THE LARK THEATRE COMPANY, INC.
D/B/A LARK PLAY DEVELOPMENT CENTER

FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

WITH INDEPENDENT AUDITOR'S REPORT

withum
ADVISORY TAX AUDIT

The Lark Theatre Company, Inc. d/b/a Lark Play Development Center
June 30, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
The Lark Theatre Company, Inc.
d/b/a Lark Play Development Center

We have audited the accompanying financial statements of The Lark Theatre Company, Inc. (a not-for-profit corporation) (the "Organization"), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and cash flows for the years then ended and the related notes to the financial statements. We have also audited the accompanying statement of functional expenses for the year ended June 30, 2019 with comparative totals for the year ended June 30, 2018.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Lark Theatre Company, Inc. as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization's June 30, 2018 financial statements and we expressed an unmodified opinion on those audited financial statements in our report dated October 29, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

As discussed in Note 1m to the financial statements, in 2019, the Organization adopted Accounting Standards Update *("ASU") 2016-14*, Not-for-Profit Entities (Topic 958). Our opinion is not modified with respect to this matter.

WithumSmith+Brown, PC

September 10, 2019

The Lark Theatre Company, Inc. d/b/a Lark Play Development Center
Statements of Financial Position
June 30, 2019 and 2018

	2019			2018		
	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Assets						
Current Assets						
Cash and cash equivalents	$ 309,496	$ 810,147	$ 1,119,643	$ 218,343	$ 1,206,306	$ 1,424,649
Accounts receivable	695	-	695	105	-	105
Unconditional promises to give - current portion	73,650	214,579	288,229	146,900	267,000	413,900
Prepaid expenses	18,975	-	18,975	50,262	-	50,262
Total Current Assets	402,816	1,024,726	1,427,542	415,610	1,473,306	1,888,916
Unconditional promises to give, net of current portion	5,000	113,817	118,817	5,000	49,420	54,420
Property and equipment, at cost, net of accumulated depreciation	251,596	-	251,596	429,852	-	429,852
Security deposits	62,936	-	62,936	62,936	-	62,936
Total Assets	$ 722,348	$ 1,138,543	$ 1,860,891	$ 913,398	$ 1,522,726	$ 2,436,124
Liabilities and Net Assets						
Liabilities						
Current Liabilities						
Accounts payable and accrued expenses	$ 58,592	$ -	$ 58,592	$ 75,689	$ -	$ 75,689
Deferred rent	24,612	-	24,612	27,008	-	27,008
Deferred income	-	-	-	3,520	-	3,520
Total Current Liabilities	83,204	-	83,204	106,217	-	106,217
Deferred rent	107,057	-	107,057	131,669	-	131,669
Total Liabilities	190,261	-	190,261	237,886	-	237,886
Commitments and contingencies						
Net Assets						
Without donor restrictions						
Property and equipment, net	251,596	-	251,596	429,852	-	429,852
Undesignated	280,491	-	280,491	245,660	-	245,660
Total Without Donor Restrictions	532,087	-	532,087	675,512	-	675,512
With donor restrictions	-	1,138,543	1,138,543	-	1,522,726	1,522,726
Total Net Assets	532,087	1,138,543	1,670,630	675,512	1,522,726	2,198,238
Total Liabilities and Net Assets	$ 722,348	$ 1,138,543	$ 1,860,891	$ 913,398	$ 1,522,726	$ 2,436,124

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

The Lark Theatre Company, Inc. d/b/a Lark Play Development Center
Statements of Activities
For the Years Ended June 30, 2019 and 2018

