

HARLEM STAGE, INC.

FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Harlem Stage, Inc.

Opinion

We have audited the accompanying financial statements of Harlem Stage, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Harlem Stage, Inc. as of June 30, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Harlem Stage, Inc. 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.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Harlem Stage, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Harlem Stage, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Harlem Stage, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Lotz + Carr, LLP

New York, New York
February 13, 2024

HARLEM STAGE, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Assets		
Cash and cash equivalents (Notes 1c and 10)	\$2,860,143	\$2,791,920
Unconditional promises to give (Notes 1a, 1d and 5)		
Without donor restrictions	145,556	246,873
With donor restrictions	326,000	2,219,738
Accounts receivable	30,525	22,917
Prepaid expenses and other assets	57,862	41,107
Property and equipment, at cost (net of accumulated depreciation) (Notes 1e and 6)	45,172	54,964
Investments - operating (Notes 1f and 7)	999,946	-
Investments - restricted in perpetuity (Notes 1f, 4 and 7)	<u>1,202,417</u>	<u>1,090,526</u>
Total Assets	<u><u>\$5,667,621</u></u>	<u><u>\$6,468,045</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 88,849	\$ 77,493
Salaries and payroll taxes payable	94,290	73,672
Total Liabilities	<u>183,139</u>	<u>151,165</u>
Commitments and Contingencies (Notes 8, 9 and 10)		
Net Assets		
Without donor restrictions	1,036,750	1,032,343
With donor restrictions (Note 3)	4,447,732	5,284,537
Total Net Assets	<u>5,484,482</u>	<u>6,316,880</u>
Total Liabilities and Net Assets	<u><u>\$5,667,621</u></u>	<u><u>\$6,468,045</u></u>

See notes to financial statements.

HARLEM STAGE, INC.

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
Operating Activities						
Revenues, Gains and Other Support						
Contributions						
Government	\$ 49,000	\$ 274,440	\$ 323,440	\$ 157,998	\$ 345,477	\$ 503,475
Foundations	35,196	1,687,602	1,722,798	70,631	4,253,878	4,324,509
Corporations	150	58,000	58,150	5,500	32,500	38,000
Individuals	117,909	20,300	138,209	105,532	-	105,532
Gross benefit income	377,166	-	377,166	416,750	-	416,750
Less: Direct benefit expense	(30,672)	-	(30,672)	(27,845)	-	(27,845)
Donated services (Note 11)	24,992	-	24,992	-	-	-
Box office income	58,982	-	58,982	60,851	-	60,851
Space leasing	82,118	-	82,118	26,322	-	26,322
Program fees	12,262	-	12,262	68,625	-	68,625
Interest income - operating (Note 7)	24,799	-	24,799	22,922	-	22,922
Other income	-	-	-	1,717	-	1,717
	<u>751,902</u>	<u>2,040,342</u>	<u>2,792,244</u>	<u>909,003</u>	<u>4,631,855</u>	<u>5,540,858</u>
Net assets released from restrictions						
Satisfaction of time and program restrictions	2,989,038	(2,989,038)	-	2,813,904	(2,813,904)	-
Write off of an uncollectible receivable	(2,577)	-	(2,577)	(6,500)	-	(6,500)
	<u>3,738,363</u>	<u>(948,696)</u>	<u>2,789,667</u>	<u>3,716,407</u>	<u>1,817,951</u>	<u>5,534,358</u>
Expenses						
Program Services						
Harlem Stage	2,391,426	-	2,391,426	1,882,983	-	1,882,983
Supporting Services						
Management and general	434,679	-	434,679	459,992	-	459,992
Fundraising and benefit event	866,569	-	866,569	740,947	-	740,947
Total Supporting Services	<u>1,301,248</u>	<u>-</u>	<u>1,301,248</u>	<u>1,200,939</u>	<u>-</u>	<u>1,200,939</u>
Total Expenses Before Depreciation and Amortization	3,692,674	-	3,692,674	3,083,922	-	3,083,922
Depreciation and amortization	41,282	-	41,282	36,675	-	36,675
Total Expenses	<u>3,733,956</u>	<u>-</u>	<u>3,733,956</u>	<u>3,120,597</u>	<u>-</u>	<u>3,120,597</u>
Increase (Decrease) in Net Assets from Operations	4,407	(948,696)	(944,289)	595,810	1,817,951	2,413,761
Non-Operating Activity						
Investment income (loss), net of investment fees (Note 7)	-	111,891	111,891	-	(232,605)	(232,605)
Transfer of funds to endowment (Note 4)	-	-	-	(10,144)	10,144	-
Increase (decrease) in net assets	4,407	(836,805)	(832,398)	585,666	1,595,490	2,181,156
Net assets, beginning of year	<u>1,032,343</u>	<u>5,284,537</u>	<u>6,316,880</u>	<u>446,677</u>	<u>3,689,047</u>	<u>4,135,724</u>
Net Assets , End of Year	<u>\$ 1,036,750</u>	<u>\$ 4,447,732</u>	<u>\$5,484,482</u>	<u>\$ 1,032,343</u>	<u>\$ 5,284,537</u>	<u>\$6,316,880</u>

