

**THE ELYSABETH KLEINHANS
THEATRICAL FOUNDATION, INC.
(d/b/a 59E59 Theaters)**

**CONSOLIDATED FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2017 AND 2016

THE ELYSABETH KLEINHANS THEATRICAL FOUNDATION, INC.
(d/b/a 59E59 Theaters)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Elysabeth Kleinhans Theatrical Foundation, Inc.
(d/b/a 59E59 Theaters)

We have audited the accompanying consolidated financial statements of The Elysabeth Kleinhans Theatrical Foundation, Inc. (d/b/a 59E59 Theaters) (a not-for-profit corporation) and subsidiary, which comprise the consolidated statements of financial position as of December 31, 2017 and 2016, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Elysabeth Kleinhans Theatrical Foundation, Inc. (d/b/a 59E59 Theaters) and subsidiary as of December 31, 2017 and 2016, 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.

Lotz + Carr, LLP

New York, New York
October 4, 2018

THE ELYSABETH KLEINHANS THEATRICAL FOUNDATION, INC.
(d/b/a 59E59 Theaters)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2017 AND 2016

| | 2017 | 2016 |
|---|---------------------|---------------------|
| Assets | | |
| Cash and cash equivalents (Notes 1c and 7) | \$ 219,105 | \$ 159,968 |
| Accounts and box office receivables (Note 1d) | 42,442 | 39,988 |
| Accrued investment income | 93,783 | 100,352 |
| Inventory (Note 1g) | 14,709 | 15,901 |
| Prepaid expenses | 42,241 | 40,216 |
| Investments (Notes 1e, 3 and 4) | 13,939,921 | 13,380,230 |
| Property and equipment, at cost, net of accumulated depreciation (Notes 1h and 5) | 24,251,232 | 24,594,941 |
| Deposits | 2,924 | 765 |
| Total Assets | \$38,606,357 | \$38,332,361 |
| Liabilities and Net Assets | | |
| Liabilities | | |
| Accounts payable and accrued expenses | \$ 103,109 | \$ 98,192 |
| Deferred rental income (Note 1i) | 115,846 | 123,595 |
| Box office payables | 69,374 | 36,694 |
| Theatre deposits | 56,887 | 48,487 |
| Total Liabilities | 345,216 | 306,968 |
| Commitment and Contingency (Note 6) | | |
| Net Assets | | |
| Unrestricted | | |
| Property and equipment | 24,251,232 | 24,594,941 |
| Undesignated | (23,791) | (55,126) |
| Total Unrestricted | 24,227,441 | 24,539,815 |
| Temporarily restricted (Note 2a) | 1,034,380 | 486,258 |
| Permanently restricted (Note 2b) | 12,999,320 | 12,999,320 |
| Total Net Assets | 38,261,141 | 38,025,393 |
| Total Liabilities and Net Assets | \$38,606,357 | \$38,332,361 |

See notes to consolidated financial statements.

THE ELYSABETH KLEINHANS THEATRICAL FOUNDATION, INC.
(d/b/a 59E59 Theaters)

CONSOLIDATED STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2017 AND 2016

| | <u>2017</u> | <u>2016</u> |
|--|---------------------|---------------------|
| Changes in Unrestricted Net Assets | | |
| Revenue, Gains and Other Support | | |
| Box office receipts | \$ 1,044,895 | \$ 1,735,627 |
| Less: Outside attraction share | (1,044,895) | (1,735,627) |
| Net Box Office Receipts (Note 1j) | - | - |
| Contributions | 559,809 | 456,132 |
| Theatre rental income | 626,714 | 587,092 |
| Theatre service fees and miscellaneous income | 1,497 | 20,895 |
| Reimbursed expenses | 162,246 | 232,883 |
| Concessions, net of cost of goods sold of \$60,383 (2017) and \$71,566 (2016) | 31,071 | 40,242 |
| Membership | 132,268 | 159,457 |
| Net assets released from restrictions - accumulated investment earnings | 547,522 | 537,974 |
| Net assets released from restrictions - contributions | 5,000 | 52,000 |
| Rental income - investment real estate (Note 6a) | 850,000 | 850,000 |
| | <u>2,916,127</u> | <u>2,936,675</u> |
| Total Revenue, Gains and Other Support | | |
| Expenses | | |
| Program Services | 2,391,614 | 2,366,061 |
| Supporting Services | | |
| Management and general | 493,178 | 517,445 |
| | <u>2,884,792</u> | <u>2,883,506</u> |
| Total Expenses Before Depreciation | | |
| Increase in Unrestricted Net Assets from Operations Before Depreciation | 31,335 | 53,169 |
| Depreciation | 343,709 | 343,336 |
| | <u>(312,374)</u> | <u>(290,167)</u> |
| Decrease in Unrestricted Net Assets | | |
| Changes in Temporarily Restricted Net Assets | | |
| Contributions | - | 32,000 |
| Net investment income (Note 3) | 1,100,644 | 961,503 |
| Net assets released from restrictions - accumulated investment earnings (Note 2a) | (547,522) | (537,974) |
| Net assets released from restrictions - contributions | (5,000) | (52,000) |
| | <u>548,122</u> | <u>403,529</u> |
| Increase in Temporarily Restricted Net Assets | | |
| Increase in net assets | 235,748 | 113,362 |
| Net assets, beginning of year | 38,025,393 | 37,912,031 |
| | <u>\$38,261,141</u> | <u>\$38,025,393</u> |
| Net Assets, End of Year | | |

See notes to consolidated financial statements.

