Vanguard Theater Company

Financial Statements

June 30, 2023

(With Summarized Comparative Totals for 2022)

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Vanguard Theater Company
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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, 2023, 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, 2023, 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.

Change in Accounting Principle

As discussed in Notes 2 and 9 to the financial statements, VTC changed its method of accounting for leases as of July 1, 2022 due to the adoption of Accounting Standard Codification Topic 842, *Leases*. Our opinion is not modified with respect to this matter.

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.

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 VTC'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.

To the Board of Directors of
Vanguard Theater Company

Report on Summarized Comparative Information

We have previously audited Vanguard Theater Company's June 30, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 2, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Nisivoccia LLP

Mt. Arlington, New Jersey
February 19, 2024

Vanguard Theater Company
Statement of Financial Position
June 30, 2023 and 2022

Assets	2023	2022
Current assets:		
Cash	$ 34,095	$ 135,357
Accounts receivable	4,069	5,184
Contribution receivable	76,250	60,000
Grant receivable	10,000	
Prepaid expenses	22,003	23,307
Total current assets	146,417	223,848
Right of use asset - operating lease	125,748	
Property and equipment, net	211,419	252,790
Total assets	$ 483,584	$ 476,638
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	$ 29,842	$ 32,141
Accrued expenses	23,315	6,875
Payroll liabilities	8,669	4,983
Current portion of note payable	4,865	1,919
Deferred revenue	143,477	107,707
Operating lease liability	71,326	
Total current liabilities	281,494	153,625
Long-term liabilities:		
Note payable, net of current portion	115,135	118,081
Operating lease liability, net of current portion	56,258	
Total liabilities	452,887	271,706
Net assets:		
Without donor restrictions	9,247	159,932
With donor restrictions	21,450	45,000
Total net assets	30,697	204,932
Total liabilities and net assets	$ 483,584	$ 476,638

Vanguard Theater Company
Statement of Activities
Year Ended June 30, 2023 and 2022

	Without Donor Restrictions	With Donor Restrictions	2023	2022
Program revenues and contributed support:				
Program revenues:				
Tuition and related fees	$ 273,082		$ 273,082	$ 200,532
Ticket sales	128,715		128,715	126,843
Concession sales	60,436		60,436	31,957
Rental income	5,460		5,460	12,230
Special event revenue	25,550		25,550	
Program Ads income	3,575		3,575	
Total program revenues	496,818		496,818	371,562
Contributed support:				
Grants	40,000		40,000	95,546
Contributions	511,158	$ 1,450	512,608	434,790
Net assets released from program restrictions	25,000	(25,000)		
Total contributed support	576,158	(23,550)	552,608	530,336
Total program revenues and contributed support	1,072,976	(23,550)	1,049,426	901,898
Expenses:				
Program services:				
Main stage	526,332		526,332	338,671
Educational	214,384		214,384	208,736
Residential camp	245,427		245,427	164,752
Total program services	986,143		986,143	712,159
Support services:				
General and administrative	129,702		129,702	84,540
Fundraising	107,816		107,816	71,735
Total support services	237,518		237,518	156,275
Total expenses	1,223,661		1,223,661	868,434
Change in net assets from operations	(150,685)	(23,550)	(174,235)	33,464
Non-operating:				
Forgiveness of debt				60,000
Change in net assets	(150,685)	(23,550)	(174,235)	93,464
Net assets, beginning of year	159,932	45,000	204,932	111,468
Net assets, end of year	$ 9,247	$ 21,450	$ 30,697	$ 204,932

Vanguard Theater Company
Statement of Functional Expenses
Year Ended June 30, 2023
(With Summarized Comparative Totals for the Year Ended June 30, 2022)

