

Vanguard Theater Company

Financial Statements

June 30, 2022



NISIVOCCIA
ASSURANCE · TAX · ADVISORY

Vanguard Theater Company
Table of Contents
June 30, 2022

	<u>Page No.</u>
Independent Auditors' Report	1
<u>Financial Statements</u>	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7

Independent Auditors' Report

To the Board of Directors of
Vanguard Theater Company
Montclair, NJ 07042

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Vanguard Theater Company (a nonprofit organization) (“VTC”), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of VTC as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of VTC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

To the Board of Directors of
Vanguard Theater Company

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Vanguard Theater Company's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Nisiroccia LLP

Mt. Arlington, New Jersey
March 2, 2023

Vanguard Theater Company
Statement of Financial Position
June 30, 2022

Assets

Current assets:

Cash	\$	135,357
Accounts receivable		57,117
Grant receivable		5,000
Other receivable		3,067
Prepaid expenses		23,307
Total current assets		<u>223,848</u>

Property and equipment, net		<u>252,790</u>
Total assets	\$	<u><u>476,638</u></u>

Liabilities and Net Assets

Current liabilities:

Accounts payable	\$	20,141
Accrued expenses		18,875
Payroll liabilities		4,983
Current portion of note payable		1,919
Deferred revenue		107,707
Total current liabilities		<u>153,625</u>

Long-term liabilities:

Note payable, net of current portion		<u>118,081</u>
Total liabilities		271,706

Net assets:

Without donor restrictions		159,932
With donor restrictions		45,000
Total net assets		<u>204,932</u>

Total liabilities and net assets	\$	<u><u>476,638</u></u>
----------------------------------	----	-----------------------

Vanguard Theater Company
Statement of Activities
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Program revenues and contributed support:			
Program revenues:			
Tuition and related fees	\$ 200,532		\$ 200,532
Ticket sales	126,843		126,843
Concession sales	31,957		31,957
Rental income	12,230		12,230
Total program revenues	<u>371,562</u>		<u>371,562</u>
Contributed support:			
Grants	95,546		95,546
Contributions	389,790	\$ 45,000	434,790
Total contributed support	<u>485,336</u>	<u>45,000</u>	<u>530,336</u>
Total program revenues and contributed support	<u>856,898</u>	<u>45,000</u>	<u>901,898</u>
Expenses:			
Program services:			
Main stage	338,671		338,671
Educational	208,736		208,736
Residential camp	164,752		164,752
Total program services	<u>712,159</u>		<u>712,159</u>
Support services:			
General and administrative	84,540		84,540
Fundraising	71,735		71,735
Total support services	<u>156,275</u>		<u>156,275</u>
Total expenses	<u>868,434</u>		<u>868,434</u>
Change in net assets from operations	(11,536)	45,000	33,464
Non-operating:			
Forgiveness of debt	<u>60,000</u>		<u>60,000</u>
Change in net assets	48,464	45,000	93,464
Net assets, beginning of year	<u>111,468</u>		<u>111,468</u>
Net assets, end of year	<u>\$ 159,932</u>	<u>\$ 45,000</u>	<u>\$ 204,932</u>

See Accompanying Notes to Financial Statements

Vanguard Theater Company
Statement of Functional Expenses
Year Ended June 30, 2022

