



VANGUARD THEATER COMPANY

**FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

VANGUARD THEATER COMPANY

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June 30, 2020 and 2019

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Independent Auditor's Report

To the Board of Trustees of
Vanguard Theater Company:

Report on the Financial Statements

We have audited the accompanying financial statements of Vanguard Theater Company (a New Jersey corporation, not for profit) (VTC), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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 Vanguard Theater Company as of June 30, 2020 and 2019, 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.

Three-Kay Consulting, LLC

Boston, Massachusetts
December 18, 2020

VANGUARD THEATER COMPANYStatements of Financial Position
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Current Assets:		
Cash	\$ 196,994	\$ 44,908
Grant receivable	-	3,750
Prepaid expenses and other	51,500	44,076
Total current assets	248,494	92,734
Property and equipment, net	14,393	14,725
Total assets	<u>\$ 262,887</u>	<u>\$ 107,459</u>
Liabilities and Net Assets		
Current Liabilities:		
Current portion of accounts payable and accrued expenses	\$ 8,035	\$ 39,242
Current portion of note payable	232	-
Advance program revenue	24,451	82,248
Total current liabilities	32,718	121,490
Long-Term Liabilities		
Accounts payable and accrued expenses, net of current portion	60,000	-
Note payable, net of current portion	119,768	-
Payroll Protection Program Loan	15,150	-
Total long-term liabilities	194,918	-
Total liabilities	<u>227,636</u>	<u>121,490</u>
Net Assets:		
Without donor restrictions	35,251	(44,167)
With donor restrictions	-	30,136
Total net assets	<u>35,251</u>	<u>(14,031)</u>
Total liabilities and net assets	<u>\$ 262,887</u>	<u>\$ 107,459</u>

VANGUARD THEATER COMPANY

Statements of Activities and Changes in Net Assets
For the Years Ended June 30, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Program Revenues and Contributed Support:						
Program revenues:						
Tuition and related fees	\$ 245,156	\$ -	\$ 245,156	\$ 204,096	\$ -	\$ 204,096
Ticket sales	50,889	-	50,889	49,641	-	49,641
Concession sales	25,430	-	25,430	28,040	-	28,040
Miscellaneous income	377	-	377	23	-	23
Total program revenues	<u>321,852</u>	<u>-</u>	<u>321,852</u>	<u>281,800</u>	<u>-</u>	<u>281,800</u>
Contributed support:						
Grants and contributions	108,860	-	108,860	47,332	30,136	77,468
Special event contributions and support	62,097	-	62,097	39,471	-	39,471
Donated revenue	59,783	-	59,783	42,500	-	42,500
Net assets released from program restrictions	30,136	(30,136)	-	-	-	-
Total contributed support	<u>260,876</u>	<u>(30,136)</u>	<u>230,740</u>	<u>129,303</u>	<u>30,136</u>	<u>159,439</u>
Total program revenue and contributed support	<u>582,728</u>	<u>(30,136)</u>	<u>552,592</u>	<u>411,103</u>	<u>30,136</u>	<u>441,239</u>
Expenses:						
Program expenses:						
Theater	188,363	-	188,363	193,701	-	193,701
Camp	211,153	-	211,153	156,442	-	156,442
Total program expenses	<u>399,516</u>	<u>-</u>	<u>399,516</u>	<u>350,143</u>	<u>-</u>	<u>350,143</u>
General and administrative	52,401	-	52,401	31,585	-	31,585
Fundraising	51,393	-	51,393	30,621	-	30,621
Total support expenses	<u>103,794</u>	<u>-</u>	<u>103,794</u>	<u>62,206</u>	<u>-</u>	<u>62,206</u>
Total expenses	<u>503,310</u>	<u>-</u>	<u>503,310</u>	<u>412,349</u>	<u>-</u>	<u>412,349</u>
Changes in net assets	<u>79,418</u>	<u>(30,136)</u>	<u>49,282</u>	<u>(1,246)</u>	<u>30,136</u>	<u>28,890</u>
Net Assets:						
Beginning of year	<u>(44,167)</u>	<u>30,136</u>	<u>(14,031)</u>	<u>(42,921)</u>	<u>-</u>	<u>(42,921)</u>
End of year	<u>\$ 35,251</u>	<u>\$ -</u>	<u>\$ 35,251</u>	<u>\$ (44,167)</u>	<u>\$ 30,136</u>	<u>\$ (14,031)</u>

The accompanying notes are an integral part of these statements.

