	$ 3,950,576
Foundations	1,558,665	1,829,481	3,388,146	1,555,355	575,978	2,131,333
Corporations	188,500	-	188,500	226,600	-	226,600
Government	172,250	10,000	182,250	103,400	-	103,400
Fundraising events	2,189,265	-	2,189,265	1,948,727	-	1,948,727
Less: Direct costs of fundraising events	(605,466)	-	(605,466)	(376,208)	-	(376,208)
Fundraising events, net	1,583,799	-	1,583,799	1,572,519	-	1,572,519
Spending policy distribution	460,643	-	460,643	447,734	-	447,734
Contributions of non-financial assets	48,017	-	48,017	20,490	-	20,490
Shuttered Venue Operators Grant income	-	-	-	6,759,281	-	6,759,281
Net assets released from time and purpose restriction						
Individuals	2,258,024	(2,258,024)	-	2,843,525	(2,843,525)	-
Foundations	669,348	(669,348)	-	314,875	(314,875)	-
Corporations	500	(500)	-	25,000	(25,000)	-
Government	-	-	-	80,000	(80,000)	-
Total public support	9,026,055	1,760,272	10,786,327	16,248,926	(1,036,993)	15,211,933
Other revenue						
Box office and subscription income, net of fees and commissions	10,156,373	-	10,156,373	8,434,461	-	8,434,461
Rental income	299,048	-	299,048	185,757	-	185,757
Facility fee income	187,210	-	187,210	118,782	-	118,782
Education income	125,525	-	125,525	138,948	-	138,948
Other income	66,238	-	66,238	30,618	-	30,618
Subsidiary rights and royalty income	47,266	-	47,266	207,091	-	207,091
Total other revenue	10,881,660	-	10,881,660	9,115,657	-	9,115,657
Total public support and other revenue	19,907,715	1,760,272	21,667,987	25,364,583	(1,036,993)	24,327,590
Expenses						
Program services	23,733,457	-	23,733,457	23,132,388	-	23,132,388
Supporting services						
Management and general	2,161,143	-	2,161,143	1,859,215	-	1,859,215
Fundraising	2,684,753	-	2,684,753	2,647,406	-	2,647,406
Total supporting services	4,845,896	-	4,845,896	4,506,621	-	4,506,621
Total expenses	28,579,353	-	28,579,353	27,639,009	-	27,639,009
Changes in net assets from current year operating activities	(8,671,638)	1,760,272	(6,911,366)	(2,274,426)	(1,036,993)	(3,311,419)
Non-operating activities						
Reimbursed prior year expenses						
PPP1/PPP2 loan forgiveness	2,000,000	-	2,000,000	2,118,731	-	2,118,731
Employee retention tax credit income	1,737,388	-	1,737,388	-	-	-
Real estate taxes refund (Condominium Unit - 43rd Street)	276,476	-	276,476	-	-	-
Shuttered Venue Operators Grant income	-	-	-	1,240,719	-	1,240,719
Total reimbursed prior year expenses	4,013,864	-	4,013,864	3,359,450	-	3,359,450
Changes in net assets before investment and capital activities (carried forward)	(4,657,774) *	1,760,272	(2,897,502)	1,085,024 *	(1,036,993)	48,031

* Includes depreciation of $1,524,534 (2023) and $1,656,867 (2022)

	2023	2022	2023 & 2022
Changes in net assets before depreciation, investment and capital activities	$ (3,133,240)	$ 2,741,891	$ (391,349)

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

Manhattan Theatre Club, Inc. and Subsidiary
Consolidated Statements of Activities
Years Ended June 30, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Changes in net assets before investment and capital activities (brought forward)	$ (4,657,774)	$ 1,760,272	$ (2,897,502)	$ 1,085,024	$ (1,036,993)	$ 48,031
Investment and capital activities						
Investment income (loss)	1,583,405	130,082	1,713,487	(2,148,241)	(99,993)	(2,248,234)
50th Anniversary Campaign contributions	638,690	923,810	1,562,500	1,007,473	-	1,007,473
Capital contributions	-	10,000	10,000	-	324,650	324,650
Spending policy distribution	(425,427)	(35,216)	(460,643)	(411,342)	(36,392)	(447,734)
Net assets released from time and purpose restrictions						
Capital contributions - government	100,000	(100,000)	-	554,828	(554,828)	-
Total investment and capital activities	1,896,668	928,676	2,825,344	(997,282)	(366,563)	(1,363,845)
Changes in net assets	(2,761,106)	2,688,948	(72,158)	87,742	(1,403,556)	(1,315,814)
Net assets						
Beginning of year	38,683,705	9,213,464	47,897,169	38,595,963	10,617,020	49,212,983
End of year	$ 35,922,599	$ 11,902,412	$ 47,825,011	$ 38,683,705	$ 9,213,464	$ 47,897,169

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

Manhattan Theatre Club, Inc. and Subsidiary
Consolidated Statement of Functional Expenses
Year Ended June 30, 2023

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Supporting Services: Total	Cost of Direct Benefits to Donors	Total Expenses
Salaries	$ 8,145,150	$ 941,705	$ 1,102,326	$ 2,044,031	$ 10,646	$ 10,199,827
Benefits and payroll taxes	2,899,478	237,478	264,797	502,275	1,365	3,403,118
Artistic fees	1,828,592	-	-	-	-	1,828,592
Advertising, press and marketing	4,096,255	-	679,212	679,212	80,253	4,855,720
Professional fees	213,034	296,036	30,250	326,286	-	539,320
Direct physical production	1,888,345	-	-	-	-	1,888,345
Production and development	97,755	-	-	-	153,551	251,306
Travel, meals and housing	530,122	8,222	13,018	21,240	16,923	568,285
Education fees	44,038	-	-	-	-	44,038
Leases and other occupancy charges	1,447,668	157,426	211,878	369,304	337,662	2,154,634
Maintenance and utilities	545,184	163,621	107,270	270,891	-	816,075
Security	219,176	1,412	2,117	3,529	-	222,705
Insurance	162,304	32,461	21,640	54,101	-	216,405
Bad debt expense	-	-	54,498	54,498	-	54,498
Dues, fees and subscriptions	147,321	15,410	23,801	39,211	-	186,532
Office supplies and equipment	23,570	8,888	15,294	24,182	-	47,752
Printing, copying and postage	77,571	8,559	29,782	38,341	-	115,912
Telephone, computers and internet	43,896	17,558	26,338	43,896	-	87,792
Miscellaneous	-	152,046	22,317	174,363	5,066	179,429
Depreciation and amortization	1,323,998	120,321	80,215	200,536	-	1,524,534
Total expenses	23,733,457	2,161,143	2,684,753	4,845,896	605,466	29,184,819
Less: Expenses included with revenues on the consolidated statements of activities						
Direct costs of fundraising events	-	-	-	-	(605,466)	(605,466)
	$ 23,733,457	$ 2,161,143	$ 2,684,753	$ 4,845,896	$ -	$ 28,579,353

