

**THEATRE FOR A NEW AUDIENCE, INC.**

**FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION**

**AUGUST 31, 2015 AND 2014**

**THEATRE FOR A NEW AUDIENCE, INC.**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Theatre For A New Audience, Inc.

We have audited the accompanying financial statements of Theatre For A New Audience, Inc. (a nonprofit corporation), which comprise the statements of financial position as of August 31, 2015 and 2014, and the related statements of activities 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Theatre For A New Audience, Inc. as of August 31, 2015 and 2014, 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.

*Lotz + Garr, LLP*

New York, New York  
February 16, 2016

## THEATRE FOR A NEW AUDIENCE, INC.

## STATEMENTS OF FINANCIAL POSITION

AUGUST 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<b>Assets</b>		
Cash and cash equivalents (Note 1b)	\$ 1,528,703	\$ 6,803,538
Investments (Notes 1c, 1d, 3 and 9)	5,438,859	-
Accounts and miscellaneous receivables	41,168	101,630
Unconditional promises to give (Notes 1e and 4)		
Unrestricted	296,449	311,580
Restricted to future periods and programs	581,358	279,571
Restricted to capital project	4,899,113	6,808,534
Restricted to endowment	42,500	320,431
Prepaid expenses and other assets	385,933	620,124
Cash - restricted for repairs (Note 12)	226,213	44,000
Security deposits	10,503	10,503
Escrow account - restricted to capital project (Note 12)	546,900	546,900
Property, equipment and capital project, at cost (net of accumulated depreciation) (Notes 1f, 5, 11 and 12)	4,656,322	4,730,234
Cash held in Section 457 Plans (Note 6d)	<u>499,332</u>	<u>445,656</u>
<b>Total Assets</b>	<u><u>\$19,153,353</u></u>	<u><u>\$21,022,701</u></u>
<b>Liabilities and Net Assets</b>		
Liabilities		
Loans payable - Board members (Note 7b)	\$ -	\$ 700,000
Accounts payable and accrued expenses	381,641	259,650
Deferred income	326,016	331,560
Liability under Section 457 Plans (Note 6d)	<u>499,332</u>	<u>445,656</u>
Total Liabilities	<u>1,206,989</u>	<u>1,736,866</u>
Commitments and Contingency (Notes 6, 7, 12 and 14)		
Net Assets (Note 2)		
Unrestricted	4,418,256	5,242,697
Temporarily restricted	7,018,084	9,824,183
Permanently restricted	<u>6,510,024</u>	<u>4,218,955</u>
Total Net Assets	<u>17,946,364</u>	<u>19,285,835</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$19,153,353</u></u>	<u><u>\$21,022,701</u></u>

See notes to financial statements.

## THEATRE FOR A NEW AUDIENCE, INC.

## STATEMENTS OF ACTIVITIES

YEARS ENDED AUGUST 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<b>Changes in Unrestricted Net Assets</b>		
Revenues		
Box office revenue	\$ 1,780,859	\$ 2,419,558
Box office ticket fees	147,857	190,490
Education revenue	119,496	107,991
Concession income (net of cost of sales \$70,273 in 2015 and \$40,202 in 2014)	105,324	59,752
Dividend income (Note 12)	40,000	40,000
Board-approved appropriation from endowment for operations	263,404	-
Investment income (Note 3)	2,417	5,409
Reimbursed expenses	28,887	49,513
Miscellaneous	24,210	48,237
Total Revenues	<u>2,512,454</u>	<u>2,920,950</u>
Public Support		
Board	420,844	222,706
Individuals	480,497	411,715
Foundations and trusts	868,574	1,056,250
Corporations	112,000	87,823
Government	90,160	86,515
Special events revenue (Note 8)	663,671	683,040
Less: Cost of direct benefits to donors (Note 8)	(101,787)	(140,942)
Donated services and materials (Note 1g)	21,933	39,675
	<u>2,555,892</u>	<u>2,446,782</u>
Net assets released from restrictions		
Satisfaction of time and program restrictions from public support	1,000,596	155,854
Satisfaction of restrictions from humanities and capital project program	893,856	3,641,993
Total Public Support	<u>4,450,344</u>	<u>6,244,629</u>
Total Revenues and Public Support	<u>6,962,798</u>	<u>9,165,579</u>
Expenses (excluding depreciation)		
Program Services		
Theatre/performances (excluding depreciation of \$221,802 in 2015 and \$171,363 in 2014)	5,149,574	6,825,256
Education (excluding depreciation of \$2,061 in 2015 and \$14,901 in 2014)	422,637	322,274
Total Program Services	<u>5,572,211</u>	<u>7,147,530</u>
Supporting Services		
Management and general (excluding depreciation of \$1,766 in 2015 and \$14,584 in 2014)	404,953	364,340
Fundraising and special events (excluding depreciation of \$2,061 in 2015 and \$7,291 in 2014)	363,803	398,913
Special events - indirect expenses (Note 8)	121,355	67,984
Capital project	499,291	935,084
Total Supporting Services	<u>1,389,402</u>	<u>1,766,321</u>
Total Expenses (excluding depreciation)	<u>6,961,613</u>	<u>8,913,851</u>
Increase in Unrestricted Net Assets Before Other Items (carried forward)	<u>1,185</u>	<u>251,728</u>

See notes to financial statements.

