

PLAYWRIGHTS HORIZONS, INC.

FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021



LUTZ AND GARR
CERTIFIED PUBLIC ACCOUNTANTS, LLP
551 FIFTH AVENUE - SUITE 400, NEW YORK, NY 10176
212-697-2299 FAX: 212-949-1768

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Playwrights Horizons, Inc.

Opinion

We have audited the accompanying financial statements of Playwrights Horizons, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Playwrights Horizons, Inc. as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Playwrights Horizons, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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.

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 Playwrights Horizons, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 Playwrights Horizons, Inc.'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 Playwrights Horizons, Inc.'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.

Lotz + Carr, LLP

New York, New York
January 17, 2023

PLAYWRIGHTS HORIZONS, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Assets		
Cash and cash equivalents (Notes 1b and 10)	\$ 6,105,864	\$ 4,316,254
Accounts receivable	149,756	58,428
Contributions receivable (Notes 1c and 4)	582,736	434,393
Investments (Notes 1d, 1e and 6)	2,233,978	2,212,563
Prepaid expenses	85,358	175,106
Property and equipment, at cost, net of accumulated depreciation (Notes 1f and 7a)	17,449,822	18,295,914
Construction in progress (Note 7b)	382,435	304,349
Security deposits	83,601	88,628
Restricted certificates of deposit	<u>78,193</u>	<u>77,611</u>
Total Assets	<u><u>\$27,151,743</u></u>	<u><u>\$25,963,246</u></u>
Liabilities and Net Assets		
Liabilities		
Notes payable (Note 8)	\$ 172,519	\$ 1,336,210
Accounts payable and accrued expenses	767,624	563,191
Deferred box office income (Note 1g)	177,982	257,056
Deferred income (Note 1g)	<u>37,914</u>	<u>70,038</u>
Total Liabilities	<u>1,156,039</u>	<u>2,226,495</u>
Commitments and Contingencies (Notes 8, 9 and 12)		
Net Assets (Note 3)		
Without donor restrictions	23,080,778	21,264,452
With donor restrictions	<u>2,914,926</u>	<u>2,472,299</u>
Total Net Assets	<u>25,995,704</u>	<u>23,736,751</u>
Total Liabilities and Net Assets	<u><u>\$27,151,743</u></u>	<u><u>\$25,963,246</u></u>

See notes to financial statements.

PLAYWRIGHTS HORIZONS, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Changes in Net Assets						
Revenue and Support						
Contributions (Note 8)	\$ 7,382,848	\$ 1,079,646	\$ 8,462,494	\$ 3,706,013	\$ 560,786	\$ 4,266,799
Gross benefit income	415,692	-	415,692	239,949	-	239,949
Less: Direct benefit expense	(111,590)	-	(111,590)	-	-	-
Theater school (Note 1a)	3,244,284	-	3,244,284	3,157,068	-	3,157,068
Box office receipts	787,205	-	787,205	-	-	-
Co-production and enhancement income	163,330	-	163,330	22,600	-	22,600
Ticket Central revenue	177,129	-	177,129	44,886	-	44,886
Rental income (Note 9a)						
Playwrights Rehearsal Studios	329,816	-	329,816	49,765	-	49,765
Other	32,687	-	32,687	3,915	-	3,915
Royalties	24,827	-	24,827	33,220	-	33,220
Facility fees	23,254	-	23,254	-	-	-
Investment income (loss) (Note 6)	(145,213)	(36,069)	(181,282)	238,390	59,918	298,308
Other revenue	161,317	-	161,317	26,557	-	26,557
 Total Revenue and Support Before Net Assets Released from Restrictions	 12,485,586	 1,043,577	 13,529,163	 7,522,363	 620,704	 8,143,067
Net assets released from restrictions						
Satisfaction of time and program restrictions	595,118	(595,118)	-	1,411,886	(1,411,886)	-
Reversal of uncollectible pledges receivable	5,832	(5,832)	-	-	-	-
 Total Revenue and Support	 13,086,536	 442,627	 13,529,163	 8,934,249	 (791,182)	 8,143,067
Expenses						
Program Services						
Productions and play development	5,587,854	-	5,587,854	3,460,738	-	3,460,738
Ticket Central	330,498	-	330,498	245,334	-	245,334
Theater School	2,336,380	-	2,336,380	1,785,127	-	1,785,127
Playwrights Rehearsal Studios	860,843	-	860,843	612,755	-	612,755
Total Program Services	9,115,575	-	9,115,575	6,103,954	-	6,103,954
Supporting Services						
Management and general	1,412,845	-	1,412,845	1,187,963	-	1,187,963
Fundraising	741,790	-	741,790	677,260	-	677,260
Total Supporting Services	2,154,635	-	2,154,635	1,865,223	-	1,865,223
 Total Expenses	 11,270,210	 -	 11,270,210	 7,969,177	 -	 7,969,177
Increase (decrease) in net assets	1,816,326	442,627	2,258,953	965,072	(791,182)	173,890
Net assets, beginning of year	21,264,452	2,472,299	23,736,751	20,299,380	3,263,481	23,562,861
 Net Assets, End of Year	 <u>\$23,080,778</u>	 <u>\$ 2,914,926</u>	 <u>\$25,995,704</u>	 <u>\$21,264,452</u>	 <u>\$ 2,472,299</u>	 <u>\$23,736,751</u>