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

Manhattan Theatre Club, Inc. and Subsidiary
Consolidated Statement of Functional Expenses
Year Ended June 30, 2022

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Supporting Services: Total	Cost of Direct Benefits to Donors	Total Expenses
Salaries	$ 7,724,356	$ 870,054	$ 1,055,296	$ 1,925,350	$ 12,773	$ 9,662,479
Benefits and payroll taxes	2,502,936	249,123	282,103	531,226	3,065	3,037,227
Artistic fees	1,633,615	-	-	-	-	1,633,615
Advertising, press and marketing	4,463,440	-	619,406	619,406	-	5,082,846
Professional fees	550,412	51,732	152,869	204,601	-	755,013
Direct physical production	1,596,250	-	-	-	-	1,596,250
Production and development	107,084	-	-	-	195,108	302,192
Travel, meals and housing	406,801	6,283	25,285	31,568	-	438,369
Education fees	61,957	-	-	-	-	61,957
Leases and other occupancy charges	1,391,085	143,546	177,653	321,199	163,434	1,875,718
Maintenance and utilities	591,674	203,047	44,479	247,526	-	839,200
Security	190,396	3,937	5,905	9,842	-	200,238
Insurance	240,146	48,029	32,019	80,048	-	320,194
Bad debt expense	-	-	28,500	28,500	-	28,500
Dues, fees and subscriptions	127,889	19,116	39,434	58,550	-	186,439
Office supplies and equipment	24,885	9,788	15,233	25,021	-	49,906
Printing, copying and postage	66,623	8,574	13,743	22,317	-	88,940
Telephone, computers and internet	65,048	25,784	38,675	64,459	-	129,507
Miscellaneous	62	58,719	9,151	67,870	1,828	69,760
Depreciation and amortization	1,387,729	161,483	107,655	269,138	-	1,656,867
Total expenses	23,132,388	1,859,215	2,647,406	4,506,621	376,208	28,015,217
Less: Expenses included with revenues on the consolidated statements of activities						
Direct costs of fundraising events	-	-	-	-	(376,208)	(376,208)
	$ 23,132,388	$ 1,859,215	$ 2,647,406	$ 4,506,621	$ -	$ 27,639,009

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

Manhattan Theatre Club, Inc. and Subsidiary
Consolidated Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	2023	2022
Operating activities		
Changes in net assets	$ (72,158)	$ (1,315,814)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Depreciation and amortization expense	1,524,534	1,656,867
Amortization of right-of-use asset - operating	519,762	-
Interest component of lease liabilities - financing	655,956	131,872
Donated securities	(289,442)	(298,723)
Donated equipment	(100,000)	-
Realized loss on sale of investments	4,630	103
Unrealized (gain) loss on investments	(1,587,631)	2,348,966
Change in discount for present value of unconditional promises	(98,337)	(219,669)
Capital contributions	(10,000)	(270,000)
Bad debt expense	54,498	28,500
PPP1/PPP2 loan forgiveness	(2,000,000)	(2,118,731)
Changes in assets and liabilities:		
Accounts receivable	(33,192)	27,778
Employee retention tax credit receivable	(1,737,388)	-
Unconditional promises to give	2,179,132	2,872,426
Prepaid expenses	(229,530)	582,522
Security deposits	58,310	-
Accounts payable and accrued expenses	(83,045)	802,479
Deferred ticket revenue	193,478	371,904
Other deferred revenue	(111,055)	(85,126)
Accrued vacation payable	(16,059)	(67,722)
Lease liabilities - operating	(452,843)	-
Deferred compensation plan payable	(102,383)	(460,958)
Net cash (used in) provided by operating activities	(1,732,763)	3,986,674
Investing activities		
Proceeds from sale of investments	4,123,902	1,248,766
Purchase of investments	(4,799,006)	(6,523,531)
Purchase of property and equipment	(1,633,736)	(582,608)
Net cash used in investing activities	(2,308,840)	(5,857,373)
Financing activities		
Capital contributions	10,000	270,000
Net cash provided by financing activities	10,000	270,000
Net change in cash and cash equivalents	(4,031,603)	(1,600,699)
Cash, cash equivalents and restricted cash		
Beginning of year	11,271,354	12,872,053
End of year	$ 7,239,751	$ 11,271,354
Supplemental disclosure of cash flow information		
Right-of-use assets obtained in exchange for operating lease liabilities	$ 6,475,534	$ -
Equipment	$ 100,000	$ -
Modification of capitalization of lease liability	$ -	$ (6,111,906)

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

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

For almost 50 years, Manhattan Theatre Club, Inc. (the "Theatre") has been a preeminent, not-for-profit producer of the highest quality, award-winning theatrical productions. Under the leadership of Artistic Director Lynne Meadow and Executive Producer Barry Grove, the Theatre has made enormous contributions to the American theatre and has been led by this dynamic team from its origins as a small, vibrant off-off-Broadway theatre to its status as a distinguished and vital New York institution.

