

St. George Theatre Restoration, Inc.

Financial Statements

June 30, 2017 and 2016

(With Independent Auditor's Report Thereon)



*Navigating the Road
to
Financial Security*

St. George Theatre Restoration, Inc.

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DeSantis
Kiefer
Shall &
Sarcone
LLP

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Independent Auditor's Report

Board of Directors
St. George Theatre Restoration, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of St. George Theatre Restoration, Inc., which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, cash flows, and functional expenses 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.

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 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 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 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.

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1675 Richmond Road
Staten Island, NY 10304

Tel: 718-351-2233 / 888-417-6679

www.dkscpa.com

10 East 39th Street – 4th Floor
New York, NY 10016

Fax: 718-979-2435

St. George Theatre Restoration, Inc.

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 St. George Theatre Restoration, Inc. as of June 30, 2017 and 2016, 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.

DeSantis, Kiefer, Shall & Sarcione, LLP

Staten Island, New York

April 30, 2018

St. George Theatre Restoration, Inc.

Statements of Financial Position June 30, 2017 and 2016

| | <u>2017</u> | <u>2016</u> |
|---|--------------|--------------|
| <u>Assets</u> | | |
| Current Assets: | | |
| Cash and Cash Equivalents | \$ 13,970 | \$ 66,887 |
| Accounts Receivable | 50,588 | 137,249 |
| Prepaid Show Expenses | 35,000 | 79,125 |
| Prepaid Expenses - Other | 40,884 | 22,686 |
| | <hr/> | <hr/> |
| Total Current Assets | 140,442 | 305,947 |
| Non-Current Assets: | | |
| Fixed Assets, Net of Accumulated Depreciation | 6,114,428 | 6,354,939 |
| | <hr/> | <hr/> |
| Total Non-Current Assets | 6,114,428 | 6,354,939 |
| | <hr/> | <hr/> |
| Total Assets | \$ 6,254,870 | \$ 6,660,886 |
| | <hr/> | <hr/> |
| <u>Liabilities and Net Assets</u> | | |
| Current Liabilities: | | |
| Accounts Payable and Accrued Expenses | \$ 86,983 | \$ 135,568 |
| Deferred Revenue | 301,471 | 566,465 |
| Line of Credit Payable | 65,000 | 95,000 |
| | <hr/> | <hr/> |
| Total Current Liabilities | 453,454 | 797,033 |
| Non-Current Liabilities: | | |
| Loans Payable - Officers and Directors | 30,000 | 30,000 |
| | <hr/> | <hr/> |
| Total Non-Current Liabilities | 30,000 | 30,000 |
| | <hr/> | <hr/> |
| Total Liabilities | 483,454 | 827,033 |
| Net Assets: | | |
| Unrestricted Net Assets | 5,771,416 | 5,828,853 |
| Temporarily Restricted Net Assets | | 5,000 |
| | <hr/> | <hr/> |
| Total Net Assets | 5,771,416 | 5,833,853 |
| | <hr/> | <hr/> |
| Total Liabilities and Net Assets | \$ 6,254,870 | \$ 6,660,886 |
| | <hr/> | <hr/> |

The Accompanying Notes are an Integral Part of these Financial Statements.

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St. George Theatre Restoration, Inc.

Statements of Cash Flows for the Years Ended June 30, 2017 and 2016

| | <u>2017</u> | <u>2016</u> |
|---|------------------|-----------------------------|
| Cash Flows from Operating Activities: | | |
| Changes in Net Assets | \$ (62,437) | \$ 62,457 |
| Adjustments to Reconcile Changes in Net Assets to Net Cash (Used In) Provided By Operating Activities: | | |
| Depreciation and Amortization | 249,288 | 237,373 |
| In-Kind Donation of Capital Improvement | | (30,000) |
| Loan Forgiveness from the Related Party | | (165,106) |
| Loss on Disposal of Equipment | | 364 |
| (Increase) Decrease in Operating Assets: | | |
| Accounts Receivable | 86,661 | (133,756) |
| Prepaid Show Expenses | 44,125 | (54,125) |
| Prepaid Expenses - Other | (18,198) | 6,882 |
| Increase (Decrease) in Operating Liabilities: | | |
| Accounts Payable | (48,585) | (26,118) |
| Deferred Revenue | (264,994) | 276,713 |
| Total Adjustments | <u>48,297</u> | <u>112,227</u> |
| Net Cash (Used In) Provided By Operating Activities | <u>(14,140)</u> | <u>174,684</u> |
| Cash Flows from Investing Activities | | |
| Purchase of Fixed Assets | <u>(8,777)</u> | <u>(170,783)</u> |
| Net Cash Used In Investing Activities | <u>(8,777)</u> | <u>(170,783)</u> |
| Cash Flows from Financing Activities: | | |
| Payment of Line of Credit | (105,000) | (100,000) |
| Proceeds from Line of Credit | <u>75,000</u> | <u> </u> |
| Net Cash Used In Financing Activities | <u>(30,000)</u> | <u>(100,000)</u> |
| Net Decrease in Cash and Cash Equivalents | (52,917) | (96,099) |
| Cash and Cash Equivalents, Beginning of Year | <u>66,887</u> | <u>162,986</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 13,970</u> | <u>\$ 66,887</u> |
| Supplemental Disclosures of Cash Flow Information: | | |
| Cash Paid During the Period for: | | |
| Interest | <u>\$ 5,408</u> | <u>\$ 6,655</u> |

The Accompanying Notes are an Integral Part of these Financial Statements.

