

HARLEM STAGE, INC.

FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020



LUTZ AND GARR
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Harlem Stage, Inc.

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, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Harlem Stage, Inc. as of June 30, 2021 and 2020, 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.

Emphasis of Matter

As discussed in Note 12 to the financial statements, in March 2020, the United States declared the global pandemic novel coronavirus COVID-19 outbreak a national emergency. As a result, Harlem Stage, Inc. has suspended some of its program activities at the direction of state and local governmental authorities. Our opinion is not modified with respect to this matter.

Lotz + Carr, LLP

New York, New York
November 10, 2021

HARLEM STAGE, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Assets		
Cash and cash equivalents (Notes 1c and 13)	\$1,487,702	\$ 711,952
Unconditional promises to give (Notes 1a, 1d and 6)		
Without donor restrictions	246,894	83,327
With donor restrictions	1,038,877	552,762
Accounts receivable	30,548	23,280
Prepaid expenses and other assets	39,561	9,137
Property and equipment, at cost (net of accumulated depreciation) (Notes 1e and 7)	84,676	83,036
Investments - restricted in perpetuity (Notes 1f, 5 and 8)	<u>1,312,987</u>	<u>881,915</u>
Total Assets	<u><u>\$4,241,245</u></u>	<u><u>\$2,345,409</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts payable - operating	\$ 15,273	\$ 62,399
Salaries and payroll taxes payable	70,987	60,685
Grant payable	14,717	-
Deferred revenue (Note 1I)	4,544	-
Loans payable (Note 9)	-	256,037
Total Liabilities	<u>105,521</u>	<u>379,121</u>
Commitments and Contingencies (Notes 5, 10, 11 and 12)		
Net Assets		
Without Donor Restrictions		
Board designated (Note 3)	-	275,000
Other (deficit)	446,677	(522,902)
Total Without Donor Restrictions	<u>446,677</u>	<u>(247,902)</u>
With Donor Restrictions (Note 4)	<u>3,689,047</u>	<u>2,214,190</u>
Total Net Assets	<u>4,135,724</u>	<u>1,966,288</u>
Total Liabilities and Net Assets	<u><u>\$4,241,245</u></u>	<u><u>\$2,345,409</u></u>

See notes to financial statements.

HARLEM STAGE, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Activities						
Revenues, Gains and Other Support						
Contributions						
Government	\$ 241,500	\$ 162,533	\$ 404,033	\$ 352,648	\$ 56,250	\$ 408,898
Foundations (Note 1a)	354,000	2,065,255	2,419,255	227,010	1,244,575	1,471,585
Corporations	20,000	38,000	58,000	7,301	215,000	222,301
Individuals	85,914	-	85,914	66,435	-	66,435
Gross benefit income	364,762	-	364,762	227,548	-	227,548
Less: Direct benefit expense	(5,775)	-	(5,775)	-	-	-
Forgiveness of debt - Paycheck Protection Program (Note 9)	251,037	-	251,037	-	-	-
Box office income	-	-	-	31,152	-	31,152
Space leasing	-	-	-	52,950	-	52,950
Program fees	-	-	-	37,050	-	37,050
Interest income - operating (Note 8)	28,201	-	28,201	22,517	-	22,517
Other income	8,082	-	8,082	3,646	-	3,646
	<u>1,347,721</u>	<u>2,265,788</u>	<u>3,613,509</u>	<u>1,028,257</u>	<u>1,515,825</u>	<u>2,544,082</u>
Net assets released from restrictions						
Satisfaction of time and program restrictions	1,222,003	(1,222,003)	-	1,008,110	(1,008,110)	-
Write off of an uncollectible receivable	-	-	-	-	(26,019)	(26,019)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues, Gains and Other Support	<u>2,569,724</u>	<u>1,043,785</u>	<u>3,613,509</u>	<u>2,036,367</u>	<u>481,696</u>	<u>2,518,063</u>
Expenses						
Program Services						
Harlem Stage	916,673	-	916,673	1,141,584	-	1,141,584
Supporting Services						
Management and general	418,631	-	418,631	395,879	-	395,879
Fundraising and benefit event	360,442	-	360,442	416,527	-	416,527
Total Supporting Services	<u>779,073</u>	<u>-</u>	<u>779,073</u>	<u>812,406</u>	<u>-</u>	<u>812,406</u>
Total Expenses	<u>1,695,746</u>	<u>-</u>	<u>1,695,746</u>	<u>1,953,990</u>	<u>-</u>	<u>1,953,990</u>
Depreciation and amortization	<u>37,399</u>	<u>-</u>	<u>37,399</u>	<u>30,387</u>	<u>-</u>	<u>30,387</u>
Increase in Net Assets from Operations	836,579	1,043,785	1,880,364	51,990	481,696	533,686
Non-Operating Activity						
Investment income, net of investment fees (Note 8)	-	289,072	289,072	-	18,773	18,773
Transfer of funds to endowment (Note 5)	(142,000)	142,000	-	-	-	-
Appropriation of endowment earnings (Note 5)	-	-	-	91,959	(91,959)	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase in net assets	694,579	1,474,857	2,169,436	143,949	408,510	552,459
Net assets (deficit), beginning of year	<u>(247,902)</u>	<u>2,214,190</u>	<u>1,966,288</u>	<u>(391,851)</u>	<u>1,805,680</u>	<u>1,413,829</u>
Net Assets (Deficit), End of Year	<u>\$ 446,677</u>	<u>\$ 3,689,047</u>	<u>\$4,135,724</u>	<u>\$ (247,902)</u>	<u>\$ 2,214,190</u>	<u>\$1,966,288</u>

