

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

**FINANCIAL STATEMENTS  
AND  
ADDITIONAL INFORMATION**

**AUGUST 31, 2009 AND 2008**

**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 statements of financial position of Theatre For A New Audience, Inc. as of August 31, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2009 and 2008, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Lutz + Carr, LLP*

New York, New York  
January 31, 2010

## THEATRE FOR A NEW AUDIENCE, INC.

## STATEMENTS OF FINANCIAL POSITION

AUGUST 31, 2009 AND 2008

	2009				2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Assets</b>								
Current Assets								
Cash and cash equivalents (Note 1b)								
Operating	\$ 3,952	\$ 97,375	\$ -	\$ 101,327	\$ -	\$ 100,431	\$ -	\$ 100,431
Board-designated operating reserve (Note 2a)	6,555	-	-	6,555	45,171	-	-	45,171
Working capital reserve (Note 2c)	-	190,000	435,000	625,000	-	190,000	435,000	625,000
Artistic growth fund (Note 2b)	162,512	181,941	-	344,453	160,578	292,924	-	453,502
Capital project (Note 9)	-	36,340	-	36,340	-	32,042	-	32,042
Endowment (Note 2d)	-	-	20,000	20,000	-	-	-	-
	<u>173,019</u>	<u>505,656</u>	<u>455,000</u>	<u>1,133,675</u>	<u>205,749</u>	<u>615,397</u>	<u>435,000</u>	<u>1,256,146</u>
Accounts and miscellaneous receivables	35,214	32	-	35,246	23,603	126	-	23,729
Unconditional promises to give (Notes 1c and 3)								
Unrestricted	70,700	-	-	70,700	202,010	-	-	202,010
Restricted to future periods and programs	-	171,135	-	171,135	-	107,250	-	107,250
Restricted to artistic growth fund	-	6,000	-	6,000	-	6,000	-	6,000
Restricted to capital project	-	1,864,708	-	1,864,708	-	1,618,163	-	1,618,163
Restricted to endowment	-	-	20,000	20,000	-	-	-	-
Prepaid expenses and other current assets	34,170	-	-	34,170	330	68,199	-	68,529
Interfund receivable (payable)	-	-	-	-	(83,646)	83,646	-	-
	<u>313,103</u>	<u>2,547,531</u>	<u>475,000</u>	<u>3,335,634</u>	<u>348,046</u>	<u>2,498,781</u>	<u>435,000</u>	<u>3,281,827</u>
Total Current Assets								
Other Assets								
Security deposits	2,809	-	-	2,809	2,809	-	-	2,809
Unconditional promises to give, long-term portion (Notes 1c and 3)								
Restricted to future periods and programs	-	-	-	-	-	31,875	-	31,875
Restricted to capital project	-	2,955,189	-	2,955,189	-	4,009,582	-	4,009,582
Restricted to endowment	-	-	51,871	51,871	-	-	-	-
Capital project (Note 9) - Capitalized expenditures	-	3,031,458	-	3,031,458	-	2,845,750	-	2,845,750
Property and equipment, at cost (net of accumulated depreciation) (Notes 1d and 4)	38,786	-	-	38,786	56,501	-	-	56,501
Cash held in Section 457 Plan (Note 5d)	105,149	-	-	105,149	52,485	-	-	52,485
	<u>146,744</u>	<u>5,986,647</u>	<u>51,871</u>	<u>6,185,262</u>	<u>111,795</u>	<u>6,887,207</u>	<u>-</u>	<u>6,999,002</u>
Total Other Assets								
<b>Total Assets</b>	<u>\$ 459,847</u>	<u>\$8,534,178</u>	<u>\$ 526,871</u>	<u>\$9,520,896</u>	<u>\$ 459,841</u>	<u>\$9,385,988</u>	<u>\$ 435,000</u>	<u>\$10,280,829</u>

See notes to financial statements.