## THEATRE FOR A NEW AUDIENCE, INC.

## STATEMENTS OF ACTIVITIES

YEARS ENDED AUGUST 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Increase in Unrestricted Net Assets Before Other Items (brought forward)	\$ 1,185	\$ 251,728
Investment loss (Note 3)	(334,532)	-
Board-approved appropriation from endowment (Note 9)	(263,404)	-
Depreciation expense	(227,690)	(208,139)
Net assets released from restrictions		
Satisfaction of restriction from capital project program	-	4,839,779
	<u>(824,441)</u>	<u>4,883,368</u>
Increase (Decrease) in Unrestricted Net Assets		
<b>Changes in Temporarily Restricted Net Assets</b>		
Board	156,000	219,954
Individual	125,878	345,338
Foundations and trusts	506,206	10,482,434
Corporations	12,500	17,500
Government	248,516	226,750
Special events revenue (Note 8)	47,250	145,575
Investment income (loss) (Note 3)	(7,997)	4,168
Net assets released from restrictions	(1,894,452)	(8,637,626)
Net assets reclassified to permanently restricted (Note 2d)	(2,000,000)	-
	<u>(2,806,099)</u>	<u>2,804,093</u>
Increase (Decrease) in Temporarily Restricted Net Assets		
<b>Changes in Permanently Restricted Net Assets</b>		
Board	17,430	58,151
Individual	268,639	270,686
Foundation	-	1,100,000
Corporation	5,000	-
Government	-	200,000
Net assets reclassified from temporarily restricted (Note 2d)	2,000,000	-
	<u>2,291,069</u>	<u>1,628,837</u>
Increase in Permanently Restricted Net Assets		
Increase (decrease) in net assets	(1,339,471)	9,316,298
Net assets, beginning of year	<u>19,285,835</u>	<u>9,969,537</u>
<b>Net Assets, End of Year</b>	<u><u>\$17,946,364</u></u>	<u><u>\$19,285,835</u></u>

See notes to financial statements.

## THEATRE FOR A NEW AUDIENCE, INC.

## STATEMENTS OF CASH FLOWS

YEARS ENDED AUGUST 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<b>Cash Flows From Operating Activities</b>		
Increase (decrease) in net assets	\$(1,339,471)	\$ 9,316,298
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	227,690	208,139
Endowment contributions	(291,069)	(1,628,837)
Realized loss on sale of investments	729	-
Unrealized loss on investments	358,599	-
Donated securities	(167,482)	-
(Increase) decrease in:		
Accounts and miscellaneous receivables	60,462	57,250
Unconditional promises to give	1,622,765	(6,015,672)
Prepaid expenses and other current assets	234,191	1,348
Cash - restricted for repairs	(182,213)	(44,000)
Cash held in Section 457 Plans	(53,676)	(100,797)
Increase (decrease) in:		
Accounts payable and accrued expenses	111,097	26,729
Deferred income	(5,544)	23,070
Liability under Section 457 Plans	53,676	100,797
Net Cash Provided By Operating Activities	<u>629,754</u>	<u>1,944,325</u>
<b>Cash Flows From Investing Activities</b>		
Purchase of investments	(5,977,423)	-
Proceeds from sales of investments	346,718	-
Acquisition of property and equipment	(4,954)	(13,993)
Payment for capital project costs	(137,930)	(394,157)
Net Cash Used By Investing Activities	<u>(5,773,589)</u>	<u>(408,150)</u>
<b>Cash Flows From Financing Activities</b>		
Endowment contributions received	569,000	1,742,881
Repayment of loans payable	(700,000)	-
Borrowings under line of credit	450,000	-
Repayment of line of credit	(450,000)	-
Net Cash Provided (Used) By Financing Activities	<u>(131,000)</u>	<u>1,742,881</u>
Net increase (decrease) in cash and cash equivalents	(5,274,835)	3,279,056
Cash and cash equivalents, beginning of year	<u>6,803,538</u>	<u>3,524,482</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 1,528,703</u></u>	<u><u>\$ 6,803,538</u></u>
<b>Supplemental Cash Flow Information</b>		
Interest paid	<u>\$ 17,149</u>	<u>\$ 28,000</u>

See notes to financial statements.



**THEATRE FOR A NEW AUDIENCE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**AUGUST 31, 2015 AND 2014**

**Note 1 - Organization and Summary of Significant Accounting Policies**

**a - Organization**

Founded in 1979, Theatre For A New Audience, Inc. (the "Organization") produces plays by Shakespeare alongside other classic plays and distinguished contemporary drama, for Off-Broadway audiences as well as students enrolled in New York City public schools. The Organization also tours nationally and internationally.

The Organization's major sources of revenue are contributions, box office receipts and education revenue.

**b - Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments, including cash at broker, purchased with a maturity of three months or less, to be cash equivalents.

The Organization maintains its cash balances in a financial institution located in New York City. The balances are insured by various agencies. At times the Organization's cash equivalents deposited in the financial institution exceeded federally-insured limits.

**c - Investments**

The Organization reflects investments at fair value in the statement of financial position. Interest, dividends and gains and losses on investments are reflected in the statement of activities as increases and decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law. Gains and other investment income that are limited to specific uses by donor-imposed restrictions are reported as temporarily restricted. When a restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets.

**d - Fair Value Measurements**

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 measurements are not adjusted for transaction costs. The fair value hierarchy prioritizes inputs to valuation techniques used to measure fair value into three levels.

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.

**THEATRE FOR A NEW AUDIENCE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**AUGUST 31, 2015 AND 2014**

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

d - Fair Value Measurements (continued)

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.

e - Contributions and Unconditional Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Contributions for the acquisition of long-lived assets are reclassified to unrestricted net assets at the time the assets are placed in service.

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

f - Property, Equipment and Capital Project

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

g - Donated Services and Materials

Donated services and materials are recorded at fair market value.

h - Financial Statement 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.

i - 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.

j - Tax Status

Theatre For A New Audience, Inc. is a not-for-profit organization exempt from federal 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.

## THEATRE FOR A NEW AUDIENCE, INC.

## NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015 AND 2014

**Note 1 - Organization and Summary of Significant Accounting Policies (continued)****k - Advertising and Publicity Costs**

Advertising and publicity costs are charged to operations when the advertising first takes place. Advertising and publicity expense for the years ended August 31, 2015 and 2014 was \$433,873 and \$655,269, respectively.

**l - Subsequent Events**

The Organization has evaluated subsequent events through February 16, 2016, the date that the financial statements are considered available to be issued.

**m - Prior Year Information**

For comparability, certain 2014 amounts have been reclassified, where appropriate, to conform to 2015 amounts.

**Note 2 - Restrictions on Assets**

	2015			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating	\$ 157,085	\$ 473,359	\$ -	\$ 630,444
Board designated operating reserve	12,785	-	-	12,785
Working capital reserve	190,000	-	435,000	625,000
Capital project (Note 11)	4,611,379	6,199,055	-	10,810,434
Studio Fund	-	345,670	-	345,670
Property, plant and equipment	44,943	-	-	44,943
Endowment	(597,936)	-	6,075,024	5,477,088
	<u>\$4,418,256</u>	<u>\$7,018,084</u>	<u>\$6,510,024</u>	<u>\$17,946,364</u>

  

	2014			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating	\$ 215,653	\$ 900,596	\$ -	\$ 1,116,249
Board designated operating reserve	106,810	-	-	106,810
Working capital reserve	190,000	-	435,000	625,000
Capital project	4,660,807	8,745,611	-	13,406,418
Studio Fund	-	150,265	-	150,265
Humanities program	-	19,714	-	19,714
Property, plant and equipment	69,427	-	-	69,427
Endowment	-	7,997	3,783,955	3,791,952
	<u>\$5,242,697</u>	<u>\$9,824,183</u>	<u>\$4,218,955</u>	<u>\$19,285,835</u>

## THEATRE FOR A NEW AUDIENCE, INC.

## NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015 AND 2014

**Note 2 - Restrictions on Assets (continued)****a - Board-Designated Operating Reserve**

The Board established Board-Designated Operating Reserve is used for unanticipated operating needs and special projects planned for the future, subject to Board approval. All investment income derived from the assets held in the Board-Designated Operating Reserve is retained in that reserve.

**b - Studio Fund**

The Studio Fund is to be used for workshops and residencies for theatre artists. It was established with a grant in the amount of \$250,000 of which \$200,000 was expended as of August 31, 2015. During 2015, an additional grant of \$300,000 was secured. Investment income (loss) derived from the assets are retained in the Studio Fund.

**c - Working Capital Reserve**

The Working Capital Reserve is used to manage the peaks and valleys of the Organization's cash flow. The Board adopted a policy that borrowings from the Working Capital Reserve are to be repaid in full prior to the close of each fiscal year. The Working Capital Reserve consists of the following:

Unrestricted net assets	\$190,000
Permanently restricted net assets	<u>435,000</u>
Total	<u>\$625,000</u>

At August 31, 2015 and 2014, there were no borrowings from the Permanently Restricted Working Capital Reserve outstanding. Borrowings outstanding from the Board-Designated Working Capital Reserve were \$117,458 and \$186,632 at August 31, 2015 and 2014, respectively. Borrowings were repaid in September 2015 and 2014.

**d - Endowment**

The Endowment consists of permanently restricted net assets raised through the capital campaign. Income from the funds will support the Organization's programmatic and operating needs. During 2015 a grant of \$2,000,000 was reclassified from temporarily restricted capital project to the endowment.

**e - Humanities Program**

The Organization was awarded a challenge grant from the National Endowment for the Humanities ("NEH") totaling \$500,000, which required a match 3-to-1 with private funds. As of August 31, 2015, the matching requirement was satisfied and a total of \$1,700,000 has been added to the endowment fund.

## THEATRE FOR A NEW AUDIENCE, INC.

## NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015 AND 2014

**Note 3 - Investments**

Investments, which are all classified as Level 1 in the fair value hierarchy, consist of the following at August 31, 2015:

	<u>Fair Value</u>	<u>Cost</u>
Cash at broker	\$ 31,873	\$ 31,873
Mutual Funds		
Equity	3,456,929	3,744,935
Fixed income	1,419,727	1,444,870
Real estate	325,980	349,760
Commodities	<u>204,350</u>	<u>226,020</u>
	<u>\$5,438,859</u>	<u>\$5,797,458</u>

The following schedule summarizes total investment return (loss):

Dividends and interest	\$ 31,733
Realized loss on sale of investments	(729)
Unrealized loss on investments	(358,599)
Management fees	<u>(12,517)</u>
Total Investment Return (Loss)	<u><u>\$(340,112)</u></u>

Investment return (loss) has been allocated as follows:

Unrestricted - operations	\$ 2,417
Unrestricted - endowment (Note 9)	(334,532)
Temporarily restricted	<u>(7,997)</u>
	<u><u>\$(340,112)</u></u>

## THEATRE FOR A NEW AUDIENCE, INC.

## NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015 AND 2014

**Note 4 - Promises to Give**

Unconditional promises to give consist of the following:

	<b>2015</b>			<b>2014</b>
	<b><u>Unrestricted</u></b>	<b><u>Temporarily Restricted</u></b>	<b><u>Permanently Restricted</u></b>	<b><u>Total</u></b>
Due in less than one year	\$108,296	\$2,348,542	\$ 42,500	\$2,499,338
Due in one to five years	215,000	3,316,333	-	3,531,333
Less: Discount to present value	(26,847)	(184,404)	-	(211,251)
Total	<u>188,153</u>	<u>3,131,929</u>	<u>-</u>	<u>3,320,082</u>
Total Unconditional Promises to Give, 2015	<u>\$296,449</u>	<u>\$5,480,471</u>	<u>\$ 42,500</u>	<u>\$5,819,420</u>
Total Unconditional Promises to Give, 2014	<u>\$311,580</u>	<u>\$7,088,105</u>	<u>\$320,431</u>	<u>\$7,720,116</u>

Unconditional promises to give due for periods after one year were discounted to net present value using a discount rate of 3%. Uncollectible promises to give are expected to be insignificant.

The Organization received a pledge of \$250,000 that is subject to a 3 to 1 matching requirement. This pledge is not reflected in the accompanying financial statements since it is conditional.

**Note 5 - Property, Equipment and Capital Project**

Property, equipment and capital project consist of the following:

	<b><u>Life</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>
Theater	50 years	\$4,181,017	\$4,071,244
Furniture and office equipment	5-10 years	703,027	699,043
Computers	3-5 years	172,641	222,901
Leasehold improvements	5-7 years	<u>59,590</u>	<u>208,163</u>
		5,116,275	5,201,351
Less: Accumulated depreciation		<u>(459,953)</u>	<u>(471,117)</u>
		<u>\$4,656,322</u>	<u>\$4,730,234</u>

## THEATRE FOR A NEW AUDIENCE, INC.

## NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015 AND 2014

**Note 5 - Property, Equipment and Capital Project (continued)**

The theater was substantially completed in October 2013. Expenditures for the years ended August 31, 2015 and 2014 were \$148,824 and \$609,157, respectively. In 2015, \$37,974 was reimbursed from the capital reserve fund.

Depreciation expense for the years ended August 31, 2015 and 2014 was \$227,690 and \$208,139, respectively.

**Note 6 - Commitments and Contingency**

a - The Organization occupies and/or leases the following premises:

<u>Sites</u>	<u>Rent Expense 2015</u>		<u>Rent Expense 2014</u>	<u>Minimum Rental Through 6/30/17</u>
Office Space 154 Christopher Street NYC	\$ 26,865	(1)	\$26,564	\$51,005 (\$12,741/year increasing 3% annually)
Storage Space	44,975		31,517	
Rehearsal Space	57,784		32,677	
Casting Space	<u>2,355</u>		<u>-</u>	
Total Rent Expense	<u>\$131,979</u>		<u>\$90,758</u>	

(1) Rent expense also includes the Organization's share of building operating expenses of \$14,063 and \$13,763 in 2015 and 2014, respectively. The lease contains a commitment based on square footage for rent only and does not include building operating expenses.

b - The Organization provides its employees the option of deferring current earnings by participating in a tax deferred 403(b) retirement plan. The Organization does not make any contributions to this plan.

c - Government grants are subject to audit by the granting agency.

d - Certain management compensation is guaranteed by contract and automatically renews on an annual basis through August 31, 2022. In addition, to the extent the Organization determines it has the necessary funds, it shall contribute to 457(b) and 457(f) plans, maintained by the Organization on the employee's behalf. The plans represent an unsecured promise to pay these amounts in the future to the employee. All contributions to the plans are employer contributions.

## THEATRE FOR A NEW AUDIENCE, INC.

## NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015 AND 2014

**Note 7 - Line of Credit and Loans Payable to Board Members**

- a - The Organization has a \$500,000 line of credit which is available through March 6, 2016. Interest on any unpaid principal amount is charged at LIBOR plus 2.745%. The line of credit is secured by all business assets, equipment and intangibles of the Organization. All borrowings during the year ended August 31, 2015 were repaid during the year. Interest expense for the year ended August 31, 2015 was \$3,149. There were no borrowings during the year ended August 31, 2014.
- b - The Organization received \$700,000 in loans payable from five Board members during the year ended August 31, 2013. Each loan bore interest at 4% which was payable on a quarterly basis. The principal for each outstanding loan was originally due by March 2016. The full balance was repaid in December 2014, along with any interest due. Interest expense for the years ended August 31, 2015 and 2014 was \$9,333 and \$28,000, respectively.

**Note 8 - Special Events**

Special events held to support the Organization during the fiscal year are summarized as follows:

	<u>2015</u>	<u>2014</u>
Gross proceeds from special events	\$663,671	\$683,040
Net assets released - special event	145,575	52,200
Less: Cost of direct benefits to donors	<u>(101,787)</u>	<u>(140,942)</u>
Net Revenues from Special Events	<u>707,459</u>	<u>594,298</u>
Less: Special Events Indirect Expenses		
Gala consultant's fees	27,500	27,500
Other expenses	<u>93,855</u>	<u>40,484</u>
Total Indirect Expenses	<u>121,355</u>	<u>67,984</u>
Special Events, Net of Direct and Indirect Expenses	<u>\$586,104</u>	<u>\$526,314</u>

The gross proceeds from special events include Board contributions of \$179,204 and \$133,310 for 2015 and 2014, respectively.

**Note 9 Endowment Funds**

The Organization's endowment was established to support programmatic and operating needs and consists of donor-restricted endowment funds. The fundraising goal for the endowment is \$10 million. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.



## THEATRE FOR A NEW AUDIENCE, INC.

## NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015 AND 2014

**Note 9 - Endowment Funds (continued)**Interpretation of Relevant Law

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 permanently restricted net assets (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 accumulated earnings of the donor-restricted endowment funds that are not classified in permanently restricted net assets are classified as temporarily restricted net assets until those amounts are appropriated for expenditure.

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 invested endowment funds, by type of fund and net asset classification, are summarized as follows:

	2015		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Donor-restricted endowment funds	<u>\$(597,936)</u>	<u>\$ -</u>	<u>\$6,032,524</u>
			<u>\$5,434,588</u>

  

	2014		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Donor-restricted endowment funds	<u>\$ -</u>	<u>\$7,997</u>	<u>\$3,463,524</u>
			<u>\$3,471,521</u>

## THEATRE FOR A NEW AUDIENCE, INC.

## NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015 AND 2014

Note 9 - Endowment Funds (continued)

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment funds, beginning of year	\$ -	\$ 7,997	\$3,463,524	\$3,471,521
Contributions received	-	-	569,000	569,000
Investment Return				
Investment income, net of investment fees	-	16,370	-	16,370
Net realized and unrealized losses	(334,532)	(24,367)	-	(358,899)
Total Investment Return	(334,532)	(7,997)	-	(342,529)
Net assets reclassified to permanently restricted	-	-	2,000,000	2,000,000
Appropriation of endowment assets for expenditure	(263,404)	-	-	(263,404)
Endowment Funds, End of Year	<u>\$ (597,936)</u>	<u>\$ -</u>	<u>\$6,032,524</u>	<u>\$5,434,588</u>

  

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment funds, beginning of year	\$ -	\$4,173	\$1,720,643	\$1,724,816
Contributions received	-	-	1,742,881	1,742,881
Investment Return				
Investment income, net of investment fees	-	3,824	-	3,824
Endowment Funds, End of Year	<u>\$ -</u>	<u>\$7,997</u>	<u>\$3,463,524</u>	<u>\$3,471,521</u>

The fair value of assets associated with endowment funds may fall below the level required to be retained as a fund of perpetual duration. Deficiencies of this nature are reported in unrestricted net assets. These deficiencies resulted from unfavorable market fluctuations and from the appropriation to operations.

*Return Objective and Risk Parameters*

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding, 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, or for a donor-specified period. 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 exceed the Organization's spending policy while assuming a moderate level of investment risk.

## THEATRE FOR A NEW AUDIENCE, INC.

## NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015 AND 2014

**Note 9 - Endowment Funds (continued)***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).

*Spending Policy and How the Investment Objectives Relate to Spending Policy*

The Organization has a policy of appropriating for distribution each year 4.5% of its endowment funds fair value based on a rolling, twenty quarters average calculated on June 30th of each year. In establishing this policy, the Organization considered the long-term expected return on its endowment. This is consistent with the Organization's objective to maintain purchasing power of the endowment assets, as well as to provide additional real growth through new gifts and investment return.

**Note 10 - Functional Allocation of Expenses**

The cost of providing the various program and supporting services has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and the supporting services in reasonable ratios determined by management.

Expenses by functional classification for fiscal year 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Operating expenses per the Statement of Activities	\$6,961,613	\$8,913,851
Depreciation	<u>227,690</u>	<u>208,139</u>
	<u>\$7,189,303</u>	<u>\$9,121,990</u>
 Program Services		
Theatre/performances	\$5,371,376	\$7,011,520
Education	<u>424,698</u>	<u>322,274</u>
Total Program Services	<u>5,796,074</u>	<u>7,333,794</u>
Supporting Services		
Management and general	694,470	974,882
Fundraising	<u>698,759</u>	<u>813,314</u>
Total Supporting Services	<u>1,393,229</u>	<u>1,788,196</u>
 Total Expenses	<u>\$7,189,303</u>	<u>\$9,121,990</u>

**THEATRE FOR A NEW AUDIENCE, INC.****NOTES TO FINANCIAL STATEMENTS****AUGUST 31, 2015 AND 2014****Note 11 - Financial Stabilization and Capital Campaign**

During 1998, the Organization began a two-stage Capital Campaign. The first stage of the Campaign (with a \$4 million goal) was to stabilize the Organization's financial structure, by eliminating long-term debt and establishing a Working Capital Reserve (both components totaling a \$1 million goal) and to establish an Artistic Growth Fund (\$3 million goal) to help underwrite expansion of the Organization's artistic activity. This \$4 million first stage of the Campaign was achieved in fiscal year 2003.

The second stage of the Campaign (the "Capital Project" and an Endowment) is to finance a permanent home for the Organization, to create an endowment to support the programmatic and operating needs of the Organization, and raise funds for the inaugural production and marketing launch of the new facility. Construction began in April 2011 and was substantially completed by October, 2013. The Board of Directors increased the goal for this final stage of the Capital Campaign to \$65.1 million during fiscal year 2013, including \$2.6 million in launch funds for marketing and the inaugural production. Approximately \$960,000 was left to be raised as of August 31, 2015.

Contributions for the Capital Campaign were recorded as temporarily restricted in the Capital Project Fund except for contributions restricted for the Endowment which are permanently restricted. Upon completion of the construction period, the costs capitalized for the Capital Project were released from temporarily restricted net assets.

Architect fees, project management costs, equipment and furniture costs paid by the Organization have been capitalized to the Capital Project totaling \$4,988,603 at August 31, 2015. Since the construction was substantially completed in October 2013, the assets are being depreciated over their estimated useful lives. Expenses related to this project fund totaling \$499,291 were incurred in fiscal year 2015 and expensed as Capital Project activity, as they are non-operating expenses to the Organization. Capital project expenses were \$3,450,624 in fiscal year 2014.

During the year ended August 31, 2015 and 2014, the City of New York has paid \$26,083 and \$137,598, respectively, for capital projects of the Organization.

**Note 12 - Commitments and Other Comments**

The Organization and the City of New York (the "City") executed a Lease in September 2013 with an initial term of fifty years, plus two renewal options (of fifteen and ten years), for a total term of seventy-five years at an annual rent of \$1 per year plus all costs, expenses and charges of every kind related to the building. The City's capital contribution will be amortized over the first fifty years of the lease. The Lease includes an option for the Organization to purchase the building any time after year thirty for the unamortized amount of the City's capital contribution (by year fifty, the City's contribution will be amortized to zero).

**THEATRE FOR A NEW AUDIENCE, INC.****NOTES TO FINANCIAL STATEMENTS****AUGUST 31, 2015 AND 2014****Note 12 - Commitments and Other Comments (continued)**

Each year during the first thirty-year term, the Organization is required to deposit into an interest-bearing segregated account a scheduled amount to be used for repair or replacement of any structural components of the building or equipment. The total amount to be deposited over the thirty year period approximates \$11 million. The balance on August 31, 2015 was \$226,213.

Per the terms of a separate agreement between the Organization and the City, the Organization has deposited funds into an escrow account held by the New York City Economic Development Corporation for expenses related to the cost of incorporating structural and mechanical infrastructure into the building, signage, and millwork. At August 31, 2015, \$546,900 remained in escrow.

**Note 13 - Donated Stock**

On January 5, 2009, the Howard Gilman Foundation (as part of a recapitalization plan approved by the Internal Revenue Service on March 25, 2008) donated forty shares of junior common stock, in aggregate, of six corporations, known as the Gilman Companies, to five public charities, including Theatre for a New Audience. The value of these shares has not been reflected in these financial statements since the fair market value of these shares is not available. During each of the fiscal years 2015 and 2014, the Organization received a dividend of \$40,000.

**Note 14 - Multiemployer Pension Plans**

The Organization contributes to two multiemployer defined benefit pension plans under the terms of collective-bargaining agreements that cover its union-represented employees. The risks of participating in these multiemployer plans 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 some of its multiemployer plans, the Organization may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

## THEATRE FOR A NEW AUDIENCE, INC.

## NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2015 AND 2014

**Note 14 - Multiemployer Pension Plans (continued)**

The Organization's participation in these plans is summarized below. The "EIN Number" column provides the Employee Identification Number (EIN). The most recent Pension Protection Act (PPA) zone status available in 2015 and 2014 is for the plan's year-end at December 31, 2014 and December 31, 2013, or if applicable, fiscal year ended during the Organization's 2015 and 2014 fiscal years, respectively. The zone status is based on information that the Organization received from each 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 whether a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. The last column lists the expiration dates of the collective-bargaining agreements to which the plans are subject, as applicable.

<u>Pension Fund</u>	<u>EIN Number</u>	<u>Pension Protection Act Zone Status</u>		<u>FIP/RP Status Pending/Implemented</u>	<u>Contributions of the Organization</u>		<u>Surcharge Imposed</u>	<u>Expiration Date of Collective Bargaining Agreement</u>
		<u>2015</u>	<u>2014</u>		<u>2015</u>	<u>2014</u>		
Equity League Pension Trust Fund	13-6696817	Green	Green	N/A	\$35,404	\$36,750	No	February 12, 2017
United Scenic Artists Local 829 Pension and Welfare Funds	13-1982707	Green	Green	N/A	5,534	5,400		June 30, 2017
SDC - League Pensions Fund	13-6634482	Yellow	Yellow	Implemented	<u>7,098</u>	<u>-</u>		April 14, 2017
					<u>\$48,036</u>	<u>\$42,150</u>		

The Organization's contributions to the plans listed above are not greater than 5% of the total plan contributions.

## **SUPPLEMENTARY INFORMATION**



**INDEPENDENT AUDITORS' REPORT  
ON SUPPLEMENTARY INFORMATION**

To the Board of Directors of  
Theatre For A New Audience, Inc.

We have audited the financial statements of Theatre For A New Audience, Inc. as of and for the years ended August 31, 2015 and 2014, and our report thereon dated February 16, 2016, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Functional Expenses for the year ended August 31, 2015 with comparative totals for 2014 and the Schedule of Capital Campaign Activity from inception through August 31, 2015 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Lutz + Carr, LLP*

New York, New York  
February 16, 2016



## THEATRE FOR A NEW AUDIENCE, INC.

## SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED AUGUST 31, 2015 WITH COMPARATIVE TOTALS FOR 2014

	Operating Expenses							Capital Project			2015	2014
	Program Services			Supporting Services			Total Operating Expenses	Management and General	Fundraising	Total Capital Project	Total Expenses	Total Expenses
	Theatre/ Performances	Education	Total	Management and General	Fundraising and Special Events	Total						
Salaries	\$ 1,634,961	\$217,726	\$1,852,687	\$ 195,880	\$ 219,241	\$415,121	\$2,267,808	\$ 181,989	\$ 134,367	\$316,356	\$2,584,164	\$3,265,723
Payroll taxes and employee benefits	596,689	48,141	644,830	50,793	55,223	106,016	750,846	40,814	24,399	65,213	816,059	862,443
Technical, administrative and artists' fees	332,997	85,618	418,615	225	850	1,075	419,690	-	-	-	419,690	671,687
Professional fees	82,982	24,444	107,426	36,748	12,051	48,799	156,225	5,150	32,564	37,714	193,939	164,299
Advertising and publicity	429,727	4,146	433,873	-	-	-	433,873	-	-	-	433,873	655,269
Production expenses	231,565	-	231,565	-	-	-	231,565	-	-	-	231,565	362,734
Costumes	145,363	-	145,363	-	-	-	145,363	-	-	-	145,363	348,055
Sets	257,129	-	257,129	-	-	-	257,129	-	-	-	257,129	475,154
Lighting	43,151	-	43,151	-	-	-	43,151	-	-	-	43,151	88,782
Props	32,263	-	32,263	-	-	-	32,263	-	-	-	32,263	75,095
Sound	14,114	585	14,699	-	-	-	14,699	-	-	-	14,699	133,541
Video	7,695	-	7,695	-	-	-	7,695	-	-	-	7,695	128,064
Programs - other	28,014	17,383	45,397	-	-	-	45,397	-	-	-	45,397	-
Royalties expense	398,449	-	398,449	-	-	-	398,449	-	-	-	398,449	48,528
Theater and rehearsal space rental	59,751	388	60,139	-	-	-	60,139	-	-	-	60,139	66,894
Occupancy costs and storage	60,856	-	60,856	12,705	3,176	15,881	76,737	4,537	-	4,537	81,274	248,589
Travel, housing and per diems	129,748	8,592	138,340	6,120	1,530	7,650	145,990	2,186	909	3,095	149,085	232,344
Ticket services	127,298	-	127,298	-	-	-	127,298	-	-	-	127,298	177,534
Donor cultivation	-	-	-	-	12,253	12,253	12,253	-	-	-	12,253	98,708
Special events, other indirect expenses	-	-	-	-	121,355	121,355	121,355	-	-	-	121,355	49,698
Office expenses	13,658	6,313	19,971	5,940	1,887	7,827	27,798	2,122	60	2,182	29,980	12,389
Telephone/telecommunications	23,475	-	23,475	8,815	2,998	11,813	35,288	3,148	795	3,943	39,231	38,584
Printing	4,103	3,988	8,091	827	207	1,034	9,125	295	1,323	1,618	10,743	22,554
Insurance	71,496	-	71,496	14,659	3,665	18,324	89,820	5,235	-	5,235	95,055	93,407
Postage and shipping	30,296	286	30,582	1,460	2,695	4,155	34,737	521	342	863	35,600	39,837
Repairs and maintenance	6,359	-	6,359	3,123	781	3,904	10,263	1,115	-	1,115	11,378	12,975
Outside services	212,219	-	212,219	-	-	-	212,219	-	-	-	212,219	80,527
Interest, bank and credit card charges	3,416	-	3,416	2,733	9,908	12,641	16,057	10,309	-	10,309	26,366	42,307
Café/concession expense	136,057	-	136,057	50,000	-	50,000	186,057	25,000	-	25,000	211,057	212,168
Other expenses	35,743	5,027	40,770	14,925	37,338	52,263	93,033	5,330	16,781	22,111	115,144	205,962
Total expenses before depreciation	5,149,574	422,637	5,572,211	404,953	485,158	890,111	6,462,322	287,751	211,540	499,291	6,961,613	8,913,851
Depreciation	221,802	2,061	223,863	1,766	2,061	3,827	227,690	-	-	-	227,690	208,139
Total Expenses, 2015	<u>\$ 5,371,376</u>	<u>\$424,698</u>	<u>\$5,796,074</u>	<u>\$ 406,719</u>	<u>\$ 487,219</u>	<u>\$893,938</u>	<u>\$6,690,012</u>	<u>\$ 287,751</u>	<u>\$ 211,540</u>	<u>\$499,291</u>	<u>\$7,189,303</u>	
Total Expenses, 2014	<u>\$ 7,011,520</u>	<u>\$322,274</u>	<u>\$7,333,794</u>	<u>\$ 378,924</u>	<u>\$ 474,188</u>	<u>\$853,112</u>	<u>\$8,186,906</u>	<u>\$ 595,958</u>	<u>\$ 339,126</u>	<u>\$935,084</u>		<u>\$9,121,990</u>

See independent auditors' report on supplementary information.

## THEATRE FOR A NEW AUDIENCE, INC.

## SCHEDULE OF CAPITAL CAMPAIGN ACTIVITY

FROM INCEPTION 1998 THROUGH AUGUST 31, 2015

	Stage 2			Stage 1			
					Financial Stabilization		
	Endowment	Capital Project	Humanities Program	Artistic Growth Fund	Working Capital Reserve	Debt Retirement	Totals
Board contributions	\$1,006,806	\$ 5,174,244	\$ -	\$2,764,590	\$100,000	\$ 340,000	\$ 9,385,640
Other individual contributions	1,458,218	1,230,373	-	50,000	-	-	2,738,591
Foundation contributions	1,335,000	17,061,909	-	1,305,000	450,000	-	20,151,909
Corporate contributions	275,000	151,493	-	-	-	-	426,493
Government contributions	-	67,986	300,000	-	75,000	-	442,986
Special event revenue	-	518,173	-	-	-	-	518,173
Stabilization loans	-	-	-	-	-	65,000	65,000
Total Support	4,075,024	24,204,178	300,000	4,119,590	625,000	405,000	33,728,792
Investment income (loss)	(597,936)	16,515	-	71,285	-	-	(510,136)
Total Revenues and Support	3,477,088	24,220,693	300,000	4,190,875	625,000	405,000	33,218,656
Less: Transfers							
Capital project - capitalized	-	348,336	-	(348,336)	-	-	-
Capital project - fundraising and special events expense	-	(2,814,313)	-	(333,169)	-	-	(3,147,482)
Capital project - repay Artistic Growth Fund	-	(681,505)	-	681,505	-	-	-
Capital project - repay Artistic Growth Fund foregone interest	-	(73,025)	-	73,025	-	-	-
Artistic expansion, net	-	-	(167,357)	(4,263,900)	-	-	(4,431,257)
Construction costs expensed	-	(1,504,396)	-	-	-	-	(1,504,396)
Strategic planning	-	(768,947)	-	-	-	-	(768,947)
Debt retirement	-	-	-	-	-	(405,000)	(405,000)
Management and general expense	-	(2,599,317)	-	-	-	-	(2,599,317)
Theatre launch expenses	-	(2,515,540)	-	-	-	-	(2,515,540)
Depreciation	-	(377,224)	-	-	-	-	(377,224)
Security deposit	-	(8,440)	-	-	-	-	(8,440)
Release to humanities program	-	-	(132,643)	-	-	-	(132,643)
Transfer to operating	-	(70,000)	-	-	-	-	(70,000)
Restricted cash for repairs	-	(226,213)	-	-	-	-	(226,213)
Capital project funds used to pay for technology infrastructure	-	(119,675)	-	-	-	-	(119,675)
Transfer to endowment	2,000,000	(2,000,000)	-	-	-	-	-
	2,000,000	(13,410,259)	(300,000)	(4,190,875)	-	(405,000)	(16,306,134)
Net Assets as of August 31, 2015	\$5,477,088	\$10,810,434	\$ -	\$ -	\$625,000	\$ -	\$16,912,522

See independent auditors' report on supplementary information.