	2019			2018		
Public Support and Other Revenue	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Public Support						
Government	$ 107,920	$ 65,106	$ 173,026	$ 100,500	$ 22,210	$ 122,710
Individuals and family foundations	667,910	108,752	776,662	645,269	94,300	739,569
Foundations	308,805	244,960	553,765	833,832	747,574	1,581,406
Other support	37	-	37	1,335	930	2,265
Released From Restriction						
Foundations	586,450	(586,450)	-	292,321	(292,321)	-
Individuals and family foundations	185,000	(185,000)	-	123,000	(123,000)	-
Government	22,210	(22,210)	-	15,000	(15,000)	-
Corporations	10,000	(10,000)	-	10,000	(10,000)	-
Total Public Support	1,888,332	(384,842)	1,503,490	2,021,257	424,693	2,445,950
Other Revenue						
Contracted services	2,000	-	2,000	6,795	-	6,795
Rental income	11,049	-	11,049	5,315	-	5,315
Investment income	1,331	659	1,990	2,077	466	2,543
Program revenue and miscellaneous income	16	-	16	198	-	198
Total Other Revenue	14,396	659	15,055	14,385	466	14,851
Total Public Support and Other Revenue	1,902,728	(384,183)	1,518,545	2,035,642	425,159	2,460,801
Expenses						
Program Services	1,534,110	-	1,534,110	1,552,109	-	1,552,109
Supporting Services						
Management and General	118,846	-	118,846	202,936	-	202,936
Fundraising	393,197	-	393,197	308,172	-	308,172
Total Supporting Services	512,043	-	512,043	511,108	-	511,108
Total Expenses	2,046,153	-	2,046,153	2,063,217	-	2,063,217
(Decrease) Increase in Net Assets	(143,425) *	(384,183)	(527,608)	(27,575) *	425,159	397,584
Net assets, beginning of year	675,512	1,522,726	2,198,238	703,087	1,097,567	1,800,654
Net Assets, End of Year	$ 532,087	$ 1,138,543	$ 1,670,630	$ 675,512	$ 1,522,726	$ 2,198,238

* Includes depreciation expense of $183,533 (2019) and $215,012 (2018)

	2019	2018
Increase in unrestricted net assets before depreciation expense	$ 40,108	$ 187,437

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

The Lark Theatre Company, Inc. d/b/a Lark Play Development Center
Statements of Functional Expenses
For the Years Ended June 30, 2019 and 2018
(With Summarized Comparative Totals for the Year Ended June 30, 2018)

		Supporting Services			2019	2018
	Program Expense	Management and General	Fundraising	Total	Total Expenses	Total Expenses
Salaries	$ 468,154	$ 24,096	$ 199,474	$ 223,570	$ 691,724	$ 636,110
Employee benefits and payroll taxes	108,353	6,016	47,166	53,182	161,535	130,684
Artistic fees	341,211	50	-	50	341,261	305,095
Travel and housing	56,517	7,823	11,167	18,990	75,507	66,900
Office rent	79,166	14,927	35,442	50,369	129,535	124,665
Theatre rent	260,516	5,185	1,805	6,990	267,506	253,791
Deferred rent	(24,222)	(936)	(1,851)	(2,787)	(27,009)	(19,589)
Other theatre expenses	48,428	-	51	51	48,479	151,748
Equipment purchases	10,744	2,109	4,976	7,085	17,829	15,039
Office supplies	11,033	2,166	6,641	8,807	19,840	22,644
Printing and postage	702	127	2,030	2,157	2,859	5,010
Insurance	9,613	1,887	4,452	6,339	15,952	15,128
Bad debt expense	-	500	-	500	500	806
Utilities	3,478	683	1,611	2,294	5,772	8,212
Marketing	7,799	-	730	730	8,529	10,370
Equipment rental	1,799	353	833	1,186	2,985	3,237
Maintenance	751	148	348	496	1,247	2,715
Telephone	2,523	495	1,168	1,663	4,186	4,242
Event expenses	227	-	493	493	720	15,881
Professional fees	10,184	25,787	12,365	38,152	48,336	55,846
License, fees, dues and subscriptions	26,537	5,719	12,796	18,515	45,052	39,396
Miscellaneous	-	-	275	275	275	275
Total expenses before depreciation	1,423,513	97,135	341,972	439,107	1,862,620	1,848,205
Depreciation	110,597	21,711	51,225	72,936	183,533	215,012
Total Expenses, 2019	$ 1,534,110	$ 118,846	$ 393,197	$ 512,043	$ 2,046,153	
Total Expenses, 2018	$ 1,552,109	$ 202,936	$ 308,172	$ 511,108		$ 2,063,217