## THEATRE FOR A NEW AUDIENCE, INC.

## STATEMENTS OF FINANCIAL POSITION

AUGUST 31, 2009 AND 2008

	2009				2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Liabilities and Net Assets</b>								
Liabilities								
Accounts payable and accrued expenses	\$ 45,839	\$ 64,794	\$ -	\$ 110,633	\$ 39,604	\$ 864,687	\$ -	\$ 904,291
Deferred income	54,434	-	-	54,434	57,444	-	-	57,444
	<u>100,273</u>	<u>64,794</u>	<u>-</u>	<u>165,067</u>	<u>97,048</u>	<u>864,687</u>	<u>-</u>	<u>961,735</u>
Long-term Liabilities								
Liability under Section 457 Plan (Note 5d)	105,149	-	-	105,149	52,485	-	-	52,485
	<u>205,422</u>	<u>64,794</u>	<u>-</u>	<u>270,216</u>	<u>149,533</u>	<u>864,687</u>	<u>-</u>	<u>1,014,220</u>
Commitments and Contingency (Note 5)								
Net Assets								
Operating	46,333	-	-	46,333	47,222	-	-	47,222
Board-designated operating reserve (Note 2a)	6,728	-	-	6,728	45,651	-	-	45,651
Property and equipment	38,786	-	-	38,786	56,501	-	-	56,501
Restricted to future periods and programs	-	268,510	-	268,510	-	307,755	-	307,755
Capital campaign								
Artistic growth fund (Note 2b)	162,578	187,941	-	350,519	160,934	382,570	-	543,504
Capital project (Note 9)	-	7,822,933	-	7,822,933	-	7,640,976	-	7,640,976
Working capital reserve (Note 2c)	-	190,000	435,000	625,000	-	190,000	435,000	625,000
Endowment (Notes 2d and 7)	-	-	91,871	91,871	-	-	-	-
Total Net Assets	<u>254,425</u>	<u>8,469,384</u>	<u>526,871</u>	<u>9,250,680</u>	<u>310,308</u>	<u>8,521,301</u>	<u>435,000</u>	<u>9,266,609</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 459,847</u>	<u>\$8,534,178</u>	<u>\$ 526,871</u>	<u>\$9,520,896</u>	<u>\$ 459,841</u>	<u>\$9,385,988</u>	<u>\$ 435,000</u>	<u>\$10,280,829</u>

## THEATRE FOR A NEW AUDIENCE, INC.

## STATEMENTS OF ACTIVITIES

YEARS ENDED AUGUST 31, 2009 AND 2008

	2009				2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Changes in Net Assets</b>								
Revenues								
Box office revenue	\$ 710,561	\$ -	\$ -	\$ 710,561	\$ 366,074	\$ -	\$ -	\$ 366,074
Education revenue	144,997	-	-	144,997	142,726	-	-	142,726
Interest income (Note 2e)	4,713	605	-	5,318	23,901	2,157	-	26,058
Miscellaneous	12,908	-	-	12,908	5,793	-	-	5,793
Total Revenues	<u>873,179</u>	<u>605</u>	<u>-</u>	<u>873,784</u>	<u>538,494</u>	<u>2,157</u>	<u>-</u>	<u>540,651</u>
Support								
Board	261,588	-	-	261,588	302,962	-	-	302,962
Individuals	147,143	-	-	147,143	141,619	-	-	141,619
Foundations and trusts	546,500	57,500	-	604,000	717,500	229,000	-	946,500
Corporations	68,500	-	-	68,500	64,000	-	-	64,000
Government	32,735	87,260	-	119,995	135,236	32,257	-	167,493
Special events revenue (Note 6)	402,775	60,000	-	462,775	496,745	46,500	-	543,245
Donated services and materials (Note 10)	8,709	-	-	8,709	7,156	-	-	7,156
	<u>1,467,950</u>	<u>204,760</u>	<u>-</u>	<u>1,672,710</u>	<u>1,865,218</u>	<u>307,757</u>	<u>-</u>	<u>2,172,975</u>
Net assets released from restrictions								
Satisfaction of time and program restrictions from public support	244,005	(244,005)	-	-	285,285	(285,285)	-	-
Satisfaction of time and program restrictions from artistic growth fund	335,000	(335,000)	-	-	335,000	(335,000)	-	-
Loss on collection of pledge	-	-	-	-	-	(1,000)	-	(1,000)
Total Support	<u>2,046,955</u>	<u>(374,245)</u>	<u>-</u>	<u>1,672,710</u>	<u>2,485,503</u>	<u>(313,528)</u>	<u>-</u>	<u>2,171,975</u>
Total Revenues and Support	<u>2,920,134</u>	<u>(373,640)</u>	<u>-</u>	<u>2,546,494</u>	<u>3,023,997</u>	<u>(311,371)</u>	<u>-</u>	<u>2,712,626</u>
Expenses (excluding depreciation)								
Program Services								
Performances and education (excluding depreciation of \$4,651 in 2009 and \$4,462 in 2008)	2,173,031	-	-	2,173,031	2,367,680	-	-	2,367,680
Supporting Services								
Management and general (excluding depreciation of \$9,302 in 2009 and \$8,923 in 2008)	335,347	-	-	335,347	343,654	-	-	343,654
Fundraising (excluding depreciation of \$4,651 in 2009 and \$4,462 in 2008)	295,770	-	-	295,770	323,598	-	-	323,598
Special events - indirect expenses (Note 6)	48,683	-	-	48,683	57,541	-	-	57,541
Total Supporting Services	<u>679,800</u>	<u>-</u>	<u>-</u>	<u>679,800</u>	<u>724,793</u>	<u>-</u>	<u>-</u>	<u>724,793</u>
Total Program and Supporting Services	2,852,831	-	-	2,852,831	3,092,473	-	-	3,092,473
Special events - cost of direct benefits to donors (Note 6)	104,582	-	-	104,582	105,084	-	-	105,084
Total Expenses	<u>2,957,413</u>	<u>-</u>	<u>-</u>	<u>2,957,413</u>	<u>3,197,557</u>	<u>-</u>	<u>-</u>	<u>3,197,557</u>
Changes in Net Assets Before Depreciation (carried forward)	<u>(37,279)</u>	<u>(373,640)</u>	<u>-</u>	<u>(410,919)</u>	<u>(173,560)</u>	<u>(311,371)</u>	<u>-</u>	<u>(484,931)</u>