See notes to financial statements.

HARLEM STAGE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2023 WITH COMPARATIVE TOTALS FOR 2022

	2023				2022
	Program Services	Supporting Services			Total Expenses
	Harlem Stage	Management and General	Fundraising	Total	Total Expenses
Salaries	\$ 740,035	\$ 145,417	\$ 398,082	\$ 543,499	\$1,283,534
Production salaries	133,268	20,501	10,157	30,658	163,926
Payroll taxes and employee benefits	207,407	39,448	93,652	133,100	340,507
Artist fees and commissions	374,740	-	-	-	374,740
Consultants and other professional fees	184,251	159,524	154,281	313,805	498,056
Other production expenses	48,979	-	-	-	48,979
Advertising and promotion	235,038	-	-	-	235,038
Printing and design	55,933	-	-	-	55,933
Postage and messenger	8,355	1,618	4,484	6,102	14,457
Building maintenance	90,794	38,912	-	38,912	129,706
Equipment rental and maintenance	65,745	2,232	5,712	7,944	73,689
Travel and hospitality	74,095	1,261	6,020	7,281	81,376
Memberships and publications	73,799	-	24,500	24,500	98,299
Telephone	12,053	2,335	6,469	8,804	20,857
Utilities	33,154	6,422	17,793	24,215	57,369
Computer and website	1,618	313	869	1,182	2,800
Supplies	6,894	115	318	433	7,327
Insurance	17,769	3,442	9,536	12,978	30,747
Indirect benefit expense	-	-	115,430	115,430	115,430
Staff development	3,096	-	-	-	3,096
Bank and credit card fees	17,404	3,371	9,340	12,711	30,115
Miscellaneous	6,999	9,768	9,926	19,694	26,693
Total expenses before depreciation and amortization	2,391,426	434,679	866,569	1,301,248	3,692,674
Depreciation and amortization	23,857	4,622	12,803	17,425	41,282
Total Expenses, 2023	<u>\$ 2,415,283</u>	<u>\$ 439,301</u>	<u>\$ 879,372</u>	<u>\$1,318,673</u>	<u>\$3,733,956</u>
Total Expenses, 2022	<u>\$ 1,903,782</u>	<u>\$ 465,474</u>	<u>\$ 751,341</u>	<u>\$1,216,815</u>	<u>\$3,120,597</u>

See notes to financial statements.