See notes to financial statements.

HARLEM STAGE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021 WITH COMPARATIVE TOTALS FOR 2020

	2021				2020	
	Program Services	Supporting Services			Total Expenses	Total Expenses
	Harlem Stage	Management and General	Fundraising	Total		
Salaries	\$ 435,918	\$ 128,320	\$ 157,501	\$285,821	\$ 721,739	\$ 898,786
Production salaries	5,107	-	3,255	3,255	8,362	37,275
Payroll taxes and employee benefits	111,950	32,572	40,806	73,378	185,328	235,423
Artist fees and commissions	112,902	-	5,000	5,000	117,902	168,394
Consultants and other professional fees	94,077	225,601	80,618	306,219	400,296	279,406
Other production expenses	5,376	1,564	1,959	3,523	8,899	19,564
Advertising and promotion	43,677	-	4,921	4,921	48,598	41,224
Printing and design	-	-	-	-	-	10,085
Interest	739	215	269	484	1,223	2,028
Postage and messenger	529	154	193	347	876	4,443
Building maintenance	22,930	6,672	8,358	15,030	37,960	83,271
Equipment rental and maintenance	9,912	3,521	3,613	7,134	17,046	18,420
Travel and hospitality	422	725	-	725	1,147	7,959
Memberships and publications	21,572	3,735	4,735	8,470	30,042	4,206
Telephone	7,921	2,305	2,887	5,192	13,113	9,788
Utilities	18,040	5,249	6,576	11,825	29,865	54,906
Computer and website	4,613	1,342	1,681	3,023	7,636	12,337
Supplies	374	109	136	245	619	1,796
Insurance	13,346	3,883	4,865	8,748	22,094	20,568
Indirect benefit expense	-	-	30,421	30,421	30,421	3,564
Bad debt expense	-	-	-	-	-	860
Staff development	-	-	-	-	-	30
Bank and credit card fees	7,268	2,114	2,648	4,762	12,030	30,669
Miscellaneous	-	550	-	550	550	8,988
Total expenses before depreciation and amortization	916,673	418,631	360,442	779,073	1,695,746	1,953,990
Depreciation and amortization	22,591	6,573	8,235	14,808	37,399	30,387
Total Expenses, 2021	<u>\$ 939,264</u>	<u>\$ 425,204</u>	<u>\$ 368,677</u>	<u>\$793,881</u>	<u>\$1,733,145</u>	
Total Expenses, 2020	<u>\$ 1,160,967</u>	<u>\$ 399,661</u>	<u>\$ 423,749</u>	<u>\$823,410</u>		<u>\$1,984,377</u>

See notes to financial statements.