VANGUARD THEATER COMPANY

Statements of Cash Flows

For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 49,282	\$ 28,890
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	5,630	4,549
Changes in operating assets and liabilities:		
Grant receivable	3,750	(3,750)
Prepaid expenses and other	(7,424)	(34,978)
Accounts payable and accrued expenses	28,793	16,350
Advance program revenue	(57,797)	31,415
Net cash provided by operating activities	<u>22,234</u>	<u>42,476</u>
Cash Flows from Investing Activities:		
Purchase of property and equipment	<u>(5,298)</u>	<u>(14,031)</u>
Cash Flows from Financing Activities:		
Proceeds from note payable	120,000	-
Proceeds from Payroll Protection Program Loan	<u>15,150</u>	<u>-</u>
Net cash provided by financing activities	<u>135,150</u>	<u>-</u>
Net Change in Cash	152,086	28,445
Cash:		
Beginning of year	<u>44,908</u>	<u>16,463</u>
End of year	<u>\$ 196,994</u>	<u>\$ 44,908</u>

VANGUARD THEATER COMPANY

Statement of Functional Expenses

For the Year Ended June 30, 2020

(With Summarized Comparative Totals for the Year Ended June 30, 2019)

	2020						2019	
	Program			Support			Total	Total
	Theater	Camp	Total Program	General and Administrative	Fundraising	Total Support		
Personnel and Related Costs:								
Subcontract services	\$ 73,146	\$ 64,411	\$ 137,557	\$ 3,666	\$ 4,496	\$ 8,162	\$ 145,719	\$ 133,305
Payroll	16,110	18,059	34,169	5,047	4,950	9,997	44,166	56,999
Payroll taxes and employee benefits	1,402	1,572	2,974	439	431	870	3,844	8,038
Total personnel and related costs	<u>90,658</u>	<u>84,042</u>	<u>174,700</u>	<u>9,152</u>	<u>9,877</u>	<u>19,029</u>	<u>193,729</u>	<u>198,342</u>
Other:								
Space rental	34,559	70,504	105,063	1,886	1,849	3,735	108,798	66,820
Supplies and equipment	22,189	22,276	44,465	404	-	404	44,869	25,505
Special events	-	-	-	-	38,625	38,625	38,625	21,687
Professional services	-	-	-	25,198	-	25,198	25,198	11,135
Scholarships	19,295	-	19,295	-	-	-	19,295	22,400
Merchant fees	-	16,952	16,952	-	-	-	16,952	11,471
Sound and lighting	1,806	10,122	11,928	-	-	-	11,928	9,482
Subscriptions and royalties	9,027	-	9,027	-	-	-	9,027	12,074
Miscellaneous	1,806	799	2,605	6,389	-	6,389	8,994	13,639
Insurance	-	-	-	6,466	-	6,466	6,466	4,955
Depreciation	5,630	-	5,630	-	-	-	5,630	4,549
Advertising	1,827	2,048	3,875	572	561	1,133	5,008	3,090
Printing and postage	1,566	1,756	3,322	740	481	1,221	4,543	6,047
Travel	-	2,654	2,654	1,594	-	1,594	4,248	1,153
Total other	<u>97,705</u>	<u>127,111</u>	<u>224,816</u>	<u>43,249</u>	<u>41,516</u>	<u>84,765</u>	<u>309,581</u>	<u>214,007</u>
Total operating expenses	<u>\$ 188,363</u>	<u>\$ 211,153</u>	<u>\$ 399,516</u>	<u>\$ 52,401</u>	<u>\$ 51,393</u>	<u>\$ 103,794</u>	<u>\$ 503,310</u>	<u>\$ 412,349</u>