THE ELYSABETH KLEINHANS THEATRICAL FOUNDATION, INC.
(d/b/a 59E59 Theaters)

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2017 AND 2016

| | <u>2017</u> | <u>2016</u> |
|--|-------------------|-------------------|
| Cash Flows From Operating Activities | | |
| Increase in net assets | \$ 235,748 | \$ 113,362 |
| Adjustments to reconcile increase in net assets to net cash used by operating activities: | | |
| Depreciation | 343,709 | 343,336 |
| Unrealized gain on investments | (542,294) | (470,392) |
| Realized gain on investments | (76,546) | (22,506) |
| (Increase) decrease in: | | |
| Accounts and box office receivables | (2,454) | 2,710 |
| Accrued investment (income) loss | 6,569 | (7,124) |
| Inventory | 1,192 | 2,289 |
| Prepaid expenses | (2,025) | (10,527) |
| Deposits | (2,159) | - |
| Increase (decrease) in: | | |
| Accounts payable and accrued expenses | 4,917 | 12,000 |
| Deferred rental income | (7,749) | 9,644 |
| Box office payables | 32,680 | 31,408 |
| Theatre deposits | 8,400 | (42,288) |
| Net Cash Used By Operating Activities | <u>(12)</u> | <u>(38,088)</u> |
| Cash Flows From Investing Activities | | |
| Payments towards acquisition of property and equipment | - | (21,968) |
| Purchase of investments | (831,171) | (994,415) |
| Proceeds from sale of investments | <u>890,320</u> | <u>1,070,904</u> |
| Net Cash Provided By Investing Activities | <u>59,149</u> | <u>54,521</u> |
| Net increase in cash and cash equivalents | 59,137 | 16,433 |
| Cash and cash equivalents, beginning of year | <u>159,968</u> | <u>143,535</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 219,105</u> | <u>\$ 159,968</u> |
| Supplemental Disclosure | | |
| Federal excise taxes paid | <u>\$ 13,480</u> | <u>\$ 14,286</u> |

See notes to consolidated financial statements.

THE ELYSABETH KLEINHANS THEATRICAL FOUNDATION, INC.
(d/b/a 59E59 Theaters)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 1 - Organization and Summary of Significant Accounting Policies

a - Organization

The Elysabeth Kleinhans Theatrical Foundation (d/b/a 59E59 Theaters) was formed in 2001 to create and operate a theatrical complex in the building at 59 East 59th Street, New York City. Its aim is to provide new and well-equipped theater space to not-for-profit theater companies at reasonable prices. The Foundation brings new and exciting theater, both American and foreign, to a new neighborhood and subsidizes worthy companies that cannot afford to pay the full cost of licensing. The Foundation encourages its neighbors to come to live theater on an ongoing basis as an alternative to movies and other forms of entertainment by offering reasonable ticket prices and membership discounts.

b - Principles of Consolidation

The accompanying consolidated financial statements include the accounts of 120 Broadway LLC. The Foundation is the sole member of this entity, which is a company owning real estate, that was donated to the Foundation in 2006. All significant intercompany transactions and accounts have been eliminated.

c - Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers money market funds and 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 Foundation's investment managers as part of their long-term investment strategies.

d - Accounts Receivable

The Foundation does not anticipate any losses in accounts receivable at December 31, 2017.

e - Investments and Fair Value Measurements

The Foundation reflects investments at fair value in the statement of financial position. Realized and unrealized gains and losses on investments are reflected in the statement of activities as increases and decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Foundation is required to use a framework for measuring fair value and make certain disclosures about fair value measurement. Fair value is a market-based measurement, not an entity-specific measurement, and is based on a fair value hierarchy with the highest priority being quoted prices in active markets. Fair value measurements are disclosed by level within that hierarchy.

THE ELYSABETH KLEINHANS THEATRICAL FOUNDATION, INC.
(d/b/a 59E59 Theaters)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

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

e - Investments and Fair Value Measurements (continued)

Financial instruments are categorized into a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure fair value fall within different levels of the hierarchy, the category level is based on the lowest priority level input that is significant to the fair value measurement of the instrument.