	Program Services				Supporting Services			Total Expenses
	Main Stage	Educational	Residential Camp	Total Program	General & Administrative	Fundraising	Total Support	
Personnel and Related Costs:								
Salaries and wages	\$ 36,088	\$ 16,051	\$ 15,750	\$ 67,889	\$ 18,743	\$ 13,243	\$ 31,986	\$ 99,875
Payroll taxes and employee benefits	5,217	2,362	2,264	9,843	2,750	1,882	4,632	14,475
Total personnel and related costs	41,305	18,413	18,014	77,732	21,493	15,125	36,618	114,350
Other:								
Contract labor	127,014	77,369	52,581	256,964	17,382	937	18,319	275,283
Space rental	31,763	31,763	24,513	88,039	3,529	3,529	7,058	95,097
Professional services	5,791	5,791	5,791	17,373	31,888	32,320	64,208	81,581
Set and education supplies	48,066	7,700	22,700	78,466				78,466
Sound and lighting	16,872	12,344	545	29,761				29,761
Performance rights	4,540	6,390	9,992	20,922				20,922
Office supplies	4,563	2,067	1,980	8,610	2,406	1,646	4,052	12,662
Video production	3,312	3,312	3,311	9,935		1,104	1,104	11,039
Technology	170	170	170	510	509	10,463	10,972	11,482
Marketing	3,649	1,728	5,366	10,743				10,743
Printing	2,800	2,839	2,500	8,139		1,000	1,000	9,139
Merchandise	3,719	2,224	1,307	7,250				7,250
Merchant fees	7,160		6,280	13,440				13,440
Travel			4,935	4,935				4,935
Dues and subscriptions	2,231	670	643	3,544	781	534	1,315	4,859
Insurance	1,355	1,355	1,355	4,065	451		451	4,516
Interest	1,880	1,879	1,879	5,638	687	550	1,237	6,875
Miscellaneous	3,411	3,652	890	7,953	3,113	2,226	5,339	13,292
Total expenses before depreciation and amortization	309,601	179,666	164,752	654,019	82,239	69,434	151,673	805,692
Depreciation and amortization expense	29,070	29,070		58,140	2,301	2,301	4,602	62,742
Total expenses	\$ 338,671	\$ 208,736	\$ 164,752	\$ 712,159	\$ 84,540	\$ 71,735	\$ 156,275	\$ 868,434

See Accompanying Notes to Financial Statements

Vanguard Theater Company
Statement of Cash Flows
Year Ended June 30, 2022

Cash flows from operating activities:	
Change in net assets	\$ 93,464
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	16,717
Amortization	46,025
Forgiveness of debt	(60,000)
Changes in operating assets and liabilities:	
Accounts receivable	(57,117)
Grant receivable	(5,000)
Other receivable	(3,067)
Prepaid expenses	(20,398)
Accounts payable	27,825
Accrued expenses	18,875
Payroll liabilities	698
Deferred revenue	9,373
Net cash provided by operating activities	<u>67,395</u>
Cash flows from investing activities:	
Purchase of property and equipment	<u>(36,997)</u>
Net cash used in investing activities	<u>(36,997)</u>
Net increase in cash	30,398
Cash, beginning of year	<u>104,959</u>
Cash, end of year	<u>\$ 135,357</u>

See Accompanying Notes to Financial Statements

1. Nature of Activities

Vanguard Theater Company (VTC), founded by two Black artists, provides equitable opportunity, training, and access to theater artists and audiences. VTC is changing the narrative through theater dedicated to DREAM: Diversity, Reciprocity, Education, Activism, and Mentorship. VTC creates a space for individuals of different racial and socio-economic backgrounds and life circumstances to address issues of social justice through theater.

VTC produced mainstage and youth productions, held Summer camps for young children and teenagers and launched a program to mentor young creative, production, and technical artists to create a pathway to professional work for those who have historically been underrepresented in the industry.

Mainstage and General:

Vanguard Theater Company (VTC) challenges conventional social and cultural narratives through theater dedicated to DREAM: Diversity, Reciprocity, Education, Activism, & Mentorship. The vision of the Organization is to be recognized as a model for purposeful inclusion of diverse voices and stories; casting and leadership that reflects our community, and partnerships that propel cross community conversations with non-arts organizations, including public, private and higher education, government entities, advocacy groups, and those serving populations with specific needs. Ultimately, VTC ensures that stories get told in ways that spark new thought and conversation about bias and its consequences. In fiscal year 2022, color-conscious casting and talk backs with local advocacy groups drew attention to mental health in the Black community through Vanguard's production of Next to Normal, and partnerships with LGBTQIA organizations during the production of Rent highlighted the continued struggle of people living with HIV-AIDS.

Education:

VTC identifies and helps develop the next generation of playwrights, composers, lyricists, performers, and stagecraft artists from races and communities that have historically faced institutional and structural barriers to mainstream musical theater. VTC's ongoing educational and training programming, which reaches more than 300 students annually, includes DREAM VTC, a "by audition" education and performance program for ages 12-18 that tours to sites serving populations with specific needs; and VTC Kids, which has education, summer camp, and performance components for ages 6-12. All VTC's education programs emphasize using the arts to give back to the community. The VTC signature mentorship programs are of critical importance in the efforts to challenge narratives.