See notes to financial statements.

PLAYWRIGHTS HORIZONS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022 WITH COMPARATIVE TOTALS FOR 2021

	2022								2021	
	Program Services					Supporting Services			Total Expenses	Total Expenses
	Productions and Play Development	Ticket Central	Theater School	Playwrights Rehearsal Studios	Total	Management and General	Fundraising	Total	Total Expenses	Total Expenses
Salaries	\$ 2,570,197	\$170,779	\$1,102,577	\$ 172,419	\$4,015,972	\$ 549,968	\$ 453,846	\$1,003,814	\$ 5,019,786	\$3,544,870
Payroll taxes and benefits	575,267	34,591	158,792	28,232	796,882	89,797	74,544	164,341	961,223	651,505
Total Salaries, Payroll Taxes and Benefits	3,145,464	205,370	1,261,369	200,651	4,812,854	639,765	528,390	1,168,155	5,981,009	4,196,375
Professional fees	151,656	1,440	9,837	-	162,933	221,246	19,250	240,496	403,429	271,607
Fees and royalties	406,374	30,716	950	-	438,040	-	-	-	438,040	306,281
Artist relief grants	-	-	-	-	-	-	-	-	-	185,000
Occupancy costs	244,964	1,052	986,444	563,433	1,795,893	134,803	3,645	138,448	1,934,341	1,275,028
Co-production expense	-	-	-	-	-	-	-	-	-	125,000
Physical production	274,057	-	20,211	-	294,268	-	-	-	294,268	14,235
Advertising and promotion	171,768	233	-	70	172,071	8,069	742	8,811	180,882	55,852
Printing and postage	57,538	8,247	-	11,268	77,053	3,317	2,621	5,938	82,991	31,855
Ticket printing, services and commissions	23,813	-	-	-	23,813	-	6,782	6,782	30,595	12,275
Equipment rental, maintenance and purchase	99,864	9,589	12,022	46,254	167,729	154,368	23,679	178,047	345,776	268,104
Supplies	1,245	78	2,444	238	4,005	75,460	210	75,670	79,675	7,841
Postage, shipping, messengers and trucking	48,633	-	-	48	48,681	2,597	8,012	10,609	59,290	19,699
Telephone	16,538	9,365	6,678	1,669	34,250	7,627	2,542	10,169	44,419	49,552
Travel, meals and lodging	64,864	177	57	-	65,098	2,174	2,364	4,538	69,636	2,903
Hospitality	35,217	45	220	56	35,538	3,061	13,443	16,504	52,042	2,121
Insurance	30,663	5,111	15,266	15,266	66,306	65,722	715	66,437	132,743	105,735
Dues and subscriptions	21,684	54,635	255	1,388	77,962	9,269	920	10,189	88,151	33,683
Indirect benefit/special event expense	-	-	-	-	-	-	53,510	53,510	53,510	65,934
Donor development and cultivation	-	-	-	-	-	-	16,332	16,332	16,332	1,347
Miscellaneous	21,225	4,334	125	-	25,684	1,425	41,845	43,270	68,954	31,109
Total operating expenses before depreciation	4,815,567	330,392	2,315,878	840,341	8,302,178	1,328,903	725,002	2,053,905	10,356,083	7,061,536
Depreciation	772,287	106	20,502	20,502	813,397	83,942	16,788	100,730	914,127	899,478
Interest and amortization of financing costs	-	-	-	-	-	-	-	-	-	8,163
Total Expenses, 2022	<u>\$ 5,587,854</u>	<u>\$330,498</u>	<u>\$2,336,380</u>	<u>\$ 860,843</u>	<u>\$9,115,575</u>	<u>\$ 1,412,845</u>	<u>\$ 741,790</u>	<u>\$2,154,635</u>	<u>\$11,270,210</u>	
Total Expenses, 2021	<u>\$ 3,460,738</u>	<u>\$245,334</u>	<u>\$1,785,127</u>	<u>\$ 612,755</u>	<u>\$6,103,954</u>	<u>\$ 1,187,963</u>	<u>\$ 677,260</u>	<u>\$1,865,223</u>		<u>\$7,969,177</u>

See notes to financial statements.