The mission of the Theatre, since 1972, has been to produce innovative theatre of the highest quality by American and international playwrights, with a focus on presenting New York, American, and world premieres. The Theatre encourages excellence by identifying and working with the most talented professionals in every aspect of production. Each season, the Theatre presents a repertoire of entertaining and thought-provoking plays and musicals in our three theatres. The Theatre's emphasis on excellence extends to every aspect of the company: from the gifted permanent staff; to a supportive and committed Board of Directors; to a vibrant education program, which connects with students, igniting young imaginations by providing personalized theatrical experiences; to a first-rate internship program, which prepares the next generation of theatre professionals for jobs at the Theatre and beyond; to an inspired behind-the-scenes developmental program for new plays and musicals. The Theatre is committed to equity, diversity, and inclusion in every aspect of its work both on and off the stage. The Theatre believes that equity, diversity and inclusion should be essential elements of all activity within the Theatre. The Theatre is proud to be a preeminent theatre in one of the most diverse cities in America and strives to represent that both on and off-stage. The Theatre has made it a priority to create and maintain an environment that is attractive to and supportive of all individuals regardless of their ethnicity, race, gender identity, age, national origin, religion, disability, sexual orientation, socioeconomic status, education, marital status, language, military or veteran status.

The Theatre's productions occur at the Samuel J. Friedman Theatre (the "Friedman Theatre") and New York City Center 55th Street Theatre, which includes Stages I and II (the "City Center" or "Stages I or II").

Principles of Consolidation

The accompanying consolidated financial statements include Manhattan Theatre Club, Inc. and its wholly owned subsidiary, MTC Productions, Inc. (the "Subsidiary"), collectively referred to as the "Organization". The Subsidiary was formed in 1991 as a New York state corporation. The Subsidiary produces certain productions of the Organization's plays. These productions occur within the Organization's Broadway theatre, as well as other Broadway theatres, national tours, London and across the world. All intercompany balances and transactions have been eliminated in consolidation.

Basis of Accounting

The consolidated 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").

Cash and Cash Equivalents

For the purposes of the statements of consolidated financial position and consolidated cash flows, cash and cash equivalents include time deposits and all highly liquid debt instruments with original maturities of three months or less.

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: net assets that 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 with side parties. In addition, net assets without donor restrictions include board-designated 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 to be held in perpetuity and that only the income may be made available for operations, subject to the Organization's spending policy.

The Organization includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities. This measure of operations provides a presentation that depicts the matter in which the Organization manages its financial activities. Capital and investment activities and other nonrecurring charges and expenses not chargeable to grants and contracts are recognized as non-operating activities.

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants).

In determining fair value, the Organization uses various valuation approaches, including market, income and/or cost approaches. 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 are described below.

Level 1 - Quoted prices of identical instruments in active markets.

Level 2 - Quoted prices of similar instruments in active markets; quoted prices of identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 - Significant inputs to the valuation model are unobservable.

The financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The valuation levels are not necessarily an indication of the risk or liquidity associated with the underlying assets and liabilities.

Common stocks and US Treasury securities - Valued at quoted market prices for identical assets in active markets.

Corporate bonds - Valued at quoted market prices for similar assets in active markets.

Investments

Investments in marketable securities are reported at fair value in the accompanying statements of financial position. Unrealized gains and losses are included in changes in net assets in the accompanying statements of activities. Investments received by gift are initially recorded at fair value at the date of receipt. Fair values for stocks, bonds and U.S. government securities are based on quoted market prices. The fair values assigned to these assets do not necessarily represent amounts that might be realized upon their ultimate disposition. The amount of gain or loss associated with these investments is reflected in the accompanying financial statements. Gains and losses on sales of investments are determined using the average cost method. Investment income (loss) is shown net of direct external expenses.

As a practical expedient, investments without a readily determinable fair value, such as hedge funds, are reflected at net asset value as reported by the fund managers or general partners, and may differ significantly from the values that would have been reported had a ready market for these investments existed.

Property and Equipment

Property and equipment acquired are recorded at cost. It is the Organization's policy to capitalize expenditures for these items in excess of $10,000 (per project). Lesser amounts are expensed. Property and equipment 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 year of acquisition and disposal. Leasehold improvements are amortized over the shorter of useful life or periods, including options, if any, specified in the related lease agreements. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports the 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.

Production Costs

Production costs are capitalized at cost and are amortized over the performances of the production. The Organization has established a policy that production costs will be amortized over the run of the production. In addition, if the production runs less than two weeks into the new fiscal year, all the production costs are recognized in the current fiscal year. The Organization did not have any productions for the years ended June 30, 2023 and 2022 that had performances cross fiscal years.

The Organization maintains certain scenery and costume inventories of past productions. The Organization is unable to determine future use of the scenery and costumes and therefore they are expensed over the run of the public performances of the original show. The Organization may also hold unsold auction items at any point during the year. These items are not valued for consolidated financial statement purposes as the fair value is unknown.

Advertising Costs

Advertising costs are charged to operations at the time the advertising occurs, except for direct response marketing and other expenses incurred related to the subsequent season's performances that are deferred and recognized in the season when the related revenue is recognized. Advertising expense for the years ended June 30, 2023 and 2022 was $4,855,720 and $5,082,846, respectively, which is included in advertising, press and marketing on the consolidated statements of functional expenses.

Estimates

The preparation of consolidated 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 consolidated financial statements include depreciation and amortization, present value of unconditional promises to give and reserve for uncollectible promises to give, fair market value of investments and functional allocation of expenses. Actual results could differ from those estimates.

Tax Status and Uncertain Tax Positions

The Theatre is a not-for-profit corporation, exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 402 of the Not-for-Profit Corporation Law in New York State, and has been designated as an organization which is not a private foundation.

The Subsidiary is a for-profit corporation subject to federal and state income taxes on net income, if any. As of June 30, 2023 and 2022, the Subsidiary had approximately $412,000 and $411,000, respectively, in net operating losses carried forward, which expire each year through 2042. The carried forward losses have been fully reserved for since management is unable to determine the actual utilization of these losses.

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 consolidated financial statements. There are no income tax related penalties and interest included in these consolidated financial statements.

Beneficial Interests in Charitable Trusts Held by Others

The Organization has been named as an irrevocable beneficiary of several charitable trusts held and administered by independent trustees. These trusts were created independently by donors and are administered by outside agents designated by the donors. Therefore, the Organization has neither possession nor control over the assets of the trusts. At the date the Organization receives notice of a beneficial interest, a contribution with donor restrictions is recorded in the consolidated statements of activities, and a beneficial interest in charitable trusts held by others is recorded in the consolidated statements of financial position at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the expected distributions to be received under the agreement. Thereafter, beneficial interests in the trusts are reported at fair value in the consolidated statements of financial position, with changes in fair value recognized in the consolidated statements of activities. Upon receipt of trust distributions or expenditures, or both, in satisfaction of the donor-restricted purpose, if any, net assets with donor-imposed time or purpose restrictions are released to net assets without donor restrictions. Trust distributions with donor-imposed restrictions that are perpetual in nature are transferred to the endowment, in which case, net assets with donor restrictions are not released.