Residential camp:

Summerstock, a three-week residential camp is an intensive, by-audition, performing arts experience for serious musical theater students, ages 12-19, in residence at a camp in NJ. Students learn critical theater skills and life lessons. For many, it is their first experience living and working outside of their socio-economic and demographic bubbles. For some, it is their first opportunity living in nature and engaging in traditional camp activities. The staff is led by professional actors and directors, and approximately 60 campers perform three fully produced shows in three weeks time. In addition to show rehearsals, campers take workshops in a variety of areas including: Songwriting, Shakespeare, Musical Theater Dance, Music Theory, Sight Reading, Character Analysis, and so much more. Recreational activities such as: swimming, boating, archery, hiking, and of course, nightly campfires, perfectly round out the camp experience.

2. Summary of Significant Accounting Policies

A summary of the significant accounting policies followed by VTC in the preparation of the accompanying financial statements is set forth below:

Accounting Method

The financial statements of VTC are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

VTC prepares its financial statements in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC"), *Accounting for Contributions Received and Made*, and *Presentation of Financial Statements of Not-for-Profit Entities*. *Presentation of Financial Statements of Not-for-Profit Entities* establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into two net asset categories: net assets with donor restrictions and net assets without donor restrictions.

Contributions that are restricted by the donor are reported as increases in net assets without donor restriction if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. In addition, the standard requires the presentation of qualitative information on how VTC manages its liquid available resources and liquidity risks. Quantitative information that communicates the availability of a nonprofit's financial assets at the statement of financial position date to meet cash needs for general expenditures within one year is required to be presented on the face of the financial statement and/or in the notes to the financial statements. *Accounting for Contributions Received and Made* requires that unconditional promises to give be recorded as receivables and revenue and requires VTC to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Accordingly, the net assets and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions are resources representing the portion of expendable funds available for support of VTC's programs and activities. These resources are not subject to donor-imposed stipulations. Net assets without donor restrictions also include those expendable resources which may have been designated for special use by the Board of Directors.

Net Assets with Donor Restrictions are net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of VTC or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. VTC had net assets with donor restrictions of \$45,000 as of June 30, 2022.

Revenue and Support Recognition

VTC's main sources of revenue are from tuition and related charges arising from its programmatic offerings, ticket sales, various forms of grants and contributions (contributed support), and concession sales. Grants and contributions, as well as special event contributions and support have been recorded in accordance with Topic 958.

Tuition and Related Fees, Ticket Sales and Concession Sales

In accordance with Topic 606, VTC recognizes revenue from qualifying exchange transactions when promised goods or services (referred to as performance obligations) are transferred to customers in an amount that reflects the consideration to which VTC expects to be entitled in exchange for those goods and services. The new standard uses a five-step model for recognizing and measuring revenue from contracts with customers, which includes identifying the contract with the customer, identifying the performance obligation(s) promised within the contract, determining the transaction price (the amount of consideration to which VTC expects to be entitled), allocating the transaction price to the performance obligations, and recognizing revenue when (or as) the performance obligations are satisfied.

Tuition and related fees are recognized by VTC in connection with its education and performance programmatic offerings such as classes and camps. The transaction price is assigned by VTC and varies by class or camp program. The transaction prices are not allocated as the services provided over the span of a class or camp are considered to be an integrated management service representing one performance obligation. As such, the performance obligation under these agreements is satisfied ratably over the period in which a class or camp is offered, as the customers receive the benefits provided as VTC performs the service. Fees collected in advance of the services being provided are initially recorded as deferred revenue and are recognized as revenue as the services are provided. Deferred revenue related to tuition and related fees totaled \$107,707 as of June 30, 2022. Tuition and related fee and ticket sales are only recognized as revenue when collection is assured.

Ticket and concession sales are recognized by VTC in connection with its theater productions. Services are generally provided at a point in time, when the production or event occurs. VTC charges a fee to attend the production or event, which is the compensation that VTC is entitled to. Each production or event is considered a single performance obligation as each service is distinct. The performance obligations under these arrangements are satisfied at a point in time when the respective production or event occurs. Amounts collected in advance of the services being provided are initially recorded as deferred revenue and are recognized as revenue as the services are provided. There was no deferred revenue related to ticket and concession sales as of June 30, 2022. Ticket and concession sales are only recognized as revenue when collection is assured.