HARLEM STAGE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020

	Program Services	Supporting Services			Total Expenses
	Harlem Stage	Management and General	Fundraising	Total	
Salaries	\$ 559,798	\$ 116,527	\$ 222,461	\$338,988	\$ 898,786
Production salaries	37,275	-	-	-	37,275
Payroll taxes and employee benefits	157,448	26,804	51,171	77,975	235,423
Artist fees and commissions	168,394	-	-	-	168,394
Consultants and other professional fees	50,898	133,413	95,095	228,508	279,406
Other production expenses	14,764	1,650	3,150	4,800	19,564
Advertising and promotion	40,374	-	850	850	41,224
Printing and design	10,085	-	-	-	10,085
Interest	1,294	252	482	734	2,028
Postage and messenger	2,834	553	1,056	1,609	4,443
Building maintenance	-	83,271	-	83,271	83,271
Equipment rental and maintenance	12,035	2,457	3,928	6,385	18,420
Travel and hospitality	1,330	4,045	2,584	6,629	7,959
Memberships and publications	2,431	438	1,337	1,775	4,206
Telephone	6,243	1,219	2,326	3,545	9,788
Utilities	35,022	6,835	13,049	19,884	54,906
Computer and website	7,869	1,536	2,932	4,468	12,337
Supplies	809	622	365	987	1,796
Insurance	13,119	2,561	4,888	7,449	20,568
Indirect benefit expense	-	-	3,564	3,564	3,564
Bad debt expense	-	860	-	860	860
Staff development	-	30	-	30	30
Bank and credit card fees	19,562	3,818	7,289	11,107	30,669
Miscellaneous	-	8,988	-	8,988	8,988
Total expenses before depreciation and amortization	1,141,584	395,879	416,527	812,406	1,953,990
Depreciation and amortization	19,383	3,782	7,222	11,004	30,387
Total Expenses	<u>\$ 1,160,967</u>	<u>\$ 399,661</u>	<u>\$ 423,749</u>	<u>\$823,410</u>	<u>\$1,984,377</u>

See notes to financial statements.

HARLEM STAGE, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities		
Increase in net assets	\$2,169,436	\$552,459
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Bad debt expense	-	860
Depreciation and amortization	37,399	30,387
Realized gain on sale of investments	(386,839)	(31,402)
Unrealized loss on investments	105,904	38,538
Forgiveness of debt - Paycheck Protection Program	(251,037)	-
(Increase) decrease in:		
Unconditional promises to give	(649,682)	(206,234)
Accounts receivable	(7,268)	4,289
Prepaid expenses and other assets	(30,424)	29,983
Increase (decrease) in:		
Accounts payable - operating	(47,126)	(73,238)
Salaries and payroll taxes payable	10,302	15,364
Grant payable	14,717	-
Deferred revenue	4,544	-
Net Cash Provided By Operating Activities	<u>969,926</u>	<u>361,006</u>
Cash Flows From Investing Activities		
Purchase of property and equipment	(39,039)	(21,021)
Purchase of investments	(1,411,512)	(252,610)
Proceeds from sale of investments	1,261,375	318,660
Net Cash Provided (Used) By Investing Activities	<u>(189,176)</u>	<u>45,029</u>
Cash Flows From Financing Activities		
Proceeds from loans payable	-	385,770
Payment of loans payable	(5,000)	(179,733)
Net Cash Provided (Used) By Financing Activities	<u>(5,000)</u>	<u>206,037</u>
Net increase in cash and cash equivalents	775,750	612,072
Cash and cash equivalents, beginning of year	<u>711,952</u>	<u>99,880</u>
Cash and Cash Equivalents, End of Year	<u><u>\$1,487,702</u></u>	<u><u>\$711,952</u></u>
Supplemental Disclosure		
Cash paid for interest	<u>\$ 1,223</u>	<u>\$ 2,028</u>

See notes to financial statements.

HARLEM STAGE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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, 2021, approximately 64% of unconditional promises to give was due from two donors. As of June 30, 2020, approximately 63% of unconditional promises to give was due from three donors. During the years ended June 30, 2021 and 2020, approximately 42% and 27% of total support was received from two donors, respectively.

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, 2021 AND 2020

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, 2021 AND 2020****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, 2021 AND 2020

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 2021 and 2020 was \$48,598 and \$41,224, respectively.

j - Subsequent Events

The Organization has evaluated subsequent events through November 10, 2021, 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.

m - New Accounting Pronouncement

For 2021, the Organization adopted Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*, which requires entities to recognize revenue through the application of a five-step model, which includes identification of the contract, identification of the performance obligation(s), determination of the transaction price, allocation of the transaction price to the performance obligations, and recognition of revenue as the Organization satisfies the performance obligations. The ASU also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Adoption of ASU 2014-09 had no impact on the Organization's financial statements.