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

The Lark Theatre Company, Inc. d/b/a Lark Play Development Center
Statements of Cash Flows
For the Years Ended June 30, 2019 and 2018

	2019	2018
Cash Flows From Operating Activities		
(Decrease) Increase in net assets	$ (527,608)	$ 397,584
Adjustments to (decrease) increase in net assets to net cash (used) provided by operating activities:		
Depreciation	183,533	215,012
Donated securities	(291,664)	(305,615)
Realized loss (gain) on sale of investments	863	(1,251)
Change in discount for present value of unconditional promises	(7,103)	6,696
Bad debt expense	500	806
(Increase) Decrease in:		
Accounts receivable	(1,090)	2,384
Unconditional promises to give	68,377	98,858
Prepaid expenses	31,287	(23,405)
Increase (Decrease) in:		
Accounts payable and accrued expenses	(17,097)	23,178
Deferred rent	(27,008)	(19,589)
Deferred income	(3,520)	227
Net Cash (Used) Provided By Operating Activities	(590,530)	394,885
Cash Flows From Investing Activities		
Proceeds from sale of investments	290,801	306,886
Purchase of property and equipment	(5,277)	-
Net Cash Provided By Investing Activities	285,524	306,886
Net (decrease) increase in cash and cash equivalents	(305,006)	701,751
Cash and cash equivalents, beginning of year	1,424,649	722,898
Cash and Cash Equivalents, End of Year	$ 1,119,643	$ 1,424,649

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

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a - Organization

The Lark Theatre Company, Inc. d/b/a Lark Play Development Center (the "Organization") is a not-for-profit corporation located in New York, NY. A laboratory for new voices and new ideas, the Organization provides playwrights and their collaborators with resources to develop their work in a supportive yet rigorous environment and encouraging artists to define their own goals and creative processes in pursuit of a unique vision. The Organization embraces new and diverse perspectives in New York and in all corners of the world, supporting innovative strategies to help new work reach audiences through a network of evolving partnerships. The Organization strives to reinvigorate the theater's ancient and enduring role as a public forum for discussion, debate and community engagement, and to strengthen society's capacity to imagine its future through storytelling.

b - Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables, and other liabilities.

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:

c - Cash and Cash Equivalents

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

d - Fair Value Measurements

"Fair Value Measurements and Disclosures" establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. "Fair Value Measurements and Disclosures" defines fair value as 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 under "Fair Value Measurements and Disclosures" and the Organization's related types 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e - Investments

Investments in marketable securities with readily determinable fair values and all investment in debt securities are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the statements of activities. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

f - Contributions and Promises to Give

Grants and contributions are recognized when cash is received or when the donor makes a promise to give to the Organization that is, in substance, unconditional. Grants and contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions 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.

g - 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 $1,000. Lesser amounts are expensed. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions 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 restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expiration of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Equipment, furniture, and website are being depreciated over the useful life of the related asset using the straight-line method, with a half of a year's depreciation recognized in the years of acquisition and disposal. Leasehold improvements are being amortized over the shorter of the lease term or useful life.

h - Revenue Recognition

Rental income, program revenue and miscellaneous income, and contracted services are recognized in the period to which the fees relate.

i - Financial Statement Presentation

The Organization presents its financial statements according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets with donor restrictions include net assets that are subject to donor-imposed stipulations that they be maintained permanently and net assets that are subject to donor-imposed stipulations that will be met by actions or by the passage of time. Net assets without donor restrictions are not subject to donor-imposed stipulations.

j - 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, 2019 and 2018 was $7,799 and $10,370, respectively.

k - Estimates

The preparation of financial statements in accordance with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l - Tax Status and Uncertain Tax Positions

The Organization is a not-for-profit corporation, exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code, and Section 402 of the Not-for-Profit Corporation Law in New York State, and has been designated as an organization, which is not a private foundation. The Organization's Form 990, *Return of Organization Exempt from Income Tax*, for the years ended June 30, 2018, 2017 and 2016 are subject to examination by the IRS, generally for three years after they were filed.