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 us 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 consolidated statements of financial position.

Lease liabilities are recognized at the present value of the fixed lease payments, using a discount rate based on the risk-free rate. Right-of-use ("ROU") assets are recognized based on the initial present value of the fixed lease payments plus any costs from executing the lease. Lease assets are tested for impairment in the same manner as long-lived assets used in operations.

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. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return or release, are not recognized in revenue until the conditions on which they depend have been substantially met. 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. The allowance is based on prior years' experience and management's analysis of specific promises made.

Revenue from contracts with customers - The Organization accounts for box office and subscription income, facility fee income, subsidiary rights and royalty income and education income as exchange transactions in the consolidated statements of activities and changes in net assets. Revenue from contracts with customers are treated as revenues without donor restrictions. Funds received in advance from customers for services that have not been performed have been recorded as contract liabilities and recorded as deferred revenue in the consolidated statements of financial position.

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) allocation of the transaction price to the performance obligations; and (v) recognition of revenue when (or as) the Organization satisfies each performance obligation.

The following summarizes the Organization's performance obligations:

Box office and subscription income, net of fees and commissions

Box office and subscription income represent the sums actually paid for individual tickets of admission ("ticket sales") to a production of the Organization including handling and other fees. Tickets are non-refundable at the time of receipt unless a performance is cancelled. The Organization estimates the number of cancellations and records a reserve if deemed material. Handling and other fees are non-refundable at the time of receipt. The Organization allows for exchanges under certain circumstances for tickets of equal or lesser value. The total yearly adjustment for exchanged tickets is immaterial to the Organization. Tickets purchased in advance are recorded as contract liabilities by the Organization. Advanced ticket sales are recorded as revenue when the performance related to the ticket sale is complete. Box office and subscription income is recognized at a specific point in time, which is when the performance related to the ticket is complete. Box office and subscription income is recorded net of fees and commissions.

Rental Income
Rental income received for the use of the Organization's theatre and studio. Rental income is recognized at a specific point in time, which is when the performance or rehearsal at the rented theatre and studio takes place.

Facility Fee Income
Facility fees represent the income received as an additional charge at the time of sale when purchasing a ticket. These charges are used for facility upkeep, processing and/or printing the individual ticket of admission to a production of the Organization. These fees are non-refundable at the time of receipt. Facility fee income is recognized at a specific point in time, which is when the performance related to the ticket sale income is complete.

Fundraising benefits
Fundraising benefit 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 deferred revenue on the consolidated 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 consolidated statements of financial position. Revenue from the exchange portion is recognized at a point in time, at the date the event is held.

Other Exchange Transactions
Education income and subsidiary rights and royalty income are recognized in the period the performance takes place or the period to which the fees relate.

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

The timing of revenue recognition, billings and cash collections results in contract liabilities. Contract liabilities as of June 30, 2023 and 2022 were $2,675,717 and $2,593,294, respectively, and are reflected as deferred ticket revenue and other deferred revenue on the consolidated statements of financial position. The opening balances at July 1, 2021 for accounts receivable and deferred ticket revenue and other deferred revenue were $33,427 and $2,306,516, respectively.

New Accounting Pronouncements Adopted in Current Year
In February 2016, the Financial Accounting Standard Board issued an Accounting Standards Update amending the accounting for leases. The Organization adopted the new standard on 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. Upon adoption, the Organization recognized $6,475,534 in right-of-use ("ROU") assets related to its leased property. Corresponding lease liabilities of $6,475,534 were also recognized in the statements of financial position. There was no cumulative effect of applying the new standard and accordingly, there was no adjustment to net assets upon adoption.

Reclassification

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

2. DESIGNATIONS AND RESTRICTIONS ON NET ASSETS

Net Assets Without Donor Restrictions

Net assets without donor restrictions include board-designated funds and property and equipment¸ net of financing lease liabilities.

Board-Designated Net Assets

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 provide fellowships, stipends, and other assistance to aspiring theatre professionals. Board-designated net assets consist of the Organization’s cumulative net assets without donor restrictions. Board-designated net assets as of June 30, 2023 and 2022 was $17,792,928 and $20,107,280, respectively. During the years ended June 30, 2023 and 2022, (reductions) additions to board-designated net assets were $(2,314,352) and $1,293,873, respectively.

Property and Equipment, Net of Financing Lease Liabilities

This reflects all transactions related to property, equipment, and construction in progress. Property and equipment, net of financing lease liabilities as of June 30, 2023 and 2022 was $18,129,671 and $18,576,425, respectively.

Net Assets With Donor Restrictions

The following net assets are restricted for the following purposes as of June 30:

	2023	2022
Grants and contributions		
Future periods and programs		
Restricted for use in future periods	$ 6,000,378	$ 3,144,991
Equipment and improvements projects (Note 10d)	2,187,469	2,287,469
New playwright commissions	724,368	566,206
Commissions of science and technology plays	549,777	905,103
Education programs	358,459	322,600
Beneficial interest in charitable trusts held by others	172,637	172,637
Stage II general support	150,000	150,000
Accumulated endowment earnings	94,866	-
	10,237,954	7,549,006
Donor-designated endowments (to be held in perpetuity)		
MTC Endowment Funds	661,958	661,958
Production Reserve Fund	500,000	500,000
Kaplan Fund	275,000	275,000
Education Endowment Fund	100,000	100,000
Jeffcoat Fund	77,500	77,500
Lucille Lortel Fund	50,000	50,000
	1,664,458	1,664,458
	$ 11,902,412	$ 9,213,464

The Organization's endowment consists of various donor-restricted endowment funds established for specific purposes:

MTC Endowment Funds
As part of the capital campaign to restore and acquire the Friedman Theatre, the Organization received permanent endowment grants from the Horace W. Goldsmith Foundation in the amount of $500,000 and $50,000 from the Fan Fox and Leslie R. Samuels Foundation. Additional funds of $111,958 were added to this fund as a result of interest income from loans made to operations. The investment earnings on the $500,000 are governed by the terms of the grant; the balance of the fund's investment earnings is governed by the Organization's endowment investment policy.