	Program Services				Supporting Services			2023	2022
	Main Stage	Educational	Residential Camp	Total Program	General & Administrative	Fundraising	Total Support	Total	Total
Personnel and Related Costs:									
Salaries and wages	$ 81,816	$ 29,632	$ 22,295	$ 133,743	$ 27,542	$ 17,899	$ 45,441	$ 179,184	$ 99,875
Payroll taxes and employee benefits	16,663	6,035	4,541	27,239	5,610	3,645	9,255	36,494	14,475
Total personnel and related costs	98,479	35,667	26,836	160,982	33,152	21,544	54,696	215,678	114,350
Other:									
Contract labor	195,804	38,502	112,237	346,543	11,452	1,734	13,186	359,729	275,283
Space rental, occupancy & related costs	43,588	38,908	67,000	149,496	5,466	3,911	9,377	158,873	95,097
Camp dining		1,868	10,212	12,080				12,080	
Professional services	835	835	835	2,505	39,059	36,826	75,885	78,390	81,581
Set and education supplies	68,742	25,062	8,284	102,088	6,514	666	7,180	109,268	78,466
Sound and lighting	15,352	4,683		20,035	2,073	80	2,153	22,188	29,761
Performance rights	17,718	1,511	12	19,241				19,241	20,922
Office supplies	12,984	8,602	531	22,117	8,795	406	9,201	31,318	12,662
Video production	8,825	2,538	4,113	15,476	1,651	1,425	3,076	18,552	11,039
Technology	2,219	2,162	2,175	6,556	409	4,535	4,944	11,500	11,482
Marketing and advertising	9,607	5,502	4,978	20,087		2,407	2,407	22,494	10,743
Printing	6,820	2,880	1,507	11,207	1,673	1,474	3,147	14,354	9,139
Merchandise	5,622	2,009	1,208	8,839	115		115	8,954	7,250
Merchant fees	1	3,946	833	4,780	6,238		6,238	11,018	13,440
Travel	2,729	300		3,029	406		406	3,435	4,935
Dues and subscriptions					2,607		2,607	2,607	4,859
Insurance	1,429	1,429	1,429	4,287	476		476	4,763	4,516
Interest	728	728	729	2,185				2,185	6,875
Special event	985			985	1,373	30,467	31,840	32,825	
Miscellaneous	2,766	6,153	2,508	11,427	5,902		5,902	17,329	13,292
Total expenses before depreciation and amortization	495,233	183,285	245,427	923,945	127,361	105,475	232,836	1,156,781	805,692
Depreciation and amortization expense	31,099	31,099		62,198	2,341	2,341	4,682	66,880	62,742
Total expenses	$ 526,332	$ 214,384	$ 245,427	$ 986,143	$ 129,702	$ 107,816	$ 237,518	$ 1,223,661	$ 868,434

Vanguard Theater Company
Statement of Cash Flows
Year Ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	$ (174,235)	$ 93,464
Adjustments to reconcile change in net assets to net		
cash provided by (used in) operating activities:		
Depreciation	17,506	16,717
Amortization	49,374	46,025
Forgiveness of debt		(60,000)
Changes in operating assets and liabilities:		
Accounts receivable	1,115	(60,184)
Contribution receivable	(16,250)	(5,000)
Grant receivable	(10,000)	
Prepaid expenses	1,304	(20,398)
Accounts payable	(2,299)	27,825
Accrued expenses	16,440	18,875
Payroll liabilities	3,686	698
Deferred revenue	35,770	9,373
Operating lease asset and liability	1,836	
Net cash provided by (used in) operating activities	(75,753)	67,395
Cash flows from investing activities:		
Purchase of property and equipment	(25,509)	(36,997)
Net cash used in investing activities	(25,509)	(36,997)
Net increase (decrease) in cash	(101,262)	30,398
Cash, beginning of year	135,357	104,959
Cash, end of year	$ 34,095	$ 135,357

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 2023, color-conscious casting and talk backs with mental health professionals drew attention to mental health, sex education and access to reproductive healthcare, and instances of suicide in communities of color, through VTC's productions of Spring Awakening and Passing Strange.

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, an 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 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. As of June 30, 2023 and 2022, VTC had net assets with donor restrictions of $21,450 and $45,000, respectively.

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. As of June 30, 2023 and 2022, deferred revenue related to tuition and related fees totaled $143,477 and $107,707, respectively. Tuition and related fees 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, 2023 and 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, 2023 and 2022.

Foundation 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, 2023 and 2022, performance obligations satisfied at a point in time was $192,726 and $158,800, respectively. For the year ended June 30, 2023 and 2022, performance obligations satisfied over time was $273,082 and $200,532, respectively.

Revenue from performance obligations satisfied at a point in time is related to ticket sales, program ads income, and concession sales. Revenue from performance obligations satisfied over time is related to tuition & registration and related fees.

Accounts, and Contribution Receivable and Provision for Uncollectible Accounts

Accounts and contribution 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, 2023 and 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, 2023 and 2022, deferred revenue amounted to $143,477 and $107,707, respectively which is largely related to tuition received in advance for the summer residential camp.