Contributed Support

In accordance with ASC Subtopic 958-605, *Revenue Recognition*, VTC must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include a measurable performance-related barrier or other measurable barriers, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that VTC should not consider probability of compliance with the barrier when determining if such awards are conditional and they should be reported as conditional grant advance liabilities until such conditions are met. VTC did not receive conditional awards as of June 30, 2022.

Grants and contributions without donor restrictions are recorded as revenue when received or unconditionally pledged to VTC. Donor restricted grants and contributions with time or purpose restrictions are recognized as net assets with donor restrictions when received or unconditionally pledged. Net assets with donor restrictions are transferred to net assets without donor restrictions when they are used in accordance with donor restrictions. Donor restricted grants and contributions received and expended for their intended use in the same year are reflected as increases in net assets without donor restrictions.

Miscellaneous Income

Miscellaneous income is recognized as earned.

Disaggregation of Revenue

Revenue is disaggregated by timing of satisfaction of performance obligations. For the year ended June 30, 2022, performance obligations satisfied at a point in time was \$158,800. For the year ended June 30, 2022, performance obligations satisfied over time was \$200,532.

Revenue from performance obligations satisfied at a point in time is related to ticket sales & admission, food, and merchandise & canteen income. Revenue from performance obligations satisfied over time is related to tuition & registration and related fees.

Accounts, Grant, and Other Receivable and Provision for Uncollectible Accounts

Accounts, grant, and other receivable are stated at amounts management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to receivables. There was no allowance for uncollectible accounts established as of June 30, 2022, as management deemed all accounts and other receivable to be collectible as of the date of the financial statements.

Property and Equipment

Property and equipment are recorded at cost when purchased or at fair value at date of gift, when donated. Proceeds from the sale of fixed assets, if without restrictions, are transferred to net assets without donor restrictions, or, if restricted, to net assets with donor restrictions for fixed asset acquisitions. Depreciation is provided for by the straight-line method over the estimated useful lives of the assets. The capitalization policy is \$1,500 per item. Leasehold improvements are amortized over the term of the lease.

Maintenance, repairs, and renewals which neither materially add to the value of property nor appreciably prolong its life are charged to expenses as incurred. VTC continually evaluates whether current events or circumstances warrant adjustments to the carrying value or estimated useful lives of fixed assets in accordance with the provisions of *Accounting for the Impairment or Disposal of Long-Lived Assets*.

Deferred Revenue

Deferred revenue consists of amounts received in advance for services to be performed which will be recognized as income in future periods when the services are performed. As of June 30, 2022, deferred revenue amounted to \$107,707.

Income Taxes

VTC is an organization described under Section 501(c)(3) of the Internal Revenue Code (the "Code") and is therefore exempt from federal income taxes under Section 501(a) of the Code. VTC is also exempt under similar various state tax provisions. Accordingly, no provision for federal or state income tax has been presented in the accompanying financial statements. VTC follows the provisions of FASB ASC, *Income Taxes*. The standard prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in the financial statements. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition as they relate to those tax positions.

VTC does not expect a significant increase or decrease to the total amounts of unrecognized tax positions during the year ended June 30, 2022. However, VTC is subject to regular audit by tax authorities, including a review of its nonprofit status which management believes would be upheld upon examination. VTC believes that it has appropriate support for the positions taken on its tax returns. Nonetheless, the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts accrued for each year. As required by law, VTC files informational returns with the United States federal and the state of New Jersey on an annual basis. These returns are subject to examination by these authorities within certain statutorily defined periods established by the respective jurisdictions.

Contributed Services

VTC recognizes contributed services at their fair value if the services have value to VTC and require specialized skills, are provided by individuals possessing those skills, and would have been purchased if not provided by contributors. If these criteria are met, the related amounts are reported as both in-kind contribution revenue and expense in the statement of activities. Volunteers (including the Board of Directors) make significant contributions of time relative to general management and operations of VTC. The value of this contributed time is not reflected in these financial statements since it does not meet criteria for recognition under U.S. generally accepted accounting principles.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of activities. Expenses are charged to programs based on direct expenditures incurred. Any program expenditures not directly chargeable are allocated based on estimates made by management. Program costs are those related to the main stage, educational, and residential camp activities of VTC.