HARLEM STAGE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

	Program Services	Supporting Services			Total Expenses
	Harlem Stage	Management and General	Fundraising	Total	
Salaries	\$ 554,593	\$ 171,600	\$ 333,557	\$ 505,157	\$1,059,750
Production salaries	113,329	4,425	214	4,639	117,968
Payroll taxes and employee benefits	148,336	39,093	74,126	113,219	261,555
Artist fees and commissions	387,885	-	-	-	387,885
Consultants and other professional fees	143,202	197,552	143,649	341,201	484,403
Other production expenses	27,309	7,197	13,647	20,844	48,153
Advertising and promotion	200,114	969	2,040	3,009	203,123
Postage and messenger	6,914	1,822	3,455	5,277	12,191
Building maintenance	29,224	7,702	14,604	22,306	51,530
Equipment rental and maintenance	75,718	2,242	4,251	6,493	82,211
Travel and hospitality	40,485	230	1,940	2,170	42,655
Memberships and publications	64,810	6,099	11,564	17,663	82,473
Telephone	11,814	3,114	5,904	9,018	20,832
Utilities	24,428	6,438	12,207	18,645	43,073
Computer and website	2,458	648	1,228	1,876	4,334
Supplies	5,224	488	597	1,085	6,309
Insurance	21,574	5,686	10,781	16,467	38,041
Indirect benefit expense	-	-	99,178	99,178	99,178
Staff development	519	-	-	-	519
Bank and credit card fees	12,751	3,360	6,372	9,732	22,483
Miscellaneous	12,296	1,327	1,633	2,960	15,256
Total expenses before depreciation and amortization	1,882,983	459,992	740,947	1,200,939	3,083,922
Depreciation and amortization	20,799	5,482	10,394	15,876	36,675
Total Expenses	<u>\$ 1,903,782</u>	<u>\$ 465,474</u>	<u>\$ 751,341</u>	<u>\$1,216,815</u>	<u>\$3,120,597</u>

See notes to financial statements.

HARLEM STAGE, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ (832,398)	\$2,181,156
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Bad debt expense	2,577	6,500
Depreciation and amortization	41,282	36,675
Realized gain (loss) on sale of investments	43,520	(17,003)
Unrealized gain (loss) on investments	(144,475)	262,691
(Increase) decrease in:		
Unconditional promises to give	1,992,478	(1,187,340)
Accounts receivable	(7,608)	7,631
Prepaid expenses and other assets	(16,755)	(1,546)
Increase (decrease) in:		
Accounts payable - operating	11,356	62,220
Salaries and payroll taxes payable	20,618	2,685
Grant payable	-	(14,717)
Deferred revenue	-	(4,544)
Net Cash Provided By Operating Activities	<u>1,110,595</u>	<u>1,334,408</u>
Cash Flows From Investing Activities		
Purchase of property and equipment	(31,490)	(6,963)
Purchase of investments	(1,538,254)	(330,921)
Proceeds from sale of investments	<u>527,372</u>	<u>307,694</u>
Net Cash Used By Investing Activities	<u>(1,042,372)</u>	<u>(30,190)</u>
Net increase in cash and cash equivalents	68,223	1,304,218
Cash and cash equivalents, beginning of year	<u>2,791,920</u>	<u>1,487,702</u>
Cash and Cash Equivalents, End of Year	<u><u>\$2,860,143</u></u>	<u><u>\$2,791,920</u></u>

See notes to financial statements.

HARLEM STAGE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Note 1 - Organization and Summary of Significant Accounting Policies

a - Organization

Harlem Stage, Inc. (the "Organization") is a not-for-profit organization incorporated in the State of Delaware during 1983.

Harlem Stage, Inc.'s primary purpose is to manage the Harlem Stage Gatehouse's operations at 150 Convent Avenue, which include multidisciplinary Commissioning, Presenting, and Education programs, the latter serving over 2,300 New York City children annually at Harlem Stage and partner schools in Harlem, Washington Heights, and the Bronx.

As of June 30, 2023, approximately 61% of unconditional promises to give was due from four donors. As of June 30, 2022, approximately 68% of unconditional promises to give was due from three donors. During the years ended June 30, 2023 and 2022, approximately 29% and 39% of total support was received from one donor.

b - Financial Statement Presentation

The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States, which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and Board of Directors.

Net Assets With Donor Restrictions

Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

c - Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments, with an initial maturity of three months or less, to be cash equivalents, except for those held in the Organization's investment portfolio. These cash equivalents are considered investments since they are managed by investment managers as part of their long-term investment strategies.