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*. 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.

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 follows the provisions of FASB ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958), which requires nonprofits to present contributed nonfinancial assets as a separate line in the statement of activities apart from contributions of cash or other financial assets.

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. Marketing and advertising expense for the years ended June 30, 2023 and 2022 was $22,497 and $10,743, respectively.

Leases

In February 2016, the FASB issued guidance ASC 842, Leases to increase transparency and comparability among companies by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

VTC adopted FASB ASC 842, with a date of initial application of July 1, 2022, by applying the modified retrospective transition approach and using the additional (and optional) transition method provided by ASU No. 2018-11, *Leases* (Topic 842): Targeted Improvements. VTC did not restate prior comparative periods as presented under FASB ASC 840 and instead evaluated whether a cumulative effect adjustment to net assets as of July 1, 2022, was necessary for the cumulative impact of adoption of FASB ASC 842. VTC recognized and measured leases existing at, or entered into after, July 1, 2022 (the beginning of the period of adoption) through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended June 30, 2022 are made under prior lease guidance in FASB ASC 840.

VTC elected the available practical expedients to account for their existing operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

ROU assets represent VTC’s right to use leased assets over the term of the lease. Lease liabilities represent VTC’s contractual obligation to make lease payments and are measured at the present value of the future lease payments over the lease term. ROU assets are calculated as the present value of the future lease payments adjusted by any deferred rent liability and lease incentives. ROU assets and lease liabilities are recognized at the lease commencement date. VTC has elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable. VTC has applied the risk-free rate option to the building class of assets.

As a result of the adoption of the new lease accounting guidance, VTC recognized on July 1, 2022, a lease liability of $194,234, which represents the present value of the remaining operating lease payments of $201,835, discounted using the risk-free rate of 2.85%, and a right-of-use asset of $194,234.

VTC has elected for all underlying classes of assets, to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less, but greater than 1 month at lease commencement, and do not include an option to purchase the underlying asset that VTC is reasonably certain to exercise. VTC recognizes lease cost associated with its short-term leases on a straight-line basis over the lease term.

The standard had a material impact on VTC's statement of financial position but did not have an impact on VTC's statement of activities, nor statement of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases.

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.

Prior Year Summarized Financial Information

The financial statements include certain prior year summarized comparative information in total but not by functional classifications. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with Vanguard Theater Company's financial statements for the year ended December 31, 2022, from which the summarized information was derived.

Reclassifications

Certain reclassifications have been made to the 2022 financial statement presentation to confirm to the current year's presentation.

Subsequent Events

Management has reviewed subsequent events and transactions that occurred after June 30, 2023 through the date of the independent auditors' report and the date the financial statements were available to be issued, February 19, 2024. 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:

	2023	2022
Financial assets:		
Cash	$ 34,095	$ 135,357
Accounts receivable	4,069	5,184
Contribution receivable	76,250	60,000
Grant receivable	10,000	
Total financial assets	114,414	200,541
Less amounts not available to be used:		
Net assets with donor restrictions	(21,450)	(45,000)
Financial assets available to meet cash needs for general expenditures within one year	$ 92,964	$ 155,541

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 foundation grants and contributions (contributed support), and concession sales.

4. Property and Equipment

Property and equipment and their related estimated useful lives at June 30, 2023 are as follows:

Assets	Estimated Useful Life (Years)	2023	2022
Costumes, props, sets	3	$ 29,063	$ 29,063
Furniture and fixtures	7	8,762	8,762
Lighting/Projection equipment	7	63,723	63,723
Sound equipment	8	34,283	16,191
Leasehold improvements	5	248,400	240,983
		384,231	358,722
Less: accumulated depreciation and amortization		(172,812)	(105,932)
		$ 211,419	$ 252,790

Depreciation and amortization expense charged to operations for the year ended June 30, 2023 and 2022 totaled $66,880 and $62,742, respectively.

5. Prepaid Expenses

Prepaid expenses as of June 30, 2023 and 2022 consists of the following:

	2023	2022
Prepaid insurance	$ 1,213	$ 849
Prepaid stipends		3,507
Prepaid Summerstock Camp expenses	17,018	16,951
Prepaid maintenance and repairs		2,000
Prepaid miscellaneous expenses	3,772	
	$ 22,003	$ 23,307

6. 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 were granted an additional 6 month of deferment of principal & interest repayments for a total of 30 months from the date of the Note. Therefore, installment payments, including principal and interest, would now begin on November 22, 2022. Interest will continue to accrue on COVID-EIDL loans during the deferment period.