Production Reserve Fund
The Organization received a grant from the Lila Wallace - Reader's Digest Fund for the establishment of a cash reserve fund in the amount of $500,000. The Organization may draw upon the principal of the reserve fund exclusive to extending a production either in the Organization's own facility or elsewhere in New York City, provided however, that within 24 months from the date of the withdrawal, the amount withdrawn will be restored either from the proceeds of the extended productions and disposition of subsidiary rights or the Organization's general operating funds. The investment earnings from this fund are governed by the Organization's endowment investment policy.

Kaplan Fund
The Organization received these funds from the Rita J. and Stanley H. Kaplan Family Foundation Inc. for the establishment of an endowment. The investment earnings from this fund are restricted by the donor for use to support the Paul A. Kaplan Theatre Management program.

Education Endowment Fund
The Organization received these funds from the Littauer Foundation for the establishment of an endowment fund in the amount of $100,000. The investment earnings from this fund are to be used to fund the education program.

Jeffcoat Fund
Donations received in memory of the Organization's founding chairman, A.E. Jeffcoat, were established as an endowment fund in his name. The investment earnings from this fund are to be used for the development of new plays.

Lucille Lortel Fund
A bequest received from the estate of Lucille Lortel required the establishment of an endowment fund in the amount of $50,000. The investment earnings are restricted to assist new playwrights.

The Board of Directors of the Organization has interpreted the New York Uniform Prudent Management of Institutional Funds Act ("NYPMIFA"), a version of the Uniform Prudent Management of Institutional Funds Act, 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 as net assets with donor restrictions (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 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 NYPMIFA.

In accordance with NYPMIFA, 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.

Strategies Employed for Achieving Objectives
To satisfy its return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Endowment/Working Capital and Spending Policy
The percentage allowed to be utilized towards the Organization's operations within the Organization's endowment/working capital policy is based on 5% of the average value of the prior 20 quarters of investments. Any net excess or deficiency in investment earnings over the spending policy on net assets with donor restrictions is reflected within net assets with donor restrictions.

Underwater Endowment Funds
From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the original dollar value of the endowment fund or the level that the donor or state law requires the Organization to retain as a fund of perpetual duration. The Organization considers prudence in maintaining an endowment fund in perpetuity and while spending may occur from an endowment fund whose fair value is below its historic value, the Organization has determined that its policies will continue the perpetual nature of the endowment over time. There were no deficiencies as of June 30, 2023 and 2022.

Changes in endowment assets were as follows for the years ended June 30:

	2023	2022
Endowment net assets, beginning of year	$ 1,664,458	$ 1,664,458
Investment return, net	130,082	36,392
Spending appropriations	(35,216)	(36,392)
Endowment net assets, end of year	$ 1,759,324	$ 1,664,458

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	$ 2,675,815	$ 8,362,841
Accounts receivable	38,841	5,649
Employee retention tax credit receivable	339,683	-
Unconditional promises to give	4,558,387	4,387,209
	7,612,726	12,755,699
Liquidity resources		
Unused line of credit	5,000,000	5,000,000
Total financial assets and liquidity resources available within one year	$ 12,612,726	$ 17,755,699

To manage liquidity, the Organization has pledge campaigns to fund operations and other projects. The Organization has approximately $17M that can be used for general operating expenses upon approval by the Board of Directors. As described in Note 2, the Organization's endowment funds consist of donor-restricted endowments. The Organization's policy provides for annual distributions from board-designated funds for operating purposes.

4. CONCENTRATIONS OF CREDIT RISK AND RESTRICTED CASH

The Organization has significant cash balances at various financial institutions during the year which regularly exceeded 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 consolidated 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 may occur and that such changes could materially affect the amounts reported on the consolidated statements of financial position.

As of June 30, 2023 and 2022, the Organization held a restricted certificate of deposit of $123,423, which is pledged as collateral to meet requirements of the Actors' Equity Association Union agreements.

5. INVESTMENTS

Fair values of assets measured on a recurring basis on June 30, 2023 and 2022 consist of common stocks, U.S. Treasury, corporate bonds and investments at net asset value. There were no changes in investment leveling methodologies for the years ended June 30, 2023 and 2022. There were no transfers, purchases or issuances of level 3 investments during the years ended June 30, 2023 and 2022.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2023:

	Fair Value			
	Level 1	**Level 2**	**Level 3**	**Total**
Common stocks	$ 3,015,499	$ -	$ -	$ 3,015,499
US Treasury securities	1,963,166	-	-	1,963,166
Corporate bonds	-	450,366	-	450,366
Beneficial interest in charitable trusts held by others	-	-	172,637	172,637
	$ 4,978,665	$ 450,366	$ 172,637	$ 5,601,668
Investments measured at net asset value (1)				$ 8,716,115
				$ 14,317,783

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2022:

	Fair Value			
	Level 1	**Level 2**	**Level 3**	**Total**
Common stocks	$ 2,340,414	$ -	$ -	$ 2,340,414
Corporate bonds	-	457,637	-	457,637
Beneficial interest in charitable trusts held by others	-	-	172,637	172,637
	$ 2,340,414	$ 457,637	$ 172,637	$ 2,970,688
Investments measured at net asset value (1)				$ 8,799,548
				$ 11,770,236

(1) In accordance with subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of financial position.

The following table lists investments measured using the practical expedient by class and investment strategy as well as the unfunded commitments, redemption frequency and notice period for investments in entities that calculate fair value using net asset value per share or its equivalent:

Strategies	**2023 NAV**	**2022 NAV**	**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice Period**
Balanced fund (a)	$ 8,716,115	$ 8,799,548	None	Quarterly	5 days prior to the end of a quarter

(a) The strategy of the fund is to invest globally in fixed income securities, large and small capitalization equities and unquoted securities as a limited partner through other partnerships.