PLAYWRIGHTS HORIZONS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021

	Program Services					Supporting Services			
	Productions and Play Development	Ticket Central	Theater School	Playwrights Rehearsal Studios	Total	Management and General	Fundraising	Total	Total Expenses
Salaries	\$ 1,369,910	\$113,583	\$ 957,659	\$ 120,071	\$ 2,561,223	\$ 550,433	\$ 433,214	\$ 983,647	\$3,544,870
Payroll taxes and benefits	277,694	35,615	134,385	20,462	468,156	104,501	78,848	183,349	651,505
Total Salaries, Payroll Taxes and Benefits	1,647,604	149,198	1,092,044	140,533	3,029,379	654,934	512,062	1,166,996	4,196,375
Professional fees	122,688	-	9,051	-	131,739	113,368	26,500	139,868	271,607
Fees and royalties	233,503	70,228	2,550	-	306,281	-	-	-	306,281
Artist relief grants	185,000	-	-	-	185,000	-	-	-	185,000
Occupancy costs	177,132	821	610,500	405,959	1,194,412	79,677	939	80,616	1,275,028
Co-production expense	125,000	-	-	-	125,000	-	-	-	125,000
Physical production	3,471	-	10,764	-	14,235	-	-	-	14,235
Advertising and promotion	52,579	233	1,261	-	54,073	1,779	-	1,779	55,852
Printing and postage	30,848	-	6	-	30,854	410	591	1,001	31,855
Ticket printing, services and commissions	932	4,224	-	1,105	6,261	59	5,955	6,014	12,275
Equipment rental, maintenance and purchase	67,722	1,026	9,334	27,816	105,898	149,540	12,666	162,206	268,104
Supplies	457	-	2,126	93	2,676	5,023	142	5,165	7,841
Postage, shipping, messengers and trucking	3,429	-	289	-	3,718	1,305	14,676	15,981	19,699
Telephone	21,185	7,147	6,362	1,590	36,284	9,951	3,317	13,268	49,552
Travel, meals and lodging	949	-	50	152	1,151	1,128	624	1,752	2,903
Hospitality	590	-	28	-	618	1,039	464	1,503	2,121
Insurance	24,327	4,054	12,324	12,324	53,029	52,138	568	52,706	105,735
Dues and subscriptions	16,238	8,180	315	1,333	26,066	6,224	1,393	7,617	33,683
Indirect benefit/special event expense	-	-	-	-	-	-	65,934	65,934	65,934
Donor development and cultivation	-	-	-	-	-	-	1,347	1,347	1,347
Miscellaneous	4,621	98	6,273	-	10,992	6,778	13,339	20,117	31,109
Total operating expenses before depreciation	2,718,275	245,209	1,763,277	590,905	5,317,666	1,083,353	660,517	1,743,870	7,061,536
Depreciation	742,463	125	21,850	21,850	786,288	96,447	16,743	113,190	899,478
Interest and amortization of financing costs	-	-	-	-	-	8,163	-	8,163	8,163
Total Expense	\$ 3,460,738	\$245,334	\$1,785,127	\$ 612,755	\$ 6,103,954	\$ 1,187,963	\$ 677,260	\$1,865,223	\$7,969,177

See notes to financial statements.