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St. George Theatre Restoration, Inc.

Statements of Functional Expenses for the Years Ended June 30, 2017 and 2016

| | 2017 | | | 2016 | | | | |
|-------------------------------|----------------------------|--------------------------|--------------------------|----------------------------|----------------------------|-------------------------|--------------------------|----------------------------|
| | Program Expenses | Fundraising | Management and General | Total Expenses | Program Expenses | Fundraising | Management and General | Total Expenses |
| Salaries and Benefits | \$ 724,478 | \$ 82,440 | \$ 214,499 | \$ 1,021,417 | \$ 606,329 | \$ 68,996 | \$ 179,518 | \$ 854,843 |
| Show Fees | 1,976,402 | | | 1,976,402 | 1,134,203 | | | 1,134,203 |
| Equipment Rental | 250,062 | | | 250,062 | 275,453 | | | 275,453 |
| Marketing and Promotion | 237,986 | | | 237,986 | 236,896 | | | 236,896 |
| Credit Card Discounts | 29,488 | | | 29,488 | 24,529 | | | 24,529 |
| Concession Expenses | 89,108 | | | 89,108 | 60,704 | | | 60,704 |
| Utilities | 77,667 | | 8,630 | 86,297 | 79,639 | | 8,849 | 88,488 |
| Repairs and Maintenance | 74,280 | | | 74,280 | 99,252 | | | 99,252 |
| Office Supplies | | | 62,425 | 62,425 | | | 46,106 | 46,106 |
| Insurance | 21,802 | | 2,420 | 24,222 | 32,790 | | 3,640 | 36,430 |
| Telephone | 9,686 | | 1,077 | 10,763 | 13,309 | | 1,480 | 14,789 |
| Outside Professional Services | | | 18,339 | 18,339 | | | 20,014 | 20,014 |
| Meetings and Events | | | 7,163 | 7,163 | | | 6,607 | 6,607 |
| Payroll Service | 5,159 | | 572 | 5,731 | 3,047 | | 338 | 3,385 |
| Miscellaneous | 16,271 | | | 16,271 | 29,538 | | | 29,538 |
| Fundraising Expenses | | 61,943 | | 61,943 | | 10,518 | | 10,518 |
| Depreciation | 249,288 | | | 249,288 | 237,373 | | | 237,373 |
| Interest | | | 5,408 | 5,408 | | | 6,655 | 6,655 |
| Filing Fees | | | 1,876 | 1,876 | | | 5,497 | 5,497 |
| Bank Charges | | | 490 | 490 | | | 321 | 321 |
| Total Expenses | <u>\$ 3,761,677</u> | <u>\$ 144,383</u> | <u>\$ 322,899</u> | <u>\$ 4,228,959</u> | <u>\$ 2,833,062</u> | <u>\$ 79,514</u> | <u>\$ 279,025</u> | <u>\$ 3,191,601</u> |

St. George Theatre Restoration, Inc.

Notes to Financial Statements
June 30, 2017 and 2016

1. Nature of Organization

St. George Theatre Restoration, Inc. (the Organization) is a not-for-profit corporation in Staten Island, New York dedicated to the restoration of the historic St. George Theatre and its development as a Cultural and Performing Arts Center. The theatre serves as a cultural arts center for a myriad of activities including outreach educational programs, architectural tours, television and film shoots, concerts, comedy, Broadway touring companies and small and large-scale children's shows.

2. Summary of Significant Accounting Policies

Method of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Restrictions, which expire in the reporting period in which support is recognized, are reported as an increase in unrestricted net assets. In addition, the Organization is required to present a statement of cash flows.

The Organization also follows the Financial Accounting Standard Board Accounting Standard Codification (FASB ASC) topic that addresses accounting for contributions received and contributions made. In accordance with this standard, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. In addition, the Organization could receive contributions with donor-imposed restrictions that result in temporarily restricted net assets.

It is the Organization's policy to report donor-restricted contributions whose restrictions are met in the same reporting period as unrestricted support.

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. At June 30, 2017 and 2016, there were no permanently restricted net assets.

St. George Theatre Restoration, Inc.

Notes to Financial Statements June 30, 2017 and 2016

Cash and Cash Equivalents

For purposes of the statements of cash flow, the Organization considers all highly liquid investments, with a maturity of three months or less when purchased, to be cash equivalents.