General and administrative expenses relate to administrative expenses associated with those programs and are allocated based on salary costs, infrastructure costs, and other methods considered by management to be reasonable. The expenses that are allocated include salaries and wages, payroll taxes and employee benefits, contract labor, space rental, professional services, office supplies, video production, technology, printing, dues and subscriptions, insurance, and miscellaneous other expenses, which are allocated on the basis of estimates of time, effort and usage. Set and education supplies, sound and lighting, and performance rights are allocated on a direct program basis. Fundraising includes the allocation of employees' salaries and other costs involved in fundraising based on methods considered by management to be reasonable.

Advertising

It is VTC's policy to expense advertising costs as incurred. There was no advertising expense for the year ended June 30, 2022.

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 the amounts of assets and liabilities, revenues and expenses and changes therein, and disclosures of contingent assets and contingent liabilities and accompanying notes. It is reasonably possible that VTC's estimates may change in the near term.

New Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases*, which requires all lessees to record a lease liability at lease inception, with a corresponding right of use asset, except for short-term leases. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021 with early adoption permitted. Management is currently evaluating the impact of the adoption of this guidance on VTC's financial statements.

Subsequent Events

Management has reviewed subsequent events and transactions that occurred after June 30, 2022 through the date of the independent auditors' report and the date the financial statements were available to be issued, March 2, 2023. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management has determined that there are no nonrecognized subsequent events that require additional disclosure.

3. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions or designations limiting their use, within one year of the statement of financial position date, are comprised of the following:

Financial assets:	
Cash	\$ 135,357
Accounts receivable	57,117
Grant receivable	5,000
Other receivable	3,067
Total financial assets	<u>200,541</u>
Less amounts not available to be used:	
Net assets with donor restrictions	<u>(45,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 155,541</u>

Vanguard Theater Company
Notes to Financial Statements
June 30, 2022

VTC has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

In addition to these available financial assets, a significant portion of VTC's annual expenditures will be funded by current year operating revenues including tuition and related charges arising from its programmatic offerings, ticket sales, various forms of grants and contributions (contributed support), and concession sales.

4. Property and Equipment

Property and equipment and their related estimated useful lives at June 30, 2022 are as follows:

<u>Assets</u>	<u>Estimated Useful Life (Years)</u>	
Costumes, props, sets	3	\$ 29,063
Furniture and fixtures	7	8,762
Lighting/Projection equipment	7	63,723
Sound equipment	8	16,191
Leasehold improvements	5	240,983
		<u>358,722</u>
Less: accumulated depreciation and amortization		<u>(105,932)</u>
		<u>\$ 252,790</u>

Depreciation and amortization expense charged to operations for the year ended June 30, 2022 totaled \$62,742.

5. Prepaid Expenses

Prepaid expenses at June 30, 2022 consisted of the following:

Prepaid insurance	\$ 849
Prepaid stipends	3,507
Prepaid Summerstock Camp expenses	16,951
Prepaid maintenance and repairs	2,000
	<u>\$ 23,307</u>

6. Leases

On March 2, 2020, VTC entered into a lease agreement for office and programmatic space which expires March 31, 2023. On April 13, 2021, VTC agreed to a lease addendum that states the lease will now expire on March 31, 2025.

Vanguard Theater Company
Notes to Financial Statements
June 30, 2022

VTC also entered into rental agreement on September 3, 2021, for storage space. The lease states it will expire July 3, 2025. Basic monthly rent required under the lease is \$355.

The following is a schedule of future minimum lease payments at June 30, 2022:

<u>Year Ending</u> <u>June 30,</u>	<u>Amount</u>
2023	\$ 71,160
2024	73,860
2025	56,461
	<u>\$ 201,481</u>

Total rent expense charged to operations for the year ended June 30, 2022 was \$75,780.