PLAYWRIGHTS HORIZONS, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities		
Increase in net assets	\$2,258,953	\$ 173,890
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
Depreciation	914,127	899,478
Net realized and unrealized (gain) loss on investments	215,403	(265,381)
Loan forgiveness - Paycheck Protection Program	(1,149,900)	(1,267,200)
Reversal of uncollectible pledge receivable	5,832	-
Reclassification from Construction in Progress to expense	84,500	-
(Increase) decrease in:		
Accounts receivable	(91,328)	297,597
Contributions receivable	(154,175)	135,766
Prepaid expenses	89,748	(79,667)
Security deposits	5,027	-
Increase (decrease) in:		
Accounts payable and accrued expenses	204,433	(108,552)
Deferred box office income	(79,074)	(60)
Deferred income	(32,124)	59,510
Net Cash Provided (Used) By Operating Activities	<u>2,271,422</u>	<u>(154,619)</u>
Cash Flows From Investing Activities		
Acquisition of property and equipment	(68,035)	(565,668)
Expenditures on construction in progress	(162,586)	-
Purchase of investments	(256,327)	(33,410)
Proceeds from sale of investments	19,509	619,582
Net Cash Provided (Used) By Investing Activities	<u>(467,439)</u>	<u>20,504</u>
Cash Flows From Financing Activities		
Repayment of notes payable	(13,791)	(403,439)
Proceeds from notes payable	-	1,325,893
Net Cash Provided (Used) By Financing Activities	<u>(13,791)</u>	<u>922,454</u>
Net increase in cash and cash equivalents	1,790,192	788,339
Cash and cash equivalents, beginning of year	4,393,865	3,605,526
Cash and Cash Equivalents, End of Year	<u><u>\$6,184,057</u></u>	<u><u>\$4,393,865</u></u>
Cash and cash equivalents	\$6,105,864	\$4,316,254
Restricted certificates of deposit	78,193	77,611
Total Cash and Cash Equivalents in the Statement of Cash Flows	<u><u>\$6,184,057</u></u>	<u><u>\$4,393,865</u></u>
Supplemental Disclosures		
Interest paid	<u><u>\$ -</u></u>	<u><u>\$ 8,163</u></u>

See notes to financial statements.

PLAYWRIGHTS HORIZONS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 1 - Organization and Summary of Significant Accounting Policies

a - Organization

Playwrights Horizons, Inc. (the "Organization") is dedicated to the support and development of contemporary U.S. playwrights, composers and lyricists and to the production of their new work. The Organization's other activities include a theater school, a box office (Ticket Central) that offers email marketing services and rental of studio and theater spaces at its theater location on West 42nd Street and at 440 Lafayette Street (the "Downtown facility"). All of the theater school income is received from a single university.

b - Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments, purchased with a maturity of three months or less, to be cash equivalents, except for those short-term investments managed by the Organization's investment managers as part of their long-term investment strategies.

c - Contributions and Contributions Receivable

Contributions are recognized when the donor makes a promise to give to the Organization, that is, in substance, unconditional. Conditional promises to give that have a measurable performance-related or other barrier and right of return are not recognized until the conditions on which they depend have been met. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the 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 is met, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions that the donor requires to be used to acquire and or develop long-lived assets are reclassified to net assets without donor restrictions at the time the long-lived assets are placed in service.

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

d - Investments

The Organization reflects investments at fair value in the statement of financial position. Interest, dividends, and gains and losses on investments are reflected in the statement of activities as increases and decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Investment income that is limited to specific uses by donor-imposed restrictions is reported in net assets without donor restrictions if the restrictions are met in the fiscal year in which the investment income is recognized. All other donor restricted gains and other investment income 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.

PLAYWRIGHTS HORIZONS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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

e - Fair Value Measurements

Fair value is an estimate of the exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The fair value hierarchy prioritizes inputs to valuation techniques used to measure fair value into three levels. These valuation techniques are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. These two types of inputs create the following fair value hierarchy:

- Level 1 quoted prices for identical instruments in active markets;
- Level 2 quoted prices for similar instruments in active markets; and quoted prices for identical or similar instruments in markets that are not active; and
- Level 3 instruments the significant inputs of which are unobservable

An asset or liability's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Availability of observable inputs can vary and is affected by a variety of factors. Level 3 assets and liabilities involve greater judgment than Level 1 or Level 2 assets or liabilities.

f - Property and Equipment

Property and equipment are recorded at cost, if purchased, and at fair value at date of donation, if contributed, and are being depreciated using the straight-line method over the estimated useful life of the asset.

g - Revenue Recognition

The Organization has multiple revenue streams that are accounted for as exchange transactions, including box office revenue, co-production and enhancement income, ticket central revenue, theater school revenue, theater and rehearsal space rental fees and other income. Box office revenue is recognized as income when earned on the date of the performance. Deferred box office income represents unearned income from ticket sales and will be recognized as revenue when the future performance occurs. Co-production and enhancement income is recognized when the event takes place. Rental fees are recognized when the rentals occur. Theater school revenue is recognized in the period when the classes are given. Ticket central revenue is recognized when the services are provided.

PLAYWRIGHTS HORIZONS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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

h - Financial Statement Presentation

The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America, which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and Board of Trustees.

Net Assets With Donor Restrictions

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 the Organization or the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

i - Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

j - Tax Status

Playwrights Horizons, Inc. is a not-for-profit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation.

k - Advertising

Advertising costs are charged to operations when the advertising first takes place. Advertising expense was \$136,361 and \$40,090 for 2022 and 2021, respectively.

l - Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Expenses are applied directly to programs where applicable or allocated on a reasonable and consistent basis. A substantial portion of the Organization's expenses are directly related to program activities. Certain salaries and fringe benefits are allocated based on an estimate of employee time and effort. Depreciation, occupancy costs, insurance, telephone and equipment, rental and maintenance expenses are allocated based on estimated usage.