The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization did not recognize any tax related interest and/or penalties in the accompanying financial statements, but would record any such interest and/or penalties as a component of other expense.

m - New Accounting Pronouncements Adopted in Current Year

During 2019, the Organization adopted ASU No. 2016-14 – *Not-for-Profit Entities* (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance and cash flows.

The main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity and expenses by both their natural and functional classification.

A recap of the net asset classifications driven by the adoption of ASU 2016-14 as of June 30, 2017 are as follows:

	2018			2017		
Net Asset Classifications	**Without Donor Restrictions**	**With Donor Restrictions**	**Total Net Assets**	**Without Donor Restrictions**	**With Donor Restrictions**	**Total Net Assets**
As previously presented:						
Unrestricted	$ 675,512	$ -	$ 675,512	$ 703,087	$ -	$ 703,087
Temporarily restricted	-	1,221,207	1,221,207	-	796,048	796,048
Permanently restricted	-	301,519	301,519	-	301,519	301,519
Net assets reclassified	$ 675,512	$ 1,522,726	$ 2,198,238	$ 703,087	$ 1,097,567	$ 1,800,654

n - Reclassification

Certain amounts for the year ended June 30, 2018 financial statements have been reclassified for comparative purposes to conform to the presentation of the year ended June 30, 2019 financial statements.

2. RESTRICTIONS ON NET ASSETS

Net Assets With Donor Restrictions

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

	2019	2018
Restricted for use in future periods	$ 395,998	$ 355,000
Cash reserve	301,519	301,519
Capacity building	167,325	343,784
Fellowships	146,250	318,956
International programs	49,232	6,336
Play development	46,560	124,413
BareBones Production	31,659	72,718
	$ 1,138,543	$ 1,522,726

In 2016, the Organization signed an agreement with FJC, a Foundation of Philanthropic Funds, to establish a restricted Earmarked Fund Account (the “Account”) with a deposit of $100,000 plus any additional funds raised for the Organization’s BareBones Production program (the “Program”) as a match, if applicable. The funds are handled by FJC for investment purposes for a fee of 15 basis points annually, based on the average daily value of the assets held in the Account. The funds may be comingled with other investment assets of FJC and managed in accordance with FJC’s investment policies. The Organization may withdraw the funds from the Account as necessary to fund the Program and must furnish a report to FJC on how the distributions from the Account are used. As of June 30, 2019 and 2018, the unspent funds were $31,659 and $72,718, respectively. During fiscal years 2019 and 2018, $41,059 and $27,282 was spent on the Program, respectively.

During the year ended June 30, 2018, the Organization received a $500,000 grant from The Andrew W. Mellon Foundation (the “Foundation”) to support the Organization’s capacity to allow for improved fundraising staff, strategic board development and staff stabilization and retention. As of June 30, 2019 and 2018, the unspent funds were $167,325 and $343,784, respectively. The interest earned during the years ended June 30, 2019 and 2018 was $659 and $466, respectively, and is applied toward the purpose of the grant.

The Organization received a grant from the Foundation for the establishment of a cash reserve fund in the amount of $150,000, to be matched one-to-one. In 2016, the match was met. Donor restricted net assets consists of the Foundation’s grant of $150,000 plus matching funds. The Organization may draw upon the cash reserve fund, provided that within 24 months from the date of withdrawal; the amount withdrawn will be restored. In extreme circumstances, the Organization may elect to extend this period. Any income earned on these funds is unrestricted.

3. FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of June 30, 2019, financial assets and liquidity resources available within one year for general expenditures, such as operating expenses, were as follows:

Financial assets	
Cash and cash equivalents	$ 309,496
Unconditional promises to give	73,650
Accounts receivable	695
Total financial assets and liquidity resources available within one year	$ 383,841

The Organization's cash flows have fluctuations during the year attributable to the timing of program operations. A significant amount of contributions received are received annually that support the operations of the Organization. The Orgaization's cash reserve can also provide the Orgaimzation with funds for operations as noted in Note 2.

4. CONCENTRATION OF CREDIT RISK

The Organization maintains its cash and cash equivalent balances in two financial institutions located in New York, NY. The balances are insured by the Federal Deposit Insurance Corporation up to $250,000, per institution. At June 30, 2019, the Organization's uninsured cash balances were $593,514. The Organization maintains an investment account primarily to receive common stock as donations. The Organization's policy is to sell any donated stock immediately upon receipt from the donor. Balances within this account, if any, are insured by the Securities Investor Protection Corporation ("SIPC") up to $500,000 per customer. SIPC does not protect investors from market risks.

5. CASH AND CASH EQUIVALENTS AND INVESTMENTS

a - Fair Value of Financial Instruments

The fair value and carrying amount of the Organization's cash and short-term investments as of June 30, 2019 and 2018 was $1,119,643 and $1,424,649, respectively. Cash and short-term investments carrying amount approximates fair value because of the short maturities of those investments.

b - Fair Values Measured on Recurring Basis

Fair values of assets measured on a recurring basis consist of commons stocks and equities. Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

c - Investment Income

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

	2019	2018
Interest and dividend income	$ 2,853	$ 1,292
Realized (loss) gain on sale of investments	(863)	1,251
Net investment income	$ 1,990	$ 2,543

6. UNCONDITIONAL PROMISES TO GIVE

When estimating fair value of unconditional promises to give, the relationships with donor, the donor's past history of making timely payments, and the donor's overall creditworthiness are considered and incorporated into present value techniques. The interest element resulting from amortization of the discount for the time value of money, computed using the effective interest rate method, is reported as contribution revenue. Uncollectible promises are expected to be insignificant. Unconditional promises to give to be received after one year are discounted at a rate of 5%.

Unconditional promises to give consist of the following as of June 30, 2019:

	Less than One Year	Over One Year	Total
Without donor restrictions	$ 73,650	$ 5,000	$ 78,650
With donor restrictions	214,579	126,500	341,079
	288,229	131,500	419,729
Less: discount for present value	-	(12,683)	(12,683)
	$ 288,229	$ 118,817	$ 407,046

6. UNCONDITIONAL PROMISES TO GIVE (CONTINUED)

Unconditional promises to give consist of the following as of June 30, 2018:

	Less than One Year	Over One Year	Total
Without donor restrictions	$ 146,900	$ 5,000	$ 151,900
With donor restrictions	267,000	55,000	322,000
	413,900	60,000	473,900
Less: discount for present value	-	(5,580)	(5,580)
	$ 413,900	$ 54,420	$ 468,320

7. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	Life/Years	2019	2018
Leasehold improvements	Life of lease	$ 1,122,946	$ 1,122,948
Furniture and equipment	5-7	265,513	260,234
Website	3	48,200	48,200
Artwork	n/a	15,000	15,000
		1,451,659	1,446,382
Less: accumulated depreciation		(1,200,063)	(1,016,530)
		$ 251,596	$ 429,852

Depreciation expense for the years ended June 30, 2019 and 2018 was $183,533 and $215,012, respectively.

8. COMMITMENTS AND CONTINGENCIES

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

b) The Organization signed a lease agreement for office and performance space. The Organization occupies the space under a non-cancelable operating lease that provides for approximate minimum annual rental payments as follows as of June 30, 2019:

For the year ending June 30, 2020	$ 311,774
" " " " June 30, 2021	319,569
" " " " June 30, 2022	327,558
For the one month ending July 31, 2022	27,352
Total	$ 986,253

Rent expense, including the adjustment for deferred rent credit, and real estate taxes under the lease for the years ended June 30, 2019 and 2018 was $370,033 and $358,867, respectively.