The balance of principal and interest will be payable in full 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. As of June 30, 2023 and 2022, VTC recognized accrued interest of $9,060 and $6,875, respectively.

Principal amounts due for next five years subsequent to June 30, 2023, are as follows:

Year ended June 30,	
2024	$ 4,865
2025	3,028
2026	3,112
2027	3,199
2028	3,288
Thereafter	102,508
Total	$ 120,000

7. Concentrations of Credit Risk and Funding Sources

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.

As of June 30, 2023 and 2022, approximately 100% and 92% of the contribution receivable was from two donors, respectively. As of June 30, 2023 and 2022, approximately 14% and 28% of total revenue was from one and two donors, respectively.

8. Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or period as June 30, 2023 and 2022 as follows:

	2023	2022
Restricted for specified purpose:		
Broadway on Bloomfield		$ 5,000
Scholarships	$ 1,450	
Restricted for the passage of time	20,000	40,000
	$ 21,450	$ 45,000

Net assets were released from donor restriction by the occurrence of passage of time for the years ended June 30, 2023 and 2022 as follows:

	2023	2022
Expiration of time restriction	$ 20,000	
Satisfaction of purpose restrictions		
Broadway on Bloomfield	5,000	
	$ 25,000	$ -

9. Leases

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

VTC also entered into a rental agreement on September 3, 2021, for storage space. The lease states it will expire on July 3, 2025. Lease expense for both is recognized on a straight-line basis over the lease term.

Lease terms may include renewal or extension options to the extent they are reasonably certain to be exercised. Because VTC is not reasonably certain to exercise these renewal options, the optional periods are not included in determining the lease term, and associated payments under these renewal options are excluded from lease payments used to determine the lease liabilities. VTC's leases do not include termination options for either party to the lease, guaranteed residual values or restrictive financial or other covenants.

The total lease costs under FASB, ASC 842 for the year ended June 30, 2023 amounted to $82,864.

The future minimum lease liabilities under these noncancellable operating leases as of June 30, 2023 are as follows:

Year Ending June 30,	
2024	$ 73,860
2025	56,460
2026	355
Total undiscounted cash flows	130,675
Less: present value discount	(3,091)
Total lease liabilities	127,584

Other information related to VTC's operating leases is as follows:

Operating cash flows from operating leases	$ 71,160
ROU assets obtained in exchange for new operating lease liabilities	194,234
Weighted-average remaining lease term in years for operating leases	1.77
Weighted-average discount rate for operating leases	2.85%

The total lease costs under FASB ASC, 840 (pre-adoption of the new standards) for the year ended June 30, 2022 amounted to $75,780.

The aggregate minimum lease payments under those operating leases as of June 30, 2022, were as follows:

Year Ending June 30,	Amount
2023	$ 71,160
2024	73,860
2025	56,461
	$ 130,321

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 was recognized as forgiveness of debt in the statement of activities for fiscal year end June 30, 2022. VTC used the loan funds to pay their lease obligations as they came due.

11. Related Parties

The following related party transactions took place during the year ended June 30, 2023 and 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 years ended June 30, 2023 and 2022, VTC's Managing Director made contributions to VTC totaling $50,000 and $160,000, respectively. $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.

As shown in the accompanying financial statements, as of June 30, 2023, the Organization's current liabilities totaling $281,494 exceeded its current assets of $146,417 by $135,077. During the year ended June 30, 2023, the Organization also suffered losses from operations in the amount of $174,235.

The Organization operates in the Arts industry whose operations were significantly impacted and disrupted by the COVID-19 pandemic. The Organization has returned to full capacity and is seeing increased participation but still not at pre-pandemic levels. Given these circumstances, the Organization has still been able to meet its current obligations as they come due. Management has evaluated its current operations and has projected that the Organization's annual expenditures will be funded by current year operating revenues and cash flows. Management has plans to increase revenues through continued ticket sales, program income in the post pandemic era while streamlining operations and evaluating program costs for potential savings. Management projects that the Organization will generate sufficient cash flows to meet its working capital requirements over the next twelve months. Effective August 9, 2023, the Organization has available a line of credit available to fund any cash flow shortfalls in the amount of $60,000. The financial statements do not include any adjustments that might be necessary should the Company be unable to continue as a going concern.