PLAYWRIGHTS HORIZONS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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

m - New Accounting Standard

In February 2016, the FASB issued ASU 2016-02, *Leases ("Topic 842")*. The core principles of ASU 2016-02 change the way organizations will account for their leases by recognizing lease assets and related liabilities on the statements of financial position for all leases with terms longer than twelve months and disclosing key information about leasing arrangements. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021. The Organization is currently evaluating the impact of ASU 2016-02 on its financial statements.

n - Subsequent Events

The Organization has evaluated subsequent events through January 17, 2023, the date that the financial statements are considered available to be issued.

Note 2 - Information Regarding Liquidity and Availability

The Organization's goal is to operate with a balanced budget for each fiscal year based on the revenues expected to be available to fund anticipated expenses. A substantial portion of general expenditures during a given year are funded with operating revenue and contributions raised during the year. The Organization considers general expenditures to consist of all expenses related to its ongoing program services, and the expenses related to management and general and fundraising activities undertaken to support those services.

The Organization regularly monitors liquidity to meet its operating needs and other commitments and obligations, while seeking to maximize the investment of its available funds. Management prepares regular cash flow projections to determine liquidity needs on an ongoing basis. Financial assets in excess of daily cash requirements are invested in money market funds.

PLAYWRIGHTS HORIZONS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Note 2 - Information Regarding Liquidity and Availability (continued)

The Organization's assets as of June 30, 2022 and 2021 available to meet cash needs for general expenditures within one year are summarized as follows:

	<u>2022</u>	<u>2021</u>
Financial Assets at Year End:		
Cash and cash equivalents	\$6,105,864	\$4,316,254
Accounts receivable	149,756	58,428
Contributions receivable	582,736	434,393
Investments	2,233,978	2,212,563
Restricted certificates of deposit	<u>78,193</u>	<u>77,611</u>
Total Financial Assets	9,150,527	7,099,249
Less: Amounts not Available to be Used within One Year:		
Net assets with donor restrictions subject to expenditure for specific purposes or passage of time	(2,558,583)	(2,116,441)
Less: Net assets with restrictions to be met in less than one year	1,074,050	666,653
Net assets with donor restrictions for endowment, subject to spending policy and appropriation	(56,343)	(55,858)
Cash reserve	(300,000)	(300,000)
Restricted certificates of deposit	(78,193)	(77,611)
Board designated reserve	<u>(2,184,971)</u>	<u>(1,888,781)</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$5,046,487</u>	<u>\$3,327,211</u>

In addition to these financial assets available within one year, the Organization maintains a cash reserve of \$300,000. The Organization may borrow from this reserve, more fully described in Note 3b, to meet short-term or unanticipated liquidity needs. The Organization also has Board designated reserves of \$2,184,971. These funds could be made available at any time to meet cash needs for general and capital expenditure at the discretion of the Board of Trustees. The Organization also has a line of credit available of up to \$1.5 million, as more fully described in Note 8d, available to meet short-term or unanticipated liquidity needs.

PLAYWRIGHTS HORIZONS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Note 3 - Net Assets

a - Net Assets Without Donor Restrictions

Net assets without donor restrictions are comprised of the following:

	<u>2022</u>	<u>2021</u>
Operating	\$ 3,070,428	\$ 785,725
Property and equipment	17,825,379	18,589,946
Board designated reserve	<u>2,184,971</u>	<u>1,888,781</u>
	<u>\$23,080,778</u>	<u>\$21,264,452</u>

Operating

Operating activities consist of:

- i) The Organization's play and musical theater development and its season of Mainstage and Sharp productions.
- ii) Ticket Central had been a centralized and low-cost box office for performing arts organizations until 2020. Currently, it mainly provides email marketing resources for other performing arts organizations and selling tickets for Playwrights Horizons, Inc.
- iii) The Theater School, which is operated in association with New York University's Tisch School of the Arts Undergraduate Drama Program. It offers courses of study in playwriting, directing, acting, design, dramaturgy and theater management.
- iv) Playwrights Rehearsal Studios, an assumed name registered with New York State, which rents available studio space at the Downtown facility to outside organizations.