The Organization has reflected the variance between actual lease payments provided under the operating lease and the straight-line amortization of the lease for financial statement purposes. The balance of the cumulative variance or deferred rent for the years ended June 30, 2019 and 2018 was $131,669 and $158,677, respectively. The financial statements amortize any free rent period over the life of the lease.

8. COMMITMENTS AND CONTINGENCIES (CONTINUED)

c) The Organization has an open revolving line of credit with a financial institution with a maximum availability of $50,000, The current line of credit agreement expires May 2024. No amounts were borrowed during the years ended June 30, 2019 and 2018.

d) In May 2013, the Organization entered into a joint-venture agreement with TalentFont Holdings LLC ("TalentFont") to form Kanjy LLC ("Kanjy"), a unique partnership to develop and implement a theatre and screen-specific interactive social network among playwrights, screenwriters, actors, directors, producers, funders, agents and audiences, with a focus on providing a digital platform upon which new voices can be recognized, cultivated and advanced. The collaboration will combine skills, knowledge and experience of the Organization and the expertise in social media, software design, marketing and business management of TalentFont. The Organization is a member in Kanjy with a 9% profit share. The Organization is a member of both TalentFont and Talent Broker Technologies LLC and has a 1.5% profit share in each. There was no activity during years ended June 30, 2019 and 2018.

e) The Organization has entered into an agreement with a professional employer organization (the "PEO") through the period ended December 31, 2017 with an automatic renewal each year. Under the terms of the agreement, the PEO is a co-employer of the Organization's employees and is obligated to maintain worker's compensation insurance coverage for all covered employees.

9. NEW ACCOUNTING PRONOUNCEMENTS ISSUED NOT YET EFFECTIVE

In May 2014, the FASB issued accounting standards update ASU 2014-09, *Revenue from Contracts* with Customers (Topic 606), which provides a comprehensive new revenue recognition model that requires a company to recognize revenue in an amount that reflects the consideration it expects to receive for the transfer of promised goods or services to its customer. The standard also requires additional disclosure regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. This ASU, which was deferred by ASU 2015-14, is effective for annual periods and interim periods beginning after December 15, 2018. The ASU is to be applied retrospectively or using a cumulative effect transition method. Early adoption is permitted.

In February 2016, FASB issued ASU 2016-02, *Leases* (Topic 842), which requires the recognition of a "right to use" asset and a lease liability, initially measured at the present value of the lease payments, on the balance sheet for all of the Organization's lease obligations. This ASU is effective for fiscal years beginning after December 15, 2020.

In June 2018 the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-08, Not-for-Profit Entities, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958). The FASB is issuing this ASU to improve and clarify existing guidance on revenue recognition of grants and contracts by not-for-profit organizations ("NFPs") because there is diversity in practice among NFPs with characterizing grants and similar contracts with government agencies and others as reciprocal transactions (exchanges) or nonreciprocal transactions (contributions) and distinguishing between conditional and unconditional contributions. This ASU also provides guidance to help determine whether a contribution is conditional or unconditional, and better distinguish a donor-imposed condition from a donor-imposed restriction. The effective date would be for fiscal years ending in 2021.

The Organization is currently evaluating the effect that these pronouncements will have on its financial statements and related disclosures.

10. EMPLOYMENT BENEFIT PLAN

The Organization has a 401(k) salary deferral plan. Under the plan, the Organization may make a contribution to the employee plan on a discretionary basis. There was no matching contribution for the years ended June 30, 2019 and 2018.

11. FUNCTIONAL ALLOCATION OF EXPENSES

The cost of providing the various programs and supporting services has been summarized on the statement of functional expenses. Costs have been allocated among the programs and supporting services based on analysis of personnel time and utilization of related activities. Management and general expense include those expenses that are not directly identifiable with any specific function but provide for the overall support and direction of the Organization.

12. EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through September 10, 2019 the date which the financial statements were available to be issued. Management has determined that there are no subsequent events that require disclosure in the financial statements.