Investment Income (Loss)

Investment income (loss) consists of the following for the years ended June 30:

	2023	2022
Unrealized gain (loss) on investments	$ 1,587,631	$ (2,348,966)
Interest and dividend income	136,819	102,400
Realized loss	(4,630)	(103)
Investment fees	(6,333)	(1,565)
	$ 1,713,487	$ (2,248,234)

6. PROMISES TO GIVE

Unconditional Promises to Give

When estimating value of unconditional promises to give, management considers the relationships with donor, the donor's past history of making timely payments, and the donor's overall creditworthiness and incorporates the information into a value measurement computed using 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. Uncollectible promises are expected to be insignificant. Unconditional promises to give to be received after one year are discounted at a risk-adjusted rate of 5%.

Unconditional promises to give consist of the following as of June 30, 2023:

	Less Than One Year	Two to Five Years	Total
Without donor restrictions	$ 4,608,387	$ -	$ 4,608,387
With donor restrictions	3,701,222	2,002,750	5,703,972
	8,309,609	2,002,750	10,312,359
Less: Reserve for uncollectible	(50,000)	-	(50,000)
Less: Discount for present value	-	(174,034)	(174,034)
	$ 8,259,609	$ 1,828,716	$ 10,088,325

Unconditional promises to give consist of the following as of June 30, 2022:

	Less Than One Year	Two to Five Years	Total
Without donor restrictions	$ 4,437,209	$ 3,445,000	$ 7,882,209
With donor restrictions	3,560,153	1,103,627	4,663,780
	7,997,362	4,548,627	12,545,989
Less: Reserve for uncollectible	(50,000)	-	(50,000)
Less: Discount for present value	-	(272,371)	(272,371)
	$ 7,947,362	$ 4,276,256	$ 12,223,618

The balances as of June 30, 2023 and 2022 include approximately $1.1M and $1.9M, respectively, from the New York City Department of Cultural Affairs ("DCA") towards property and equipment (see Note 10d) and other projects and $2.3M and $4.7M from two board members, respectively.

Conditional Promises to Give

The Organization has been informed of various intentions and bequests that have not been reflected in the consolidated financial statements since they do not represent unconditional promises to give.

7. PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30:

	Estimated Life (Years)	2023	2022
Friedman Theatre	40	$ 18,938,797	$ 18,938,797
Improvements - City Center (Stages I and II)	5-21	4,944,042	4,944,042
Improvements - Friedman Theatre	40	4,080,791	4,080,791
Land - Friedman Theatre	n/a	3,064,351	3,064,351
Improvements - 43rd Street (Creative Center and administrative offices)	4-15	2,033,583	2,033,583
Equipment	3-10	1,663,837	1,663,837
Furniture and fixtures	7	337,511	337,511
		35,062,912	35,062,912
Less: Accumulated depreciation and amortization		(18,449,238)	(16,924,704)
		16,613,674	18,138,208
Construction in progress (Note 10d)		2,379,487	645,751
		$ 18,993,161	$ 18,783,959

Depreciation and amortization expense for the years ended June 30, 2023 and 2022 was $1,524,534 and $1,656,867, respectively.

Construction in progress consists of costs for Friedman Theatre exterior renovation and other small projects. Since the projects were not complete at June 30, 2023, the costs have not been depreciated.

Any funds received by the DCA towards property and equipment require additional restrictions as to use for any item funded (see Note 10d).

8. CONSOLIDATED STATEMENTS OF CASH FLOWS

The following comprises the cash, cash equivalents and restricted cash reported within the consolidated statements of financial position that sum to the total reported in the consolidated statements of cash flows for the years ended June 30, 2023 and 2022, respectively:

	2023	2022
Cash and cash equivalents	$ 7,116,328	$ 11,147,931
Restricted certificate of deposit	123,423	123,423
	$ 7,239,751	$ 11,271,354

9. LEASES

Financing Lease (Condominium Unit - 43rd Street)

During the year ended June 30, 2021, the Organization modified their operating lease agreement for its Creative Center and Administrative Offices (43rd Street) (8th and 9th floors) to a Condominium Unit Agreement ("Condo Agreement") which closed on June 30, 2021. At the end of the Condo Agreement, May 31, 2055, the title to the unit reverts to the landlord. Since the present value of the payments under the Condo Agreement is greater than 90% of the asset's fair market value, the Condo Agreement was capitalized and recorded by the Organization as an asset with a corresponding liability. During the year ended June 30, 2022, the Organization negotiated further adjustments to minimum annual payments (approximately $9M) and the lease was modified; therefore, the Condominium Unit within property and equipment and corresponding liability were adjusted by $(6,111,906) to reflect that change and $32,290,567 is reflected as right-of-use asset - financing, net on the consolidated statements of financial position. As part of the Condo Agreement, the Organization received a credit in the amount of $2,311,424 which is reflected within the present value capitalized amount. The Organization has made an election to utilize a credit effective January 2022.

If either party exercises a termination right, such termination will be effective on September 30, 2023, the base payment between July 1, 2023 and September 30, 2023 will be $82,713 per month, the base payment abatement will not apply (and any previously taken credit in lieu thereof will be repaid with interest at prime + 2%). If the Organization is the party that terminates the agreement, then the Organization will reimburse the landlord for all costs in connection with the lease (including condominium costs). As of June 30, 2023, management has represented that neither party has exercised a termination right.

Beginning July 1, 2022, the Organization is required to make estimated monthly payments of its proportionate share (14%) of any increases in operating expenses over the base operating expenses. During the year ended June 30, 2023, per the terms of the agreement, the Organization received a $276,476 refund for prior periods of real estate taxes.

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

For the year ending June 30, 2024	$	259,126
" " " " " June 30, 2025		1,229,604
" " " " " June 30, 2026		1,242,011
" " " " " June 30, 2027		1,254,418
" " " " " June 30, 2028		1,266,825
For the twenty-seven years ending June 30, 2055		41,036,369
Total lease payments		46,288,353
Less: Imputed interest		(13,134,296)
Lease liability as of June 30, 2023	$	33,154,057

Future minimum lease payments as of June 30, 2022 were as follows:

For the year ending	June 30, 2023	$ -
" " " " "	June 30, 2024	259,126
" " " " "	June 30, 2025	1,229,604
" " " " "	June 30, 2026	1,242,011
Thereafter through	June 30, 2055	43,557,612
		$ 46,288,353

Operating Leases

The Organization has entered into several lease agreements for space and equipment:

- City Center (Stages I and II) - for the period through June 30, 2029. The landlord has the right to not extend the lease after June 30, 2029 if notice is given by June 30, 2026. If notice is not provided, the Organization has the right to extend the lease for an additional five years if notice is provided one year prior to June 30, 2029. This option has been included in the calculation of the lease liability as it is reasonably certain that it will be exercised. As part of the lease, the Organization reimburses the landlord for all costs relative to the Organization's productions held at the location (i.e., salaries for front of house, benefits, etc.). These amounts are not reflected in future lease minimum payments since based on actual expenses incurred.
- Loft storage in Queens, New York - for the period through October 30, 2025. The Organization has a 90-day window to terminate.
- Office equipment - three separate leases that gradually expire through December 2025.