HARLEM STAGE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

d - Contributions and Unconditional Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization, that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions. When a restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions that the donor requires to be used to acquire long-lived assets are reclassified to net assets without donor restrictions at the time long-lived assets are placed in service. Conditional promises to give, that is, those with a measurable performance-related or other barrier and right of return of assets transferred or release of a promisor's obligation to transfer assets in the future, are not recognized until the conditions on which they depend have been met.

The Organization uses the allowance method, when necessary, to determine uncollectible promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made.

e - Property and Equipment

Property and equipment are being depreciated using the straight-line method over the estimated useful life of the asset.

f - Investments and Fair Value Measurements

The Organization reflects investments at fair value in the statement of financial position. Unrealized gains and losses on investments are reflected in the statement of activities. Interest, dividends, gains and losses on investments are reflected in the statement of activities as increases and decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Investment income restricted by the donor is reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the income is recognized.

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 investment securities will occur in the near term and those changes could materially affect the amounts reported in the balance sheet.

HARLEM STAGE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

f - Investments and Fair Value Measurements (continued)

Fair value is an estimate of the exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (i.e., the exit price at the measurement date). Fair value standards provide for use of a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value into three levels. An asset or liability's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Availability of observable inputs can vary and is affected by a variety of factors. Fair value measurements are not adjusted for transaction costs.

Unadjusted quoted prices in active markets for identical assets or liabilities are referred to as Level 1 inputs. Inputs other than quoted market prices that are observable, either directly or indirectly, and reasonably available are referred to as Level 2 inputs. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability and are developed based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the assumptions developed by the Organization based on available information about what market participants would use in valuing the asset or liability and are referred to as Level 3.

An asset or liability's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Availability of observable inputs can vary and is affected by a variety of factors. Level 3 assets and liabilities involve greater judgment than Level 1 or Level 2 assets or liabilities.

The Organization's investments are classified within Level 1 of the fair value hierarchy.

g - Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an Organization which is not a private foundation.

h - Estimates

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

HARLEM STAGE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

- i - Advertising and Promotion Costs
 Advertising and promotion costs are charged to operations when the advertising first takes place. Advertising and promotion expense for 2023 and 2022 was \$266,376 and \$203,981, respectively.
- j - Subsequent Events
 The Organization has evaluated subsequent events through February 13, 2024, the date that the financial statements are considered available to be issued.
- k - Functional Allocation of Expenses
 The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Expenses are applied directly to programs, where applicable, or allocated on a reasonable and consistent basis. A substantial portion of the Organization's expenses are directly related to program activities. Certain salaries and fringe benefits are allocated based on an estimate of employee time and effort.
- l - Revenue Recognition
 The Organization has multiple revenue streams that are accounted for as exchange transactions, including box office revenue, space leasing and program fees.

 When applicable, box office revenue includes ticket sales, which are generally collected prior to the date of the performance, which is recognized as income during the period of the performance. Box office revenue related to performances taking place in future periods is recorded as deferred income.

 Space leasing is recognized over the period that the rental takes place. Program fees are recognized in the period that the related services are provided.

Note 2 - Information Regarding Liquidity and Availability

The Organization operates with a balanced budget for each fiscal year based on the revenues expected to be available to fund anticipated expenses. A substantial portion of annual revenue is comprised of contribution revenue raised during the current year, and revenue from other sources earned during the year. The Organization considers general expenditures to consist of all expenses related to its ongoing program activities, and the expenses related to general and administrative and fundraising activities undertaken to support those services.

HARLEM STAGE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Note 2 - Information Regarding Liquidity and Availability (continued)

The Organization regularly monitors liquidity to meet its operating needs and other commitments and obligations, while seeking to maximize the investment of its available funds. Management prepares regular cash flow projections to determine liquidity needs and has a policy to maintain liquid financial assets on an ongoing basis sufficient to cover at a minimum, ninety days of general expenditures. Financial assets in excess of daily cash requirements are invested in money market funds and other short-term investments.