Board Designated Reserve

The reserve consists of the following:

	<u>2022</u>	<u>2021</u>
1 - Funds raised for artistic reserves and capital funds to be used at the Board's discretion.	\$ 225,487	\$ 249,019
2 - During the year ended June 30, 2020, certain donors gave authorization to release the requirement that their funds be held in perpetuity. The Board of Trustees voted to hold these funds in a Board designated cash reserve to be used for cash flows of the Organization. \$190,000 was authorized to be used during the year ended June 30, 2021.	1,639,762	1,639,762
3 - During the year ended June 30, 2022, the Board repurposed \$500,000 of the fiscal year 2021 surplus to a building reserve to be used for capital at its discretion. \$180,278 was authorized to be used during the year ended June 30, 2022.	<u>319,722</u>	<u>-</u>
Total	<u>\$2,184,971</u>	<u>\$1,888,781</u>

PLAYWRIGHTS HORIZONS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Note 3 - Net Assets (continued)

b - Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose	\$ 830,607	\$ 474,277
Subject to passage of time	590,306	385,003
Playwrights commissions	<u>172,978</u>	<u>187,178</u>
	<u>1,593,891</u>	<u>1,046,458</u>
Future periods and purposes - capital campaign	<u>964,692</u>	<u>1,069,983</u>
Cash reserve - restricted in perpetuity	<u>300,000</u>	<u>300,000</u>
Endowments		
Subject to endowment spending policy and appropriation:		
Investment income above original gift amount:		
Miller Endowment	6,343	5,858
Investment in perpetuity:		
Miller Endowment	<u>50,000</u>	<u>50,000</u>
Total Endowments	<u>56,343</u>	<u>55,858</u>
	<u>\$2,914,926</u>	<u>\$2,472,299</u>

Cash Reserve Funds

The Cash Reserve of \$300,000 includes amounts received from the Lila Wallace-Reader's Digest Fund. Borrowings from this fund must be repaid within eleven months. There were no borrowings outstanding as of June 30, 2022 or 2021.

Miller Endowment Fund

The Kathryn and Gilbert Miller Endowment for American Playwrights in the amount of \$50,000, the income from which is used to commission new works by American playwrights.

PLAYWRIGHTS HORIZONS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Note 4 - Contributions Receivable

Contributions receivable at June 30 are due as follows:

	2022			
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>		<u>Total</u>
		<u>Future Programs and Periods</u>	<u>Future Periods - Campaign</u>	
Less than one year	\$370,100	\$ 97,500	\$41,750	\$509,350
One to five years	<u>-</u>	<u>55,000</u>	<u>20,000</u>	<u>75,000</u>
	370,100	152,500	61,750	584,350
Less: Discount to present value	<u>-</u>	<u>(1,614)</u>	<u>-</u>	<u>(1,614)</u>
	<u>\$370,100</u>	<u>\$150,886</u>	<u>\$61,750</u>	<u>\$582,736</u>

	2021			
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>		<u>Total</u>
		<u>Future Programs and Periods</u>	<u>Future Periods - Campaign</u>	
Less than one year	\$222,352	\$118,500	\$64,000	\$404,852
One to five years	<u>-</u>	<u>-</u>	<u>30,500</u>	<u>30,500</u>
	222,352	118,500	94,500	435,352
Less: Discount to present value	<u>-</u>	<u>-</u>	<u>(959)</u>	<u>(959)</u>
	<u>\$222,352</u>	<u>\$118,500</u>	<u>\$93,541</u>	<u>\$434,393</u>

At June 30, 2022, 75% of the contributions receivable were due from two foundations and one government agency. At June 30, 2021, 26% of the contributions receivable were due from one individual and one government agency.

The Organization received a \$250,000 conditional pledge from a donor in a prior year for production support, of which \$100,000 has not been reflected in these financial statements since it remains subject to certain conditions.

PLAYWRIGHTS HORIZONS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Note 4 - Contributions Receivable (continued)

Contributions receivable that are due in more than one year are discounted to net present value using a discount rate of 1.5% per annum. Uncollectible contributions receivable are expected to be insignificant.

Note 5 - Endowment Funds

The Organization's endowment of \$50,000 consists of one donor-restricted, individual fund established to commission new works by American Playwrights.

Consistent with New York State Not-for-Profit Corporation Law and the New York Prudent Management of Institutional Funds Act ("NYPMIFA"), the Organization classifies as net assets with donor restrictions that are perpetual in nature (a) the original value of gifts donated to the donor restricted endowment, (b) the original value of subsequent gifts to the donor restricted endowment and (c) accumulations to the donor restricted endowment made in accordance with the direction of any applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as perpetual in nature are classified as net assets subject to spending policy and appropriation until those amounts are appropriated for expenditure by the Organization.