See notes to financial statements.

## THEATRE FOR A NEW AUDIENCE, INC.

## STATEMENTS OF ACTIVITIES

YEARS ENDED AUGUST 31, 2009 AND 2008

	2009				2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Changes in Net Assets Before Depreciation (brought forward)	\$ (37,279)	\$ (373,640)	\$ -	\$ (410,919)	\$ (173,560)	\$ (311,371)	\$ -	\$ (484,931)
Depreciation expense	(18,604)	-	-	(18,604)	(17,847)	-	-	(17,847)
Decrease in Net Assets from Operations	(55,883)	(373,640)	-	(429,523)	(191,407)	(311,371)	-	(502,778)
Capital Project Support								
Board	-	421,976	-	421,976	241,749	288,842	-	530,591
Individual	-	10,498	-	10,498	-	51,150	-	51,150
Foundations	-	183,015	-	183,015	-	439,818	-	439,818
Corporations	-	2,000	-	2,000	-	2,000	-	2,000
Government	-	-	-	-	-	10,000	-	10,000
Special events revenue (Note 9)	139,501	-	-	139,501	251,417	-	-	251,417
Special events - cost of direct benefits to donors (Note 9)	(40,926)	-	-	(40,926)	(58,763)	-	-	(58,763)
Net assets released from restrictions - capital project	295,766	(295,766)	-	-	1,529,396	(1,529,396)	-	-
Capital project expenses (Note 9)								
Construction costs expensed	-	-	-	-	(1,504,396)	-	-	(1,504,396)
Management and general	(134,601)	-	-	(134,601)	(122,868)	-	-	(122,868)
Strategic Planning	(40,989)	-	-	(40,989)	(53,252)	-	-	(53,252)
Fundraising	(210,499)	-	-	(210,499)	(271,467)	-	-	(271,467)
Special event - indirect expenses	(8,252)	-	-	(8,252)	(11,816)	-	-	(11,816)
Increase (Decrease) in Net Assets from Capital Project	-	321,723	-	321,723	-	(737,586)	-	(737,586)
Endowment support								
Foundation	-	-	91,871	91,871	-	-	-	-
Increase (decrease) in net assets	(55,883)	(51,917)	91,871	(15,929)	(191,407)	(1,048,957)	-	(1,240,364)
Net assets, beginning of year	310,308	8,521,301	435,000	9,266,609	501,715	9,570,258	435,000	10,506,973
<b>Net Assets, End of Year</b>	<b>\$ 254,425</b>	<b>\$8,469,384</b>	<b>\$ 526,871</b>	<b>\$9,250,680</b>	<b>\$ 310,308</b>	<b>\$8,521,301</b>	<b>\$ 435,000</b>	<b>\$ 9,266,609</b>

See notes to financial statements.