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

For the year ending	June 30, 2024	$ 644,550
" " " " "	June 30, 2025	647,818
" " " " "	June 30, 2026	610,070
" " " " "	June 30, 2027	597,768
" " " " "	June 30, 2028	609,725
Thereafter through	June 30, 2034	3,923,142
Total lease payments		7,033,073
Less: Imputed interest		(1,010,382)
Lease liability as of June 30, 2023		$ 6,022,691

Future minimum lease payments under operating leases as of June 30, 2022 were as follows:

For the year ending	June 30, 2023	$ 608,447
" " " " "	June 30, 2024	621,178
" " " " "	June 30, 2025	634,181
" " " " "	June 30, 2026	606,118
" " " " "	June 30, 2027	597,768
Thereafter through	June 30, 2029	1,231,644
		$ 4,299,336

Lease expenses comprise of the following for the year ended June 30, 2023:

Operating lease expense (City Center, loft and equipment)	$	692,576
Finance lease expense (Condo)		
Amortization of right-of-use asset		722,385
Interest on lease liabilities		655,956
	$	1,378,341

Leases expense, including the adjustment for deferred rent credit, under the leases for the year ended June 30, 2022 was $1,181,757.

Lease expenses are reflected in leases and other occupancy charges and office supplies and equipment within the consolidated statements of functional expenses.

Cash paid for operating and financing leases were as follows for the year ended June 30, 2023:

Operating cash flows from operating leases	$	631,820
Financing cash flows from financing lease (lease-free period)		-
	$	631,820

Because the rate implicit in the leases is generally not available, the Organization utilizes the risk-free rate as the discount rate. The weighted average discount rate associated with operating leases as of June 30, 2023 is 2.92%, while the weighted-average discount rate associated with financing leases is 2.00%. The weighted average remaining lease term associated with operating leases as of June 30, 2023 is 10 years. The weighted average lease term associated with financing lease as of June 30, 2023 is 32 years.

10. COMMITMENTS AND CONTINGENCIES

a) Government supported programs are subject to audit by the granting agency.

b) In September 2022, the Organization entered into an agreement with the financial institution for a revolving line of credit with a maximum availability of $5,000,000, bearing an interest rate of the Wall Street Journal Prime, subject to a floor rate of 2.75%. As of June 30, 2023, the interest rate was 7.5%. The line of credit is collateralized by equipment and fixtures, inventory and receivables owned by the Organization. The line of credit currently expires September 29, 2024.

   The line of credit agreement contains certain financial operating and reporting restrictive covenants that provide for, among other things, a minimum net liquidity ratio. As of June 30, 2023, the Organization was in compliance with these covenants.

c) The Organization has entered into various contracts with playwrights in order to develop, produce, promote, and present plays on the stage in the presence of an audience. The Organization is obligated to pay royalties to authors and/or composers for productions that they have produced. If a play produced by the Organization generates royalties to the author or composer, then the Organization will generally be entitled to a certain percentage of the net proceeds received by the author and/or composer.

d) The DCA investment of capital funding obligates the Organization to operate the facility and/or maintain equipment for the respective bonding term as a non-profit entity, open to and used and maintained for the benefit of the people of the City of New York for cultural, educational, or artistic uses and/or related purposes approved by New York City.

   As of June 30, 2023, the Organization was awarded funds from the DCA, Empire State Development and New York State Council on the Arts for various equipment and improvement projects of approximately $12.3 million through reimbursement grants. The reimbursement grants are expected to be received in the future once eligible expenses are approved. The contracts that have been registered with the city and state have been recorded in the consolidated financial statements within with donor restrictions until placed in service. The Organization has incurred $2,379,487 of eligible expenses for these projects as of June 30, 2023 which are reflected in construction in progress as of June 30, 2023.

e) The Organization has guaranteed credit card limits up to a total of $555,000 as of June 30, 2023 and 2022, respectively. The credit card arrangements are established for key executives who have business cards and certain staff members who have personal cards that will submit business expenses separately.

f) The Organization has an employment agreement which extends through June 30, 2026. The aggregated commitment under this agreement is approximately $1,200,200 at June 30, 2023.

11. PENSION PLANS, DEFERRED COMPENSATION PLANS AND OTHER EMPLOYEE BENEFITS

a) The Organization has established a defined-contribution plan for certain employees who satisfy age and service requirements. Contributions to the plan are based on length of service and become vested over a period of three to six years. Contributions to the plan during the year ended June 30, 2023 were approximately $225,000, for the plan years ended August 31, 2023 and 2022. There were no contributions to the plan during the year ended June 30, 2022 for the plan years ended August 31, 2022 and 2021.

b) The Organization has a 401(k) plan for its employees. The plan is employee contributory only.

c) The Organization contributes to eight multiemployer pension plans under collective bargaining agreements covering union-represented employees, entirely in the entertainment industry. The vast majority of employers participating in these multiemployer plans are primarily engaged in the entertainment industry. These plans generally provide retirement benefits to vested participants based on their service to contributing employers, of which the Organization is one. In general, these plans are managed by a Board of Trustees with the unions appointing certain trustees and contributing employers of the plan appointing certain members. The Organization does not participate in any plan where it considers its contributions to be individually significant to the overall plan.

   Based on information available to the Organization, the vast majority of the multiemployer plans to which it contributes are adequately funded under the applicable provisions of the Pension Protection Act (“PPA”) enacted in 2006. Three funds are in either “critical” or “endangered” status as those terms are defined in the PPA. The PPA requires all underfunded pension plans to improve their funding ratios within prescribed intervals based on their level of underfunding. Until the plan trustees develop the funding improvement plans or rehabilitation plans as required by the PPA, we are unable to determine the amount of assessments the Organization may be subject to, if any.