The Organization invests its endowment fund in certificates of deposit in a manner that is intended to produce current income while assuming a low level of investment risk. For the years ended June 30, 2022 and 2021, interest income was appropriated to net assets with donor restrictions, subject to endowment spending policy and appropriation. There were no other changes in endowment funds for 2022 and 2021.

PLAYWRIGHTS HORIZONS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Note 6 - Investments

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

	<u>2022</u>		<u>2021</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Cash and money funds	\$ 411,010	\$ 411,010	\$ 196,101	\$ 196,101
Certificates of deposit	65,000	65,000	64,515	64,515
Exchange Traded Funds:				
Stock	546,535	752,432	535,119	891,176
Bonds	<u>1,076,375</u>	<u>1,005,536</u>	<u>1,061,652</u>	<u>1,060,771</u>
Total	<u>\$2,098,920</u>	<u>\$2,233,978</u>	<u>\$1,857,387</u>	<u>\$2,212,563</u>

Net investment income consists of:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 34,121	\$ 32,927
Unrealized gain (loss)	(220,118)	55,685
Realized gain	<u>4,715</u>	<u>209,696</u>
Total Investment Income (Loss)	<u>\$(181,282)</u>	<u>\$298,308</u>
Allocated to:		
Without donor restrictions	\$(145,213)	\$238,390
With donor restrictions:		
Endowment	485	482
Program related	<u>(36,554)</u>	<u>59,436</u>
	<u>\$(181,282)</u>	<u>\$298,308</u>

PLAYWRIGHTS HORIZONS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Note 7 - Property and Equipment

a - Property and equipment consist of the following:

	<u>Life</u>	<u>2022</u>	<u>2021</u>
Building, improvements and equipment	5-40 years	\$29,890,713	\$29,822,678
Leasehold improvements	5-10 years	670,143	670,143
Theater equipment	5-10 years	1,896,463	1,896,463
Furniture and fixtures	7-20 years	270,576	270,576
Office equipment and furniture	3-10 years	<u>1,152,644</u>	<u>1,152,644</u>
		33,880,539	33,812,504
Less: Accumulated depreciation		<u>(17,680,717)</u>	<u>(16,766,590)</u>
		16,199,822	17,045,914
Land		<u>1,250,000</u>	<u>1,250,000</u>
		<u>\$17,449,882</u>	<u>\$18,295,914</u>

The City of New York has budgeted \$4,282,000 for future capital appropriations relating to renovations on the 4th floor of the Downtown facility and the purchase of sound, automation, projection and IT equipment. The City's investment of capital funding will obligate the recipient organization to operate the facility and maintain equipment for the respective bonding term as a non-profit entity, open to and used and maintained for the benefit of the people of the City of New York for cultural, educational or artistic uses and/or related purposes approved by the City.

b - Construction in progress at June 30, 2022 consists of costs related to a renovation project on the third floor of the Downtown facility.

Design costs of \$84,500 for a project at the uptown facility expended in a prior year were expensed in the year ended June 30, 2022 since this project will not be continued.

PLAYWRIGHTS HORIZONS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Note 8 - Notes Payable

Notes payable as of June 30, 2022 and 2021 consist of:

	Outstanding Balance	
	<u>2022</u>	<u>2021</u>
a - On March 14, 2021, the Organization received a loan totaling \$1,149,000 under the Paycheck Protection Program ("PPP") administered by the U.S. Small Business Administration. The loan bore interest at 1% per annum, and was due on March 14, 2026 and was eligible to be forgiven if the Organization met certain retention requirements and the funds were used for eligible expenses. The full amount of the loan was forgiven on March 3, 2022 and is included in contributions on the statement of activities. For the year ended June 30, 2022, an earlier PPP loan of \$1,267,200 was forgiven on April 20, 2021 and is included on the statement of activities for the year ended June 30, 2021.	\$ -	\$1,149,900
b - The Organization also has an interest free loan with the landlord of the Downtown facility. The loan is being repaid as additional rent in monthly installments through June 30, 2024.	6,878	10,317
c - In November 2020, the landlord at the Organization's Downtown facility agreed to defer a portion of the monthly rent through June 30, 2021 for a total of \$175,993. This loan was interest free and was to be repaid with 204 monthly installments beginning July 1, 2021. Subsequent to year end, the lease agreement was amended, the remaining balance became due and was paid in its entirety on September 14, 2022.	165,641	175,993
d - The Organization has a revolving line of credit agreement in the amount of \$1,500,000. The due date for the line was extended to July 1, 2023. Interest on any borrowings is due monthly at the U.S. Prime Rate minus 0.75 percentage points. This line is secured with a mortgage on the Organization's building.	-	-
	<u>\$172,519</u>	<u>\$1,336,210</u>

PLAYWRIGHTS HORIZONS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Note 9 - Commitments and Contingencies

- a - The Organization leases three spaces for its scene shop, an apartment rental for artist housing and the Downtown facility (where available space is rented to outside organizations under the management of Playwrights Rehearsal Studios). Rent expense for the above leases and outside rehearsal space for the years ended June 30, 2022 and 2021 amounted to \$1,581,726 and \$1,076,978, respectively.