HARLEM STAGE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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.

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, 2021 and 2020 and those available to meet cash needs for general expenditures within one year are summarized as follows:

	<u>2021</u>	<u>2020</u>
Financial Assets at Year End:		
Cash and cash equivalents	\$1,487,702	\$ 711,952
Unconditional promises to give	1,285,771	636,089
Accounts receivable	30,548	23,280
Investments	<u>1,312,987</u>	<u>881,915</u>
Total Financial Assets	4,117,008	2,253,236
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	(2,376,060)	(1,332,275)
Plus: Net assets with restrictions to be met in less than one year	1,499,392	1,018,786
Investments with donor restrictions for endowment	<u>(1,312,987)</u>	<u>(881,915)</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$1,927,353</u>	<u>\$1,057,832</u>

HARLEM STAGE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 3 - Net Assets Without Donor Restrictions

The Board Designated Creative Capital Fund supported the creation of new work at the Organization with a Board-approved annual budget of up to 10% of the fund and that the fund must maintain a minimum balance of \$200,000. \$275,000 was transferred out of net assets with donor restrictions, perpetual in nature, in accordance with authorization from two funders, The Fan Fox and Leslie R. Samuels Foundation (\$25,000) and the Rockefeller Brothers Fund (\$250,000). As of June 30, 2020, all of the funds have been spent and not replenished. As of January 14, 2021, a resolution approved by the Board Finance Committee released restrictions on these funds, acknowledging that the funds were spent down to support programs in subsequent years and do not need to be replenished.

Note 4 - Net Assets With Donor Restrictions

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

	<u>2021</u>	<u>2020</u>
Subject to expenditure for future programs and periods	\$2,376,060	\$1,332,275
Endowments subject to spending policy and appropriation:		
Donor restricted endowment funds deficiency	(187,013)	(618,085)
Investment in perpetuity:		
General operations	<u>1,500,000</u>	<u>1,500,000</u>
Total Endowments	<u>1,312,987</u>	<u>881,915</u>
Total Net Assets With Donor Restrictions	<u>\$3,689,047</u>	<u>\$2,214,190</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.

HARLEM STAGE, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2021 AND 2020****Note 4 - Net Assets With Donor Restrictions (continued)**

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 \$28,000 and \$22,000 in years ended June 30, 2021 and 2020, respectively.

Note 5 - 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

HARLEM STAGE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Note 5 - Endowment Funds (continued)

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

	<u>2021</u>	<u>2020</u>
With Donor Restrictions:		
Endowment funds deficiency	\$ (187,013)	\$ (618,085)
Investment in perpetuity	<u>1,500,000</u>	<u>1,500,000</u>
Total	<u>\$1,312,987</u>	<u>\$ 881,915</u>

Changes in the endowment net assets for the years ended June 30, 2021 and 2020 are summarized as follows:

	<u>2021</u>		
	<u>With Donor Restrictions</u>		
	<u>Endowment Funds Deficiency</u>	<u>Investment in Perpetuity</u>	<u>Total</u>
Endowment funds, beginning of year	\$(618,085)	\$1,500,000	\$ 881,915
Transfer from operations	142,000	-	142,000
Investment return	<u>289,072</u>	<u>-</u>	<u>289,072</u>
Endowment Funds, End of Year	<u>\$(187,013)</u>	<u>\$1,500,000</u>	<u>\$1,312,987</u>

	<u>2020</u>		
	<u>With Donor Restrictions</u>		
	<u>Endowment Funds Deficiency</u>	<u>Investment in Perpetuity</u>	<u>Total</u>
Endowment funds, beginning of year	\$(544,899)	\$1,500,000	\$955,101
Transfer to operations	(91,959)	-	(91,959)
Investment return	<u>18,773</u>	<u>-</u>	<u>18,773</u>
Endowment Funds, End of Year	<u>\$(618,085)</u>	<u>\$1,500,000</u>	<u>\$881,915</u>

HARLEM STAGE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Note 5 - Endowment Funds (continued)

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 \$(187,013) and \$(618,085) as of June 30, 2021 and 2020, 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.