## THEATRE FOR A NEW AUDIENCE, INC.

## STATEMENTS OF CASH FLOWS

YEARS ENDED AUGUST 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
<b>Cash Flows From Operating Activities</b>		
Decrease in net assets	\$ (15,929)	\$(1,240,364)
Adjustments to reconcile decrease in net assets to net cash provided (used) by operating activities:		
Depreciation	18,604	17,847
(Increase) decrease in:		
Accounts and miscellaneous receivables	(11,517)	2,881
Unconditional promises to give	835,277	999,247
Prepaid expenses and other current assets	34,359	(18,413)
Cash held in Section 457 Plan	(52,664)	(52,485)
Increase (decrease) in:		
Accounts payable and accrued expenses	6,235	1,780
Deferred income	(3,010)	35,907
Liability under Section 457 Plan	52,664	52,485
Net Cash Provided (Used) By Operating Activities	<u>864,019</u>	<u>(201,115)</u>
<b>Cash Flows From Investing Activities</b>		
Acquisition of property and equipment	(889)	(7,397)
Payment for capital project costs	<u>(985,601)</u>	<u>(279,863)</u>
Net Cash Used By Investing Activities	<u>(986,490)</u>	<u>(287,260)</u>
Net decrease in cash and cash equivalents	(122,471)	(488,375)
Cash and cash equivalents, beginning of year	<u>1,256,146</u>	<u>1,744,521</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$1,133,675</u></u>	<u><u>\$ 1,256,146</u></u>

See notes to financial statements.

**THEATRE FOR A NEW AUDIENCE, INC.****NOTES TO FINANCIAL STATEMENTS****AUGUST 31, 2009 AND 2008****Note 1 - Organization and Summary of Significant Accounting Policies****a - Organization**

Founded in 1979, Theatre For A New Audience, Inc. ("the Theatre") produces plays by Shakespeare and classic plays each season from the world repertoire for Off-Broadway audiences as well as students enrolled in New York City public schools. The Theatre 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, purchased with a maturity of three months or less, to be cash equivalents.

At August 31, 2009, a certificate of deposit was held as collateral for a Letter of Credit issued to the Actors' Equity Association totaling \$50,000.

The Organization maintains its cash balances in a financial institution located in New York City. The balances are insured by the Federal Deposit Insurance Corporation (FDIC). At August 31, 2009, the Organization's cash equivalents deposited in a financial institution exceeded federally-insured limits.

**c - 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 is based on prior years' experience and management's analysis of specific promises made.

**d - Property and Equipment**

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

**THEATRE FOR A NEW AUDIENCE, INC.****NOTES TO FINANCIAL STATEMENTS****AUGUST 31, 2009 AND 2008****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****e - 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.

**f - 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.

**g - 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.

**h - Advertising and Publicity Costs**

Advertising and publicity costs are charged to operations when the advertising first takes place. Advertising and publicity expense for 2009 and 2008 was \$142,341 and \$187,264, respectively.

**i - Subsequent Events**

The Organization has evaluated subsequent events through January 31, 2010, the date that the financial statements are considered available to be issued.

**Note 2 - Restrictions on Assets****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 - Artistic Growth Fund**

The Board established an Artistic Growth Fund to be used to enhance the Theatre's artistic activity. Contributions to the Artistic Growth Fund are designed to be used for production expense.

Withdrawals from the Fund require Board approval, unless otherwise designated by the donor. All investment income derived from the assets held in the Fund are retained in the Artistic Growth Fund.

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

**NOTES TO FINANCIAL STATEMENTS**

**AUGUST 31, 2009 AND 2008**

**Note 2 - Restrictions on Assets (continued)**

c - Working Capital Reserve

The Working Capital Reserve is used to manage the peaks and valleys of the Theatre's cash flow. In 1998, the Board resolved that borrowings from the Working Capital Reserve are to be repaid in full prior to the close of each fiscal year. At August 31, 2009, the Working Capital Reserve consists of the following:

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

The Organization has received, in prior years, the following grants and contributions for the temporarily restricted Working Capital Reserve:

National Endowment for the Arts (NEA)	\$ 75,000
Other matching resources	<u>115,000</u>
	<u>\$190,000</u>

The terms of the NEA grant require that the grant and minimum required matching resources totaling \$150,000 be held in a term cash reserve for a 10-year period ending August 31, 2010. Subsequent to the 10-year period, NEA grant funds and minimum required matching resources held in the NEA reserve will no longer be subject to NEA restriction. NEA grant terms specify that its grant and required matching resources may be borrowed but must be repaid within two years from the date of borrowing. Use of income derived from the NEA and required matching assets is not restricted by the NEA at any time.