7. COVID-19 Economic Injury Disaster Loan

In May 2020, VTC applied for and received funding from the Economic Injury Disaster Loan (EIDL) Program funding through the Small Business Administration (SBA) in the amount of \$120,000 and recognized it as a note payable. The EIDL program is designed to provide economic relief to businesses that are currently experiencing a temporary loss of revenue due to coronavirus (COVID-19). The proceeds of the loan must be used to meet working capital & normal operating expenses. The loan is secured by collateral as defined in the loan agreement. This loan is not intended to be forgivable and the first payment is deferred for twelve months from the date of the loan. Effective March 15, 2022, due to the continued adverse effects of the COVID-19 emergency, all COVID EIDLs have a total deferment of 30 months from the date of the Note. Therefore, installment payments, including principal and interest, will begin November 22, 2022 for VTC. Interest will continue to accrue on COVID-EIDL loans during the deferment.

The balance of principal and interest will be payable by May 2050. Installment payments, including principal and interest of \$513 are due monthly, and accrue interest at a rate of 2.75% per year. There is \$6,875 accrued interest included in the statement of financial position on this note as of June 30, 2022.

Vanguard Theater Company
Notes to Financial Statements
June 30, 2022

Principal amounts due for each of the five years subsequent to June 30, 2022, are as follows:

Year ended June 30,	
2023	\$ 1,919
2024	2,946
2025	3,028
2026	3,112
2027	3,199
Thereafter	<u>105,796</u>
Total	<u><u>\$ 120,000</u></u>

8. Concentrations of Credit Risk and Funding Sources

At June 30, 2022, approximately 96% of the accounts receivable balance is from two donors.

During the year ended June 30, 2022, approximately 28% of total revenue was from two donors.

VTC deposits its cash in accounts with major banking institutions. At times, such amounts may be in excess of FDIC insurance limits. Management believes that VTC has no significant risk of loss on these accounts due to the failure of the institutions.

As reflected in the statement of activities, VTC receives substantial support from fundraising and contributions from individuals, corporations and foundations. Although no funding source is guaranteed, VTC believes that based upon past history and the continued monitoring of the diverse funding sources by management there is not a significant risk to the VTC's funding streams in total.

9. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes as June 30, 2022:

Restricted for specified purpose:

Broadway on Bloomfield	\$ 5,000
Restricted for the passage of time	<u>40,000</u>
	<u><u>\$ 45,000</u></u>

10. Forgiveness of Debt

During the year ended June 30, 2020 the managing director of VTC made a non-interest bearing advance of \$60,000. During the fiscal year ended June 30, 2022, the managing director forgave this loan and it has been recognized as forgiveness of debt in the statement of activities. VTC used the loan to pay their lease obligations as they came due (see Note 6).

11. Related Parties

The following related party transactions took place during the year ended June 30, 2022:

During fiscal year 2020, the managing director of VTC made a \$60,000 non-interest bearing advance to pay for a portion of a required prepayment associated with VTC's lease commitment. On September 30, 2021, the managing director of VTC gave formal notification to VTC that the entire \$60,000 loan made was being forgiven.

During the year ended June 30, 2022, VTC's Managing Director made contributions to VTC totaling \$160,000. \$60,000 of the total contributions made by VTC's Managing Director during the year ended June 30, 2022 is related to the forgiveness of debt discussed in Note 10.

12. Commitments and Contingencies

VTC received funding under the United States Small Business Administration's ("SBA") Paycheck Protection Program (PPP) in April 2020 and February 2021. VTC received full forgiveness of the PPP funding and recognized the government – grant PPP as revenue in 2021. The SBA reserves the right to audit PPP funding forgiveness for ten years from the date the forgiveness was awarded.

13. Risks and Uncertainties

VTC charges for performances and receives support from a government grant, contributions from interested individuals (including board and committee members), corporations, and foundation grants. VTC receives a substantial amount of its support from these sources. Accordingly, there is no guarantee that such support would continue and thus a significant reduction in the level of support, if this were to occur, would have an adverse effect on VTC's programs and activities.

The Coronavirus Disease 2019 ("COVID-19") global pandemic has created stock market volatility, economic uncertainties, and other uncertainties that have impacted Vanguard Theater Company's operations, financial statements, and cash flows. The extent of the impact in the future will depend on certain developments, including the duration and extent of the pandemic and mitigation measures implemented in the United States and New Jersey, impact on Vanguard Theater Company's members, employees, and donors all of which are uncertain and cannot be predicted. While the disruption is currently expected to be temporary, the ongoing financial impact and duration cannot be reasonably estimated at this time.