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.

HARLEM STAGE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Note 6 - Unconditional Promises to Give

Unconditional promises to give are due as follows:

	<u>2021</u>	<u>2020</u>
Due in less than one year	\$ 967,911	\$588,314
Due in one to five years	<u>333,330</u>	<u>50,000</u>
	1,301,241	638,314
Less: Discount to present value	<u>(15,470)</u>	<u>(2,225)</u>
	<u>\$1,285,771</u>	<u>\$636,089</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.

Note 7 - Property and Equipment

Property and equipment consist of the following:

	<u>Life</u>	<u>2021</u>	<u>2020</u>
Gatehouse	10 years	\$ 993,286	\$ 993,286
Furniture and equipment	3-7 years	172,723	133,684
Website	5 years	<u>25,000</u>	<u>25,000</u>
		1,191,009	1,151,970
Less: Accumulated depreciation and amortization		<u>(1,106,333)</u>	<u>(1,068,934)</u>
		<u>\$ 84,676</u>	<u>\$ 83,036</u>

Through June 30, 2021, the Organization has received facility improvements and audio equipment valued at approximately \$432,000, which were paid for directly by the City of New York. Accordingly, these are not recorded on the Organization's financial statements. Through this award, 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. The Organization did not receive any facility improvements or equipment during the years ended June 30, 2021 and 2020.

HARLEM STAGE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Note 8 - 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>2021</u>		<u>2020</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 77,799	\$ 77,799	\$ 10,448	\$ 10,448
Equities	797,716	848,154	475,994	629,835
Fixed income - domestic	351,046	354,789	124,563	132,498
Alternative assets	29,136	32,245	44,483	44,973
Fixed income - international	-	-	61,233	64,161
	<u>\$1,255,697</u>	<u>\$1,312,987</u>	<u>\$718,721</u>	<u>\$881,915</u>

Investment income is comprised of the following:

	<u>2021</u>	<u>2020</u>
Interest and dividend income	\$ 19,404	\$36,732
Realized gain on investments	386,839	31,402
Unrealized loss on investments	(105,904)	(38,538)
Less: Investment fee	<u>(11,267)</u>	<u>(10,823)</u>
Investment Income	289,072	18,773
Operating interest income	<u>28,201</u>	<u>22,517</u>
	<u>\$317,273</u>	<u>\$41,290</u>

Note 9 - Loans Payable

In May 2020, the Organization received a \$251,037 loan under the Paycheck Protection Program administered by the U.S. Small Business Administration. The loan bore interest at 1% per annum and had a maturity of two years. It was forgiven in June 2021 since the Organization met certain employee retention requirements and the funds were used for eligible expenses.

HARLEM STAGE, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2021 AND 2020****Note 9 - Loans Payable (continued)**

At June 30, 2020, the Organization had a \$5,000 loan payable from the Executive Director. The loan was interest free and due on demand. The loan was repaid August 2020.

Interest expense for the years ended June 30, 2021 and 2020 was \$1,223 and \$2,028, respectively.

Note 10 - 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, 2021 AND 2020****Note 11 - Retirement Plan**

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

Note 12 - Risks and Uncertainties

In March 2020, the United States declared the COVID-19 pandemic a national emergency. The Organization faced a loss of income lines during COVID-19 for the year ended June 30, 2021 such as: the loss of earned income (ticket sales and program fees) from programs that did not take place, and income from space rental. The Organization presented a pre-recorded digital Gala online. The Organization continued to keep its facility closed in compliance with government restrictions and concern for the safety of its artists, audiences, and staff, and enforced a work-from-home protocol for all of its employees except for essential facility staff members. The Organization's staff continued to: work remotely to maintain its programming content with digital offerings; carry out financial obligations for essential services, e.g. utilities, insurance, internet; conduct its fiscal monitoring and planning; and fundraise, including proposals and reports to maintain and secure funds for fiscal year 2022. The Organization determined the need to reduce expenses for fiscal year 2021, lowering expenses for salaries and programs. Employees still received all benefits such as health insurance and accrued PTO and vacation time. The Organization approached and secured COVID-19 relief and was awarded and/or received funds from public and private funders such as the New York Community Trust and received approximately \$251,000 from the Paycheck Protection Program in May 2020 (Note 9).

Note 13 - Concentration

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