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.

e - Interest Income

Interest derived from cash and cash equivalents totaled \$5,318 and \$26,058 during 2009 and 2008, respectively. Interest derived from the temporarily and permanently restricted Working Capital Reserves, by resolution of the Board of Directors, is allocated to the Board-designated Operating Reserve. Interest derived from the Artistic Growth Fund is retained in that fund as unrestricted.

## THEATRE FOR A NEW AUDIENCE, INC.

## NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2009 AND 2008

**Note 2 - Restrictions on Assets (continued)**e - Interest Income (continued)

Interest income for the years ended August 31, 2009 and 2008 was earned as follows:

	<u>2009</u>	<u>2008</u>
Operating Fund	\$ 491	\$ 5,605
Board-designated Operating Reserve	188	1,345
Working Capital Reserve - temporarily and permanently restricted	2,391	9,673
Artistic Growth Fund	1,643	7,278
Capital project	<u>605</u>	<u>2,157</u>
	<u>\$5,318</u>	<u>\$26,058</u>

**Note 3 - Promises to Give**

Unconditional promises to give consist of the following:

	<u>2009</u>			<u>2008</u>	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Total</u>
Due in less than one year	<u>\$70,700</u>	<u>\$2,041,843</u>	<u>\$20,000</u>	<u>\$2,132,543</u>	<u>\$1,933,423</u>
Due in one to five years	-	3,167,500	60,000	3,227,500	4,277,083
Due in six to ten years	-	200,000	-	200,000	400,000
Less: Discount to present value	<u>-</u>	<u>(412,311)</u>	<u>(8,129)</u>	<u>(420,440)</u>	<u>(635,626)</u>
Total	<u>-</u>	<u>2,955,189</u>	<u>51,871</u>	<u>3,007,060</u>	<u>4,041,457</u>
Total Unconditional Promises to Give	<u>\$70,700</u>	<u>\$4,997,032</u>	<u>\$71,871</u>	<u>\$5,139,603</u>	<u>\$5,974,880</u>

Uncollectible promises are expected to be insignificant. Unconditional promises to give due for periods after one year were discounted to net present value using a discount rate of 5% in 2009 and 2008.

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

**NOTES TO FINANCIAL STATEMENTS**

**AUGUST 31, 2009 AND 2008**

**Note 4 - Property and Equipment**

Property and equipment consist of the following:

	<u>Life</u>	<u>2009</u>	<u>2008</u>
Leasehold improvements	5-7 years	\$148,573	\$148,573
Computers	3-5 years	126,094	125,205
Furniture and office equipment	5 years	<u>35,067</u>	<u>35,067</u>
		309,734	308,845
Less: Accumulated depreciation		<u>270,948</u>	<u>252,344</u>
		<u>\$ 38,786</u>	<u>\$ 56,501</u>

Depreciation expense for the years ended August 31, 2009 and 2008 is \$18,604 and \$17,847, respectively.

**Note 5 - Commitments and Contingency**

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

<u>Sites</u>	<u>Rent Expense 2009</u>		<u>Rent Expense 2008</u>	<u>Minimum Rental Through 6/30/12</u>
Office Space 154 Christopher Street NYC	\$ 24,421	(1)	\$ 21,816	\$ 34,057 (\$12,020/year)
Performance Space	126,000		147,025	
Rehearsal Space	<u>20,771</u>		<u>25,990</u>	
Total Rent Expense	<u>\$171,192</u>		<u>\$194,831</u>	

(1) Rent expense also includes the Organization's share of building operating expenses of \$12,401 (2009) and \$9,796 (2008). As of January 1, 2009, the Organization's share of building operating expenses increased by 40%.

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.

## THEATRE FOR A NEW AUDIENCE, INC.

## NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2009 AND 2008

**Note 5 - Commitments and Contingency (continued)**

d - Certain management compensation is guaranteed by contract through August 31, 2012. The contract will automatically renew on an annual basis through August 31, 2022. In addition the Organization will contribute to 457(b) and 457(f) plans, maintained by the Organization on the employee's behalf.