VANGUARD THEATER COMPANY

Statement of Functional Expenses
For the Year Ended June 30, 2019

	Program			Support			Total
	Theater	Camp	Total Program	General and Administrative	Fundraising	Total Support	
Personnel and Related Costs:							
Subcontract services	\$ 68,476	\$ 60,333	\$ 128,809	\$ 1,597	\$ 2,899	\$ 4,496	\$ 133,305
Payroll	26,311	21,250	47,561	4,792	4,646	9,438	56,999
Payroll taxes and employee benefits	3,710	2,997	6,707	676	655	1,331	8,038
Total personnel and related costs	<u>98,497</u>	<u>84,580</u>	<u>183,077</u>	<u>7,065</u>	<u>8,200</u>	<u>15,265</u>	<u>198,342</u>
Other:							
Space rental	30,419	35,692	66,111	709	-	709	66,820
Supplies and equipment	14,946	10,025	24,971	534	-	534	25,505
Special events	-	-	-	-	21,687	21,687	21,687
Professional services	-	-	-	11,135	-	11,135	11,135
Scholarships	14,650	7,750	22,400	-	-	-	22,400
Merchant fees	6,610	4,861	11,471	-	-	-	11,471
Sound and lighting	3,885	5,597	9,482	-	-	-	9,482
Subscriptions and royalties	12,074	-	12,074	-	-	-	12,074
Miscellaneous	3,063	4,582	7,645	5,994	-	5,994	13,639
Insurance	-	-	-	4,955	-	4,955	4,955
Depreciation	4,549	-	4,549	-	-	-	4,549
Advertising	1,426	1,152	2,578	260	252	512	3,090
Printing and postage	2,727	2,203	4,930	635	482	1,117	6,047
Travel	855	-	855	298	-	298	1,153
Total other	<u>95,204</u>	<u>71,862</u>	<u>167,066</u>	<u>24,520</u>	<u>22,421</u>	<u>46,941</u>	<u>214,007</u>
Total operating expenses	<u>\$ 193,701</u>	<u>\$ 156,442</u>	<u>\$ 350,143</u>	<u>\$ 31,585</u>	<u>\$ 30,621</u>	<u>\$ 62,206</u>	<u>\$ 412,349</u>

VANGUARD THEATER COMPANY

Notes to Financial Statements
June 30, 2020 and 2019

1. OPERATIONS AND NONPROFIT STATUS

Operations

Vanguard Theater Company (VTC) is a New Jersey nonprofit corporation established for purposes of addressing the lack of diversity in traditional theater casting and training. VTC produces original, collaborative, and re-imagined theater through non-traditional and multicultural casting. All work conducted by VTC is carried out with a dedication to diversity, reciprocity, education, awareness and mentorship.

Nonprofit Status

VTC is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). VTC is also exempt from state income taxes. Donors may deduct contributions made to VTC within the requirements of the IRC.

2. SIGNIFICANT ACCOUNTING POLICIES

VTC prepares its financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Accounting Principle Adoptions

Revenue from Contracts with Customers

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Topic 606 supersedes the revenue recognition requirements in Topic 605, *Revenue Recognition*, and requires the reporting entity to recognize revenues when control of promised goods or services is transferred to customers and at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. On July 1, 2019, VTC adopted Topic 606 using the modified retrospective method applied to those contracts which were not completed as of July 1, 2019 (the practical expedient elected). Results for reporting periods beginning after July 1, 2019, are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with VTC's historic accounting under Topic 605.

There were no material changes in the timing of recognition of revenue as a result of this adoption and, therefore, there was no adjustment to the opening balance of net assets without donor restrictions. VTC does not expect the adoption of the new revenue standard to have a significant impact on its changes in net assets on an ongoing basis.

Contributions Received and Contributions Made

In addition, during fiscal year 2020, VTC adopted FASB's ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU assists organizations in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities. VTC adopted ASU 2018-08 using a modified prospective method effective July 1, 2019. Under the modified prospective method, this ASU only applies to agreements not completed or entered into (revenue or expense that has not yet been recognized) as of July 1, 2019. As a result, the fiscal year 2019 financial statements are not restated and there was no cumulative-effect adjustment to beginning net assets as of July 1, 2019.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value Measurements

VTC follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that VTC would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

VTC uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of VTC. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available.