Accounts Receivable

Accounts receivable have been adjusted for all known uncollectible accounts and are stated at the amount management expects to collect from outstanding balances. Based on management's evaluation of collectability, an allowance for doubtful accounts has not been provided as the amount is not considered material.

Equipment, Furniture, Building and Improvements

The Organization capitalizes all expenditures for equipment in excess of \$1,000. Equipment, furniture, building and improvements are recorded at cost or, at estimated fair value at date of gift, if donated. Depreciation is provided over the estimated useful lives on a straight-line basis.

Deferred Revenue

Income from ticket sales for future shows is deferred and recognized in the period to which the shows relate.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Grants from Government Agencies

The Organization receives government grants from the City of New York Department of Cultural Affairs. All grants are recognized in the grant period in which they are earned.

Marketing and Promotion Expenses

Marketing costs are expensed as incurred. Marketing expenses were \$237,986 and \$236,896 for the years ended June 30, 2017 and 2016, respectively.

St. George Theatre Restoration, Inc.

Notes to Financial Statements
June 30, 2017 and 2016

Functional Allocation of Expenses

The cost of providing various programs and other activities has been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and the supporting services benefited.

Use of Estimates

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

Income Tax Status

The Organization is organized under Section 501(c)(3) of the Internal Revenue Code as a non-profit tax-exempt organization. The Organization represents that, to the best of its knowledge and belief, the tax-exempt status is still in effect as of June 30, 2017.

The Organization is subject to the provisions of FASB ASC Topic 740, *Income Taxes*, as it relates to accounting and reporting for uncertainty in income taxes. Because of the Organization's general tax-exempt status, ASC Topic 740 has not had, and is not expected to have, a material impact on its financial statements.

3. Fixed Assets

The summary of fixed assets at June 30, 2017 and 2016 is as follows:

| | <u>2017</u> | 2016 |
|--------------------------------|--------------------|--------------------|
| Land | \$ 900,000 | \$ 900,000 |
| Building | 3,600,000 | 3,600,000 |
| Improvements | 1,761,305 | 1,752,528 |
| Equipment and Fixtures | <u>1,700,680</u> | <u>1,700,680</u> |
| | 7,961,985 | 7,953,208 |
| Less: Accumulated Depreciation | <u>1,847,557</u> | <u>1,598,269</u> |
| Net Fixed Assets | <u>\$6,114,428</u> | <u>\$6,354,939</u> |

St. George Theatre Restoration, Inc.

Notes to Financial Statements June 30, 2017 and 2016

Depreciation expense for the years ended June 30, 2017 and 2016 was \$249,288 and \$237,373, respectively.

During the year ended June 30, 2016, architect and interior design services for the bathroom renovation project were provided to the Organization by various vendors. The value of donated services for bathroom renovation was \$30,000, which was recorded as an “In-kind Donation of Capital Improvement” on the statement of activities.

4. Line of Credit

The Organization maintains a revolving line of credit with New York Community Bank in the amount of \$200,000. Borrowing under the line bears interest at the bank’s prime rate plus 1%. The line of credit is secured by all assets of the Organization and matures in February 2018. The interest rate was 5.25 % at June 30, 2017. The Organization had \$65,000 and \$95,000 outstanding on the revolving line of credit at June 30, 2017 and 2016, respectively.

5. Long-Term Debt

Long-term debt at June 30, 2017 and 2016 consists of the following:

| | <u>2017</u> | <u>2016</u> |
|---|-----------------|-----------------|
| Unsecured Loans Payable to Directors, 0.00% Interest; No formal repayment terms. | <u>\$30,000</u> | <u>\$30,000</u> |

6. Concentration of Credit Risk

The Organization maintains its cash in bank deposit accounts which, at times, may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

St. George Theatre Restoration, Inc.

Notes to Financial Statements
June 30, 2017 and 2016

7. Related Party Transactions

One former member of the Board of Directors made unsecured loans of \$30,000 to the Organization. These loans bear no interest and there are no formal repayment terms.

Some members of the Board of Directors own or are employees of companies with which the Theatre conducts business. For the years ended June 30, 2017 and 2016, \$70,264 and \$73,263, respectively, was paid or accrued to them or their companies for services.

8. Subsequent Events

The Organization has evaluated subsequent events through April 30, 2018, the date the financial statements are available to be issued and has determined that there are no reportable subsequent events or transactions that need to be disclosed in these financial statements.

9. Fair Value of Financial Instruments

The Organization's significant financial instruments are cash and cash equivalents, accounts receivable, prepaid show expenses, prepaid expenses – other, accounts payable and accrued expenses, and deferred revenue. For these financial instruments, carrying values approximate fair values.

The carrying amounts of loans and the lines of credit approximate fair value because the Organization can obtain similar loans at the same terms.

10. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2017 and 2016 consist of the following:

| | <u>2017</u> | <u>2016</u> |
|-------------------------|-------------|----------------|
| Summer Outreach Program | <u>\$ 0</u> | <u>\$5,000</u> |