**Note 6 - Special Events**

Special events revenue and expenses are summarized as follows:

	<u>2009</u>	<u>2008</u>
Gross proceeds from special events	\$402,775	\$496,745
Net assets released - special event	46,500	25,750
Less: Cost of direct benefits to donors	<u>(104,582)</u>	<u>(105,084)</u>
Net Revenues from Special Events	<u>344,693</u>	<u>417,411</u>
Less: Special Events Indirect Expenses:		
Gala consultant's fees	26,000	26,000
Other expenses	22,314	31,541
Payroll and payroll taxes	<u>369</u>	<u>-</u>
Total Indirect Expenses	<u>48,683</u>	<u>57,541</u>
Special Events, Net of Direct and Indirect Expenses	<u>\$296,010</u>	<u>\$359,870</u>

The gross proceeds from special events include Board contributions of \$107,475 and \$136,820 for 2009 and 2008, respectively.

**Note 7 - 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, 2009 AND 2008**

**Note 7 - Endowment Funds (continued)**

Interpretation of Relevant Law:

Consistent with New York State Not-for-profit Corporation Law, 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 remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as board-designated unrestricted net assets until those amounts are appropriated for expenditure by the Organization.

Endowment net asset composition by type of fund:

The Organization's endowment funds, consisting of donor-restricted endowment funds, are classified as permanently restricted net assets.

Changes in the Organization's endowment funds:

	<b><u>Permanently Restricted</u></b>
Endowment funds, beginning of year	\$ -
Contributions received	<u>20,000</u>
Endowment Funds, End of Year	<u>\$20,000</u>

The Theatre received its first endowment pledge of \$100,000 in July, 2009 (the first \$20,000 installment has been received, with four additional installments to be paid annually). Investment and spending policies for endowment assets are currently being developed by the Theatre's Board of Directors, and an Investment Committee is in formation.

**Note 8 - Functional Allocation of Expenses**

The cost of providing the various program and the 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.

**THEATRE FOR A NEW AUDIENCE, INC.****NOTES TO FINANCIAL STATEMENTS****AUGUST 31, 2009 AND 2008****Note 9 - 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 Theatre'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 Theatre'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 identify and finance a permanent home for the Theatre and to support the programmatic and operating needs of the Theatre. A site has been identified and the Theatre has entered into a Memorandum of Understanding with the City of New York ("City") for the City to construct a theatre in Brooklyn, New York. Design is nearly complete, with groundbreaking anticipated at the end of 2010, and \$10 million remains to be raised for the Theatre's Capital Campaign.

The building and land will initially be owned by the City of New York; Theatre for a New Audience and the City of New York have negotiated a lease with a term of 50 years, plus two options (of 15 and 10 years), for a total term of 75 years at an annual rent of \$1 per year. The City's capital contribution will be amortized over the first 50 years of the lease. In recognition of the considerable private funding that the Theatre has raised and invested in this project, the lease includes an option for the Theatre to purchase the building anytime after year 30 for the unamortized amount of the City's capital contribution (by year 50, the City contribution will be amortized to zero). The lease will be signed at substantial completion of construction, but the recently signed Memorandum of Understanding verifies the Lease terms.

Architect fees and project management costs have been capitalized to the Capital Project totaling \$3,031,458 at August 31, 2009. Capital Project expenses totaling \$435,267, including \$40,926 in direct benefit expenses, were incurred in fiscal year 2009 and expensed as Capital Project activity, as they are non-operating expenses to the Organization. During fiscal year 2008, \$1,504,396 in Capital Project costs related to the preparation of construction documents were expensed due to the Capital Project's second site relocation. Other capital project expenses were \$518,166 in fiscal year 2008.

Contributions for the Capital Campaign are temporarily restricted to the Capital Project Fund except for contributions restricted for the Endowment which are permanently restricted. Costs capitalized for the Capital Project are recorded as temporarily restricted net assets. When restrictions are met, temporarily restricted net assets are released to unrestricted non-operating activity.