The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

- Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.
- Level 2: Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3: Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. The carrying value of VTC's assets do not differ materially from their estimated fair value and are considered Level 1 in the fair value hierarchy.

Allowance for Doubtful Accounts and Grant Receivable

An allowance for potentially uncollectible receivables is provided based on management's judgement of potential defaults. Account balances are charged off against the allowance when they are determined to be uncollectible. Based on management's analysis, there was no allowance for doubtful accounts deemed necessary as of June 30, 2020 and 2019.

VANGUARD THEATER COMPANY

Notes to Financial Statements
June 30, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment are recorded at cost when purchased or fair value at the date of donation. Renewals and betterments are capitalized, while repairs and maintenance are expensed as incurred. Property and equipment consists production and audio equipment totaling \$28,903 and \$23,605, respectively, and is shown net of accumulated depreciation totaling \$14,510 and \$8,880, respectively, in the accompanying statements of financial position. Depreciation is computed using the straight-line method over the following estimated useful lives:

Production equipment	3 years
Audio equipment	7 years

VTC accounts for the carrying value of its property and equipment in accordance with ASC Topic, *Property, Plant and Equipment*. VTC reviews its property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of such property and equipment may not be recoverable. If the property and equipment is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the property and equipment exceeds its fair value. There were no impairment losses recognized during the years ended June 30, 2020 or 2019.

Net Assets

Without Donor Restrictions - Net assets without donor restrictions are those net resources that bear no external restrictions and generally are available for use by VTC.

With Donor Restrictions - Net assets with donor restrictions are those amounts received or committed with donor restrictions for a specific period or purpose. These contributions are recorded as net assets with donor restrictions until the time restriction lapses or the funds are expended for their designated purpose. No net assets were restricted by donors as of June 30, 2020. Net assets with donor restrictions were restricted for program services as of June 30, 2019.

Revenue 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 (see page 10).

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.

VANGUARD THEATER COMPANY

Notes to Financial Statements
June 30, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Tuition and Related Fees, Ticket Sales and Concession Sales (Continued)

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 advance program revenue and are recognized as revenue as the services are provided. Advance program revenue related to tuition and related fees totaled \$24,451 and \$82,248 as of June 30, 2020 and 2019, respectively. 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, 2020 and 2019. 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, 2020 and 2019.

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.

VANGUARD THEATER COMPANY

Notes to Financial Statements
June 30, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Revenue

VTC receives services from many volunteers in various aspects of its programs. The value of these services is not reflected in the accompanying financial statements, since it does not meet the recognition criteria in accordance with U.S. GAAP.

VTC received donated goods and services it would otherwise pay for in connection with its programs and administrative functions. The value of the donated revenue is determined by the donor or an estimate of the fair value of the goods and services and was comprised of the following for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Subcontracted services	\$ 32,083	\$ 19,000
Special event goods and services	12,200	8,000
Space rental	10,500	10,500
Professional services	<u>5,000</u>	<u>5,000</u>
	<u>\$ 59,783</u>	<u>\$ 42,500</u>

Advertising

Advertising costs are expensed as incurred by VTC.

Expense Allocation

Expenses related directly to a program are distributed to that program, while other expenses are allocated to programs based upon management's estimate of the percentage attributable to each function. The financial statements contain certain categories of expenses that are attributable to program and supporting functions. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include payroll, payroll taxes and employee benefits, subcontract services, supplies and equipment, sound and lighting, and printing and postage, which are allocated based on an estimate of time and level of effort spent on VTC's program and supporting functions.

Income Taxes

VTC accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. VTC has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at June 30, 2020 or 2019. VTC's information returns are subject to examination by the Federal and state jurisdictions.

Subsequent Events

Subsequent events have been evaluated through December 18, 2020, which is the date the financial statements were available to be issued. There was one event that met the criteria for recognition or disclosure in the financial statements (see Note 8).

VANGUARD THEATER COMPANY

Notes to Financial Statements
June 30, 2020 and 2019

3. LEASE COMMITMENT

In March 2020, VTC entered into an operating lease agreement for office and programmatic space that expires in March 2023. Upon commencement of the lease, VTC was required to prepay twelve months of lease obligations totaling \$66,000, of which three months totaling \$16,500 was incurred through June 30, 2020 and is included in space rental in the accompanying 2020 statement of functional expenses. The remaining \$49,500 is included in prepaid and other in the accompanying statement of financial position as of June 30, 2020.