The value of the Foundation's investments, which are based on quoted market prices in active markets, are classified within Level 1. The value of the Foundation's investments which are based on quoted secondary market prices or alternative pricing sources supported by observable inputs are classified within Level 2.

f - Contributions

Contributions are recognized when the donor makes a promise to give to the Foundation, that is, in substance, unconditional. Contributed property and equipment is recorded at fair value at the date of the donation. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

g - Inventory

Inventory consists of concession goods and merchandise and is stated at the lower of cost, as determined by the first-in, first-out method, or market.

h - Property and Equipment

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

i - Deferred Rental Income

Rental income is recorded as deferred when received, and recognized as revenue in the respective rental period.

j - Box Office Receipts

Box office revenue is deferred when received and the Foundation's net box office share is recognized as revenue in the period the performance takes place.

k - Financial Statement Presentation

The Foundation reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

THE ELYSABETH KLEINHANS THEATRICAL FOUNDATION, INC.
(d/b/a 59E59 Theaters)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

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

l - Advertising Costs

Advertising costs are charged to operations at the time the advertising occurs. Advertising expense for the years ended December 31, 2017 and 2016 was \$450,258 and \$454,209, respectively.

m - Use of 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.

n - Tax Status

The Foundation is a private operating foundation exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. As a private foundation, it is subject to an annual Federal excise tax not to exceed 2% on net investment income, as defined. The Internal Revenue Code provides that the Foundation must make qualifying distributions based on the greater of the result of an income test and either an assets, endowment or support test.

120 Broadway LLC is a single-member limited liability company. As such, for tax purposes, its income and expenses are reported as part of the Foundation's return.

o - Subsequent Events

The Foundation has evaluated subsequent events through October 4, 2018, the date that the financial statements are considered available to be issued.

Note 2 - Restricted Net Assets

a - Temporarily Restricted Net Assets

Temporarily restricted net assets consist primarily of accumulated investment earnings on the Foundation's donor-restricted endowment. For the year ended December 31 2016, temporarily restricted net assets included a \$5,000 contribution, restricted to a future program. For the years ended December 31, 2017 and 2016, \$547,522 and \$537,974, respectively, of accumulated investment earnings were released from restriction for use in operations.

THE ELYSABETH KLEINHANS THEATRICAL FOUNDATION, INC.
(d/b/a 59E59 Theaters)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 2 - Restricted Net Assets (continued)

b - Permanently Restricted Net Assets

The Foundation received permanently restricted endowment contributions totaling \$12,999,320. Income from this endowment is unrestricted and may be used for the Foundation's general operations (Note 4).

Note 3 - Investments

Investments at December 31, 2017 and 2016 consist of the following:

| | <u>2017</u> | | <u>2016</u> | |
|---|---------------------|---------------------|---------------------|---------------------|
| | <u>Cost</u> | <u>Fair Value</u> | <u>Cost</u> | <u>Fair Value</u> |
| Investment cash and money market funds | \$ 103,239 | \$ 103,239 | \$ 45,119 | \$ 45,119 |
| Domestic corporate bonds | 9,641,402 | 9,972,897 | 9,601,661 | 9,760,038 |
| Municipal notes | 200,918 | 205,328 | 201,198 | 202,106 |
| Mutual funds - fixed income | 719,489 | 726,912 | 719,489 | 717,105 |
| Domestic common stock | 1,989,490 | 2,801,598 | 2,113,662 | 2,582,156 |
| Other equity investments | 53,044 | 53,020 | - | - |
| Exchange traded and closed end funds - equities | 89,495 | 76,927 | 98,551 | 73,706 |
| | <u>\$12,797,077</u> | <u>\$13,939,921</u> | <u>\$12,779,680</u> | <u>\$13,380,230</u> |

Net investment income for 2017 and 2016 is summarized as follows:

| | <u>2017</u> | <u>2016</u> |
|--|--------------------|------------------|
| Interest and dividend income | \$ 537,369 | \$521,536 |
| Realized gain on sale of investments | 76,546 | 22,506 |
| Unrealized gain on investments | 542,294 | 470,392 |
| Investment fees | (41,397) | (39,338) |
| Federal excise tax expense, net of over accruals | <u>(14,168)</u> | <u>(13,593)</u> |
| Net Investment Income | <u>\$1,100,644</u> | <u>\$961,503</u> |

THE ELYSABETH KLEINHANS THEATRICAL FOUNDATION, INC.
(d/b/a 59E59 Theaters)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 3 - Investments (continued)

The following summarizes investments by the levels within the fair value hierarchy used to measure their respective fair values:

| | 2017 | | |
|---|---------------------|---|--|
| | Fair Value | Level 1 (Quoted Prices in Active Markets for Identical Assets) | Level 2 (Quoted Reasonably Available Observable Inputs) |
| Investment cash and money market funds | \$ 103,239 | \$ 103,239 | \$ - |
| Domestic corporate bonds | 9,972,897 | - | 9,972,897 |
| Municipal notes | 205,328 | - | 205,328 |
| Mutual funds - fixed income | 726,912 | 726,912 | - |
| Domestic common stock | 2,801,598 | 2,801,598 | - |
| Other equity investments | 53,020 | 53,020 | - |
| Exchange traded and closed end funds - equities | <u>76,927</u> | <u>76,927</u> | <u>-</u> |
| | <u>\$13,939,921</u> | <u>\$3,761,696</u> | <u>\$10,178,225</u> |
| | | | |
| | 2016 | | |
| | Fair Value | Level 1 (Quoted Prices in Active Markets for Identical Assets