## THEATRE FOR A NEW AUDIENCE, INC.

## NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2009 AND 2008

**Note 9 - Financial Stabilization and Capital Campaign (continued)**

The Capital Campaign held benefits to support the Capital Project. Special events revenue and expenses are summarized as follows:

	<u>2009</u>	<u>2008</u>
Gross proceeds from Capital Campaign special event	\$139,501	\$251,417
Net assets released – Capital Campaign special event	-	25,000
Less: Cost of direct benefits to donors	<u>(40,926)</u>	<u>(58,763)</u>
Net Revenues from Special Events	<u>98,575</u>	<u>217,654</u>
Less: Special Events Indirect Expenses:		
Payroll and payroll taxes	1,245	1,984
Other expenses	<u>7,007</u>	<u>9,832</u>
Total Indirect Expenses	<u>8,252</u>	<u>11,816</u>
Special Events, Net of Direct and Indirect Expenses	<u>\$ 90,323</u>	<u>\$205,838</u>

The gross proceeds from special events include Board contributions of \$54,651 (2009) and \$59,940 (2008).

**Note 10 - Donated Services and Materials**

Donated services and materials are recorded at fair market value.

**Note 11 - 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 40 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.

**ADDITIONAL INFORMATION**



**INDEPENDENT AUDITORS' REPORT ON  
ADDITIONAL INFORMATION**

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

Our report on our audits of the basic financial statements of Theatre For A New Audience, Inc. for 2009 and 2008 appears on page 1. We conducted our audits in accordance with auditing standards generally accepted in the United States of America for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Functional Expenses for the year ended August 31, 2009 with comparative totals for 2008, the Schedule of Operating Income Before Depreciation for the year ended August 31, 2009 and the Schedule of Capital Campaign Activity from inception through August 31, 2009 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Lutz + Carr, LLP*

New York, New York  
January 31, 2010

## THEATRE FOR A NEW AUDIENCE, INC.

## SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED AUGUST 31, 2009 WITH COMPARATIVE TOTALS FOR 2008

	Program Services	Supporting Services			Capital Project			2009	2008
	Performances and Education	Management and General	Fundraising/Special Events	Total	Management and General	Fundraising	Total	Total Expenses	Total Expenses
Salaries	\$ 839,146	\$ 145,028	\$ 196,586	\$1,180,760	\$ 93,375	\$ 138,135	\$ 231,510	\$1,412,270	\$1,433,220
Payroll taxes and employee benefits	258,573	112,264	43,950	414,787	20,618	25,283	45,901	460,688	460,385
Technical, administrative and artists' fees	225,394	6,381	39,881	271,656	2,734	1,550	4,284	275,940	303,159
Professional fees	-	35,332	2,379	37,711	40,989	27,540	68,529	106,240	134,601
Advertising and publicity	139,613	-	-	139,613	-	2,728	2,728	142,341	187,264
Production expenses	130,447	-	-	130,447	-	-	-	130,447	117,397
Costumes	61,979	-	-	61,979	-	-	-	61,979	99,510
Sets	61,170	-	-	61,170	-	-	-	61,170	122,190
Lighting	51,000	-	-	51,000	-	-	-	51,000	63,095
Props	13,368	-	-	13,368	-	-	-	13,368	22,443
Sound	8,714	-	-	8,714	-	-	-	8,714	19,783
Occupancy costs	194,005	6,410	4,274	204,689	3,053	-	3,053	207,742	245,957
Donor cultivation	-	-	3,583	3,583	-	4,676	4,676	8,259	75,191
Special events, other indirect expenses	-	-	22,314	22,314	-	10,590	10,590	32,904	54,425
Office expenses	7,244	4,347	2,898	14,489	2,070	-	2,070	16,559	32,083
Telephone/telecommunications	7,240	3,116	2,185	12,541	1,792	3	1,795	14,336	13,026
Printing	2,509	1,505	8,733	12,747	717	-	717	13,464	12,688
Insurance	9,857	5,915	3,943	19,715	2,817	-	2,817	22,532	24,137
Transportation	31,482	3,191	2,450	37,123	3,583	221	3,804	40,927	46,350
Postage	26,235	1,439	959	28,633	685	1,458	2,143	30,776	17,220
Repairs and maintenance	2,572	2,572	2,572	7,716	1,102	-	1,102	8,818	9,079
Royalties expense	83,016	-	-	83,016	-	-	-	83,016	8,600
Interest and bank charges	-	2,015	-	2,015	288	-	288	2,303	1,529
Future projects	14,779	-	-	14,779	-	-	-	14,779	9,740
Other expenses	4,688	5,832	7,746	18,266	1,767	6,567	8,334	26,600	38,804
Prior location expenses - Capital Project	-	-	-	-	-	-	-	-	1,504,396
Total expenses before depreciation	2,173,031	335,347	344,453	2,852,831	175,590	218,751	394,341	3,247,172	5,056,272
Depreciation	4,651	9,302	4,651	18,604	-	-	-	18,604	17,847
Total Expenses, 2009	<u>\$ 2,177,682</u>	<u>\$ 344,649</u>	<u>\$ 349,104</u>	<u>\$2,871,435</u>	<u>\$ 175,590</u>	<u>\$ 218,751</u>	<u>\$ 394,341</u>	<u>\$3,265,776</u>	
Total Expenses, 2008	<u>\$ 2,372,142</u>	<u>\$ 352,577</u>	<u>\$ 385,601</u>	<u>\$3,110,320</u>	<u>\$ 1,680,516</u>	<u>\$ 283,283</u>	<u>\$1,963,799</u>		<u>\$5,074,119</u>