Future minimum lease payments, after the prepayment described above, are as follows for the years ended June 30:

2021	\$ 17,400
2022	70,200
2023	<u>54,000</u>
	<u>\$ 141,600</u>

4. LIQUIDITY

Financial assets available for use by VTC within one year from the statement of financial position date consists of cash and grant receivable, totaling \$196,994 and \$48,658 as of June 30, 2020 and 2019, respectively.

VTC has a policy to structure its financial assets to be available and liquid as its obligations become due. As of June 30, 2020 and 2019, VTC has financial assets equal to approximately five months and two months, respectively, of operating expenses, before depreciation and donated expenses.

5. PAYROLL PROTECTION PROGRAM LOAN

VTC applied for and was awarded a forgivable loan of \$15,150 from the Payroll Protection Program established by the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The funds are to be used to pay certain payroll costs, including benefits, as well as rent and utilities during a twenty-four-week period ending in November 2020 (the covered period) as defined in the CARES Act. All or a portion of these funds may be forgiven, as defined in the agreement, at the end of the covered period and the remainder of the funds, if any, will be due over a two-year period with interest at 1%. Any repayment will be deferred until December 2020, when the note, plus interest, will be due in equal monthly payments through May, 2022. There are no covenants to comply with and the note is not secured by any collateral as of June 30, 2020. There was no accrued interest on the this note as of June 30, 2020, as it would be immaterial to the overall financial statements.

6. NOTE PAYABLE

In May 2020, VTC applied for and was awarded a \$120,000 loan from the Economic Injury Disaster Loan Program established by the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The funds are to be used to meet working capital needs that cannot otherwise be met due to the impact of the COVID-19 pandemic. This note bears interest at 2.75% and is due in monthly principal and interest payments of \$513 beginning May 2021 through May 2050. The note is secured by all assets of VTC. There was no accrued interest on the this note as of June 30, 2020, as it would be immaterial to the overall financial statements.

VANGUARD THEATER COMPANY

Notes to Financial Statements
June 30, 2020 and 2019

6. NOTE PAYABLE (Continued)

Future minimum principal payments are as follows for the years ended June 30:

2021	\$ 232
2022	\$ 2,820
2023	\$ 2,898
2024	\$ 2,979
2025	\$ 3,062

7. CONCENTRATIONS

VTC maintains its cash balances in New Jersey banks, which are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain amounts. VTC has not experienced any losses in such accounts and it not exposed to any significant credit risk on its cash balances.

8. RELATED PARTY TRANSACTIONS

The following related party transactions took place during the years ended June 30, 2020 and 2019:

- During fiscal year 2020, an employee of VTC provided a \$60,000 non-interest bearing advance to pay for a portion of a required prepayment associated with VTC's lease commitment (see Note 3). This advance was to be repaid in monthly installments of \$1,000 over 60 months, beginning July 2020. Subsequent to year end, VTC amended their agreement with the employee, whereby monthly payments totaling \$1,000 commence in January 2022. As of June 30, 2020, the balance owed to this employee totaled \$60,000, and is reflected as accounts payable and accrued expenses, net of current portion in the accompanying 2020 statement of financial position.
- During fiscal year 2019, the husband of VTC's Artistic Director and Founder provided services totaling \$6,900 relating to the theater program.
- During fiscal year 2019, a Board member of VTC provided services totaling \$7,450 related to the camp program. As of June 30, 2019, the balance owed to this Board member totaled \$2,000 and is included in accounts payable and accrued expenses in the accompanying 2019 statement of financial position.

9. CONTINGENCY

In March 2020, the COVID-19 pandemic in the United States has caused business disruption and a reduction in economic activity. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration and the impact it will have on VTC's operations and financial position. Any financial impact to VTC, if any, cannot be reasonably estimated at this time.

10. RECLASSIFICATION

Certain amounts in the fiscal year 2019 financial statements have been reclassified to conform with the 2020 presentation.