The Organization's financial net assets as of June 30, 2023 and 2022 available to meet cash needs for general expenditures within one year are summarized as follows:

	<u>2023</u>	<u>2022</u>
Financial Assets at Year End:		
Cash and cash equivalents	\$2,860,143	\$2,791,920
Unconditional promises to give	471,556	2,466,611
Accounts receivable	30,525	22,917
Investments	<u>2,202,363</u>	<u>1,090,526</u>
Total Financial Assets	5,564,587	6,371,974
Less: Amounts not Available to be Used within One Year:		
Net assets with donor restrictions, subject to expenditure for specific purposes or passage of time	(3,245,315)	(4,194,011)
Plus: Net assets with restrictions to be met in less than one year	1,651,473	2,582,673
Investments with donor restrictions for endowment	<u>(1,202,417)</u>	<u>(1,090,526)</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$2,768,328</u>	<u>\$3,670,110</u>

HARLEM STAGE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Note 3 - Net Assets With Donor Restrictions

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

	<u>2023</u>	<u>2022</u>
Subject to expenditure for future programs and periods	\$3,245,315	\$4,194,011
Endowments subject to spending policy and appropriation:		
Donor restricted endowment funds deficiency	(297,583)	(409,474)
Investment in perpetuity:		
General operations	<u>1,500,000</u>	<u>1,500,000</u>
Total Endowments	<u>1,202,417</u>	<u>1,090,526</u>
Total Net Assets With Donor Restrictions	<u>\$4,447,732</u>	<u>\$5,284,537</u>

The endowment contributions totaling \$1,500,000 are held in the name of Leonard and Sophie Davis for the benefit of the Organization. The terms of the endowment were officially amended and restated as follows: The Leonard and Sophie Davis Endowment is intended to be a permanent fund, from which 5% of the new value of the assets (including accrued and accumulated income) on the last day of any year (and no more than said percentage) must be used for general support of the activities of the Organization. The following limitations of the original endowment terms are released: the Organization will no longer be required to use the distribution from The Leonard and Sophie Davis endowment "for the general use of Aaron Davis Hall," nor will The Leonard and Sophie Davis Endowment be contingent on Aaron Davis Hall retaining its name, remaining the property of City College, or that City College continues to use the facility for at least 20% of the facility's use. At all times after the date of this Agreement, the Organization will classify the income earned on The Leonard and Sophie Davis Endowment in excess of 5% annually (and all income until The Leonard and Sophie Davis Endowment begins distributions) as restricted funds and properly accounted for and held as The Leonard and Sophie Davis Endowment investment fund.

The City College Fund also received an endowment gift of \$500,000 for the benefit of Aaron Davis Hall, with similar terms and conditions, with no more than 5% of the net value of the asset to be used annually for the general use of Harlem Stage, Inc. The Organization received approximately \$24,000 and \$22,000 in years ended June 30, 2023 and 2022, respectively.

HARLEM STAGE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Note 4 - Endowment Funds

The Organization's endowment funds consist of the donor-restricted endowment described in Note 4. Consistent with New York State Not-for-Profit Corporation Law and the New York Prudent Management of Institutional Funds Act ("NYPMIFA"), the Organization classifies as net assets with donor restrictions, perpetual in nature (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 to the permanent endowment made in accordance with the direction of any applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions, perpetual in nature is classified as net assets with donor restrictions, subject to spending policy and appropriation until those amounts are appropriated for expenditure by the Organization.

In accordance with NYPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (i) the duration and preservation of the endowment fund;
- (ii) the purposes of the Organization and the endowment fund;
- (iii) general economic conditions;
- (iv) the possible effect of inflation or deflation;
- (v) the expected total return from income and the appreciation of investments;
- (vi) other resources of the Organization;
- (vii) where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the Organization; and
- (viii) the investment policy of the Organization

The Organization's endowment consists of endowment funds with donor restrictions summarized as follows:

	<u>2023</u>	<u>2022</u>
With Donor Restrictions:		
Endowment funds deficiency	\$ (297,583)	\$ (409,474)
Investment in perpetuity	<u>1,500,000</u>	<u>1,500,000</u>
Total	<u>\$1,202,417</u>	<u>\$1,090,526</u>

HARLEM STAGE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Note 4 - Endowment Funds (continued)

Changes in the endowment net assets for the years ended June 30, 2023 and 2022 are summarized as follows:

	2023		
	With Donor Restrictions		
	Endowment Funds Deficiency	Investment in Perpetuity	Total
Endowment funds, beginning of year	\$(409,474)	\$1,500,000	\$1,090,526
Transfer from operations	-	-	-
Investment return	<u>111,891</u>	<u>-</u>	<u>111,891</u>
Endowment Funds, End of Year	<u>\$(297,583)</u>	<u>\$1,500,000</u>	<u>\$1,202,417</u>

	2022		
	With Donor Restrictions		
	Endowment Funds Deficiency	Investment in Perpetuity	Total
Endowment funds, beginning of year	\$(187,013)	\$1,500,000	\$1,312,987
Transfer from operations	10,144	-	10,144
Investment loss	<u>(232,605)</u>	<u>-</u>	<u>(232,605)</u>
Endowment Funds, End of Year	<u>\$(409,474)</u>	<u>\$1,500,000</u>	<u>\$1,090,526</u>

Funds with Deficiencies

The fair value of assets associated with individual donor restricted endowment funds may fall below the level required to be retained as a fund of perpetual duration. Deficiencies of this nature that are reported in net assets with donor restrictions were \$(297,583) and \$(409,474) as of June 30, 2023 and 2022, respectively. The Organization has made transfers to operations in excess of the original terms of the endowment. The Organization has advised the donor of its use of restricted funds and advised of its intent to replenish funds to the endowment from other funds available to it, but is not required to do so. The donor has stated replenishment may be achieved by investment growth or replenishment by the Organization at its discretion.

HARLEM STAGE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Note 4 - Endowment Funds (continued)

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that over time will generate a total return in excess of inflation as measured by the Consumer Price Index.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-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 includes both equities and fixed income investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has a policy of appropriating investment income to be used each year for the stated purpose of the endowment. If there are capital losses, interest and dividends will continue to be used, however, capital appreciation will generally not be used until the principal amount is restored to historical dollar value.

Note 5 - Unconditional Promises to Give

Unconditional promises to give are due as follows:

	<u>2023</u>	<u>2022</u>
Due in less than one year	\$471,556	\$2,283,713
Due in one to five years	<u>-</u>	<u>205,000</u>
	471,556	2,488,713
Less: Discount to present value	<u>-</u>	<u>(22,102)</u>
	<u>\$471,556</u>	<u>\$2,466,611</u>

Unconditional promises to give due after one year are reflected at present value of estimated cash flows using a discount rate of 3%. Uncollectible promises to give are expected to be insignificant.

HARLEM STAGE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Note 6 - Property and Equipment

Property and equipment consist of the following:

	<u>Life</u>	<u>2023</u>	<u>2022</u>
Gatehouse	10 years	\$ 971,692	\$ 971,692
Furniture and equipment	3-7 years	157,270	125,780
Website	5 years	<u>25,000</u>	<u>25,000</u>
		1,153,962	1,122,472
Less: Accumulated depreciation and amortization		<u>(1,108,790)</u>	<u>(1,067,508)</u>
		<u>\$ 45,172</u>	<u>\$ 54,964</u>

The City of New York's investment of capital expenditures obligates the Organization to operate its facility as a non-profit entity, open to and used and maintained for the benefit of the people of the City for cultural, education and artistic uses. In May 2022, planning began for an HVAC system upgrade valued at \$9,331,000 by the City of New York on its donated premises, with construction to begin in 2025.