See independent auditors' report on additional information.

## THEATRE FOR A NEW AUDIENCE, INC.

## SCHEDULE OF OPERATING INCOME BEFORE DEPRECIATION

YEAR ENDED AUGUST 31, 2009

Revenues	\$ 873,179	
Public support	1,467,950	
Net assets released from restrictions	<u>579,005</u>	
Total Revenues and Support	2,920,134	
Less: Non-operating interest income	<u>(4,222)</u>	
Total Operating Revenues and Support		\$2,915,912
Less: Expenses		
Program Services	2,173,031	
Supporting Services		
Management and general	335,347	
Fundraising/special events	344,453	
Special events - cost of direct benefits to donors	<u>104,582</u>	
Total Expenses		<u>2,957,413</u>
Operating Loss Before Depreciation		(41,501)
Add: Transfer from Board-Designated Operating Reserve - fiscal year 2009 Support		21,660
Add: Transfer from Board-Designated Operating Reserve - Additional fiscal year 2009 Support		<u>19,841</u>
		<u>\$ -</u>

See independent auditors' report on additional information.

## THEATRE FOR A NEW AUDIENCE, INC.

## SCHEDULE OF CAPITAL CAMPAIGN ACTIVITY

FROM INCEPTION 1998 THROUGH AUGUST 31, 2009

	Stage 2		Stage 1			Totals
	Endowment	Capital Project	Artistic Growth Fund	Financial Stabilization Working Capital Reserve	Debt Retirement	
Board contributions	\$ -	\$4,614,635	\$2,764,590	\$100,000	\$ 340,000	\$ 7,819,225
Other individual contributions	-	205,389	50,000	-	-	255,389
Foundation contributions	91,871	6,298,495	405,000	450,000	-	7,245,366
Corporate contributions	-	30,000	-	-	-	30,000
Government contributions	-	55,000	-	75,000	-	130,000
Special event revenue	-	390,918	-	-	-	390,918
Stabilization loans (repaid)	-	-	-	-	65,000	65,000
Total Support	91,871	11,594,437	3,219,590	625,000	405,000	15,935,898
Interest income	-	12,056	68,025	-	-	80,081
Total Revenues and Support	91,871	11,606,493	3,287,615	625,000	405,000	16,015,979
Less: Transfers						
Capital project-capitalized	-	348,336	(348,336)	-	-	-
Capital project - fundraising and special events expense	-	(1,177,172)	(333,169)	-	-	(1,510,341)
Capital project - repay Artistic Growth Fund	-	(681,505)	681,505	-	-	-
Artistic expansion, net	-	-	(2,937,096)	-	-	(2,937,096)
Construction costs expensed	-	(1,504,396)	-	-	-	(1,504,396)
Strategic planning	-	(259,881)	-	-	-	(259,881)
Debt retirement	-	-	-	-	(405,000)	(405,000)
Management and general expense	-	(508,942)	-	-	-	(508,942)
	-	(3,783,560)	(2,937,096)	-	(405,000)	(7,125,656)
Net Assets as of August 31, 2009	\$ 91,871	\$7,822,933	\$ 350,519	\$625,000	\$ -	\$ 8,890,323

See independent auditors' report on additional information.