Minimum rental commitments for all properties are as follows:

	<u>440 Lafayette</u>	<u>Other</u>	<u>Total</u>
<u>Year Ending June 30,</u>			
2023	\$ 902,438	\$123,566	\$1,026,004
2024	1,282,084	114,294	1,396,378
2025	1,371,830	107,644	1,479,474
2026	1,412,985	-	1,412,985
2027	1,455,375	-	1,455,375
Thereafter, through June 30, 2038	19,818,412	-	19,818,412

The Organization was given a rent credit at 440 Lafayette for fiscal year ended June 30, 2023 in the amount of \$342,304 due to the global pandemic.

- b - The Organization received funds from The Economic Development Corporation (EDC) to help pay for construction costs related to the West 42nd Street building. As a condition of accepting these funds, through 2033, the Organization must use the West 42nd Street building for production, rehearsal and presentation to the public of one or more of the performing arts, for administrative tasks related to such activities, and for such other incidental purposes as are consistent with the Organization's continuing qualification as a 501(c)(3) entity.
- c - Government supported projects are subject to audit by the granting agency.

Note 10 - Concentration of Credit Risk

The Organization maintains the majority of its cash and cash equivalent balances in one of the largest financial institutions located in New York, New York. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000.

PLAYWRIGHTS HORIZONS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 11 - Cash Reserves

In addition to annual fundraising efforts, the Organization consistently raises funds to build cash reserves and to build and/or replenish its building reserve fund. Funds raised through these efforts, which are not restricted by the donor, are restricted by the Board of Trustees. The Board of Trustees controls and authorizes the use of these funds (Note 3a).

Note 12 - Pension Plans

- a - The Organization sponsors a 403(b) retirement plan. The plan provides for the Organization to match eligible employees' contributions up to 2% of their compensation. There were no contributions to the plan for the years ended June 30, 2022 and 2021.
- b - The Organization contributes to various multiemployer defined benefit pension plans under the terms of collective-bargaining agreements that cover its union-represented employees. The risks of participating in these multiemployer plans are different from single-employer plans in the following aspects:
 - Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
 - If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
 - If the Organization chooses to stop participating in some of its multiemployer plans, the Organization may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Organization's participation in these plans is summarized below, including additional information for individually significant plans. The "EIN/Pension Plan Number" column provides the Employee Identification Number (EIN) and the three-digit plan number, if applicable. The most recent Pension Protection Act (PPA) zone status available in 2022 and 2021 is for the various plans' year ends. The zone status is based on information that the Organization received from each plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded. The "FIP/RP Status Pending/Implemented" column indicates whether a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. The last column lists the expiration dates of the collective-bargaining agreements to which the plans are subject, as applicable.

PLAYWRIGHTS HORIZONS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

Note 12 - Pension Plans (continued)

b - (continued)

<u>Pension Fund</u>	<u>EIN/Pension Plan Number</u>	<u>Pension Protection Act Zone Status</u>		<u>FIP/RP Status Pending/ Implemented</u>	<u>Contributions of the Organization</u>		<u>Surcharge Imposed</u>	<u>Expiration Date of Collective Bargaining Agreement</u>
		<u>2022</u>	<u>2021</u>		<u>2022</u>	<u>2021</u>		
Equity-League Pension Trust Fund (Actors and Stage Managers)	13-6696817/001	Green	Green	N/A	\$28,800	\$2,954	No	July 28, 2024
Society of Stage Directors and Choreographers League Pension Fund	13-6634482/001	Yellow	Yellow	Implemented	5,793	15	No	June 30, 2023
United Scenic Artists Local 823 Pension Fund	13-1982707/001	Green	Green	N/A	12,710	33	No	June 30, 2025
American Federation of Musicians and Employers' Pension Fund	51-6120204/001	Red	Red	Implemented	-	-	Yes	July 31, 2024
					<u>\$47,303</u>	<u>\$3,002</u>		

None of the Organization's contributions to the plans listed above are greater than 5% of the total plan contributions.