Under applicable law upon its ceasing to make contributions to, or other "withdrawal" from, an underfunded multiemployer pension plan, the affected funds could seek contributions from the Organization for the Organization's proportionate share of the plan's unfunded vested liabilities. The Organization believes that under such circumstances, if a fund were to seek to assess such contribution obligation upon the Organization's alleged "withdrawal," the Organization would have significant defenses against such assessment under applicable law. The Organization cannot determine at this time the impact that any alleged withdrawal from the affected plans may have on its consolidated financial position, results of operations or cash flows.

Approximately 28% and 39% of the Organization's employees and contractors are participants in multiemployer plans for the years ended June 30, 2023 and 2022, respectively. Pension and welfare expense for multiemployer plans was $1,257,264 and $1,139,505, for the years ended June 30, 2023 and 2022, respectively.

d) In recognition of almost fifty years of service from the Artistic Director and Executive Producer, the Organization entered into deferred compensation agreements. Under these agreements, the Organization credits to each executive's account $100,000 for services rendered each fiscal year until the accounts have been credited $1,000,000 each. Under the terms of each executive's agreement, the contributed funds are invested in a 457(f) plan account and all investment income accumulated is paid to the executives upon vesting. The executives each received a full distribution in July 2017. The remaining obligation after July 1, 2018 allows for one of the executives to be credited $100,000 annually for the next three years, with vesting on June 30, 2022. During the year ended June 30, 2022, the Organization made a full distribution to this executive under this agreement.

The other executive is credited with $100,000 annually for the next four years (period ending June 30, 2022), however, this executive's annual amount vests each year. As of June 30, 2023 and 2022, $0 and $100,000 had been accrued for this executive. During the years ended June 30, 2023 and 2022, the investment losses were $(68) and $(61,294), respectively. The account balances may become vested and paid earlier upon death, disability, discharge without cause, or resignation for good reason. Unvested balances are forfeited upon discharge for cause or resignation without good reason. The Organization has title to and beneficial ownership of the invested funds until the account balances are vested and paid. The executives have a significant risk of forfeiture. During the year ended June 30, 2023, the Organization made the final $100,000 payment.

12. CONTRIBUTIONS OF NON-FINANCIAL ASSETS

Contributed non-financial assets are recorded as contributions at their estimated fair value on the date of receipt and reported as expense when utilized. Contributed non-financial assets do not have donor-imposed restrictions, are not sold and goods are only distributed for program use. The Organization received contributed non-financial assets comprised of services and materials during the years ended June 30, 2023 and 2022 in support of its programs and operations, which are recognized in the consolidated statements of activities and included:

Non-Financial Contributions Category	Type of Contributions	Valuation	2023	2022
Professional services	Legal, consulting and other professional services	Market value of goods and services as provided by vendor	$ 48,017	$ 20,490
			$ 48,017	$ 20,490

13. EMPLOYEE RETENTION TAX CREDITS

During the year ended June 30, 2023, the Organization has applied for employee retention credits in the amount of $1,737,388. 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, 2023, the Organization recorded revenue totaling $1,737,388, which relates to expenses incurred during the years ended June 30, 2022 and 2021, which is included in non-operating activities in the accompanying consolidated statements of activities. As of June 30, 2023, $1,737,388 is included in employee retention tax credit receivable in the accompanying consolidated statements of financial position, of which $339,683 is reflected as a current asset.

14. SHUTTERED VENUE OPERATOR'S GRANT

On July 9, 2021, the Organization was awarded a Shuttered Venue Operators Grant from the U.S. Small Business Administration ("SBA") in the amount of $5,269,025. This cost-reimbursable federal grant covers allowable qualifying expenses for the period from March 1, 2020 through December 31, 2021. On November 23, 2021, the Organization received a supplementary award of $2,730,975 from the SBA which also extended the allowable expenses period for the entire grant to June 30, 2022. The Organization recorded revenue of $8,000,000 for the year ended June 30, 2022, of which $1,240,719 relates to expenses incurred during the year ended June 30, 2021 and is included in non-operating activities in the accompanying consolidated statements of activities.

15. PAYCHECK PROTECTION PROGRAM LOANS

On May 2, 2020, the Organization issued an unsecured promissory note (the "PPP1 Loan") for $2,118,731 through programs established through the Paycheck Protection Program ("PPP") under the CARES Act (the "Loans") and administered by the U.S. Small Business Administration (the "SBA"). The PPP1 Loan was guaranteed by the SBA. On November 20, 2021, the Organization was informed that its application for forgiveness of $2,118,731 of the PPP1 Loan was approved. Accordingly, the Organization recorded as forgiveness of debt during the year ended June 30, 2022 of which $2,118,731 relates to expenses incurred during the year ended June 30, 2021, and is shown in non-operating activities in the accompanying consolidated statements of activities.

On March 31, 2021, the Organization issued an unsecured promissory note (the "PPP2 Loan") for $2,000,000 through the PPP established under the CARES Act and administered by the SBA. The PPP2 Loan is guaranteed by the SBA. The Organization received notice of forgiveness of PPP2 on October 27, 2022 and recorded forgiveness of debt of $2,000,000 during the year ended June 30, 2023 which related to expenses incurred during the year ended June 30, 2022, and is shown in non-operating activities in the accompanying consolidated statements of activities.

16. FUNCTIONAL ALLOCATION OF EXPENSES

The cost of providing the various programs and the supporting services has been summarized on a functional basis in the consolidated financial statements of activities and detailed within the consolidated statements of functional expenses. Costs have been allocated among the program and supporting services based on analysis of personnel time and utilization of related activities. Management and general expense include those expenses that are not directly identifiable with any specific function but provide for the overall support and direction of the Organization. The expenses that are allocated include occupancy, depreciation and amortization, salaries and wages, benefits, payroll taxes, office expense, insurance, and other, which are allocated on the basis of estimates of time and effort.

17. EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through November 1, 2023, the date the consolidated financial statements were available to be issued. Based on this evaluation, the Organization has determined that no subsequent events have occurred that require adjustment to or disclosure in the consolidated financial statements.