Note 7 - Investments

Investments, which are all classified as Level 1 in the fair value hierarchy, are reflected at fair value and consist of the following:

	<u>2023</u>		<u>2022</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 25,268	\$ 25,268	\$ 44,604	\$ 44,604
U.S. Treasury bills	999,622	999,144	-	-
Equities	795,075	817,985	826,745	685,843
Fixed income - domestic	419,105	343,981	387,838	331,093
Alternative assets	<u>24,273</u>	<u>15,985</u>	<u>36,740</u>	<u>28,986</u>
	<u>\$2,263,343</u>	<u>\$2,202,363</u>	<u>\$1,295,927</u>	<u>\$1,090,526</u>

HARLEM STAGE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Note 7 - Investments (continued)

Investment income (loss) is comprised of the following:

	<u>2023</u>	<u>2022</u>
Interest and dividend income	\$ 23,931	\$ 29,570
Realized gain (loss) on investments	(43,520)	17,003
Unrealized gain (loss) on investments	144,475	(262,691)
Less: Investment fee	<u>(12,995)</u>	<u>(16,487)</u>
Investment Income (Loss)	111,891	(232,605)
Operating interest income	<u>24,799</u>	<u>22,922</u>
	<u>\$136,690</u>	<u>\$(209,683)</u>

Note 8 - Commitments and Contingencies

- a - The Organization has renovated The Gatehouse, a city owned landmarked building located directly across the street from Aaron Davis Hall on the corner of West 135th Street and Convent Avenue. The renovation started in June 2004 and was completed in January 2007. The total renovation cost exceeded \$21,000,000. The financing for the project included city, state, federal and private funding. The City of New York contributed \$18,000,000 through the office of the Mayor, the City Council and the Borough President. City funds allocated to this project were administered by the City's Office of Management and Budget in cooperation with the NYC Departments of Design and Construction and Cultural Affairs. The Upper Manhattan Empowerment Zone (UMEZ) committed a grant of \$750,000 for the project.

The second and final phase of the renovation project addressed exterior lighting and signage. The City of New York contributed \$790,000 through the office of the Mayor, the City Council and the Borough President. City funds allocated to this project were administered by the City's Office of Management and Budget in cooperation with the NYC Departments of Design and Construction and Cultural Affairs.

The Organization has a signed a twenty-year lease with the City of New York to occupy and operate The Gatehouse. The yearly charge is one dollar, and the lease may be extended an additional twenty years.

- b - Government supported projects are subject to audit by the granting agency.

HARLEM STAGE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

Note 9 - Employee Benefit Plans

The Organization maintains a 403(b) plan for all eligible employees. Participating employees may contribute up to the statutory maximum.

The Organization participates in a multiemployer defined benefit pension plan under the terms of a collective-bargaining agreement. The risks of participating in a multiemployer plan are different from single-employer plans in the following aspects:

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

If the Organization chooses to stop participating in a multiemployer plan, the Organization may be required to pay an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Organization's participation in this plan is summarized below. The "EIN/Pension Plan Number" column provides the Employee Identification Number (EIN) and the three-digit plan number, if applicable. The most recent Pension Protection Act (PPA) zone status available in 2023 is for the plan's year end at December 31, 2022. The zone status is based on information that the Organization received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. The last column lists the expiration date of the collective-bargaining agreement to which the plan is subject, as applicable.

<u>Pension Fund</u>	<u>EIN/Pension Plan Number</u>	<u>Pension Protection Act Zone Status</u>		<u>FIP/RP Status Pending Implementation</u>	<u>Contributions of the Organization</u>		<u>Surcharge Imposed</u>	<u>Expiration Date of Collective Bargaining Agreement</u>
		<u>2023</u>	<u>2022</u>		<u>2023</u>	<u>2022</u>		
I.A.T.S.E. National Pension Fund	13-6414973/001	Green	Green	N/A	<u>\$47,081</u>	<u>\$22,759</u>	No	June 30, 2028

HARLEM STAGE, INC.
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Note 10 - Concentration

The Organization maintains its cash balances in a financial institution located in New York.

Note 11 - Donated Services

For the year ended June 30, 2023, the Organization received consulting fees of \$24,992 in connection with its administrative supporting services. The value of the donated consulting fees was provided by the service provider, who estimates fair value based on current market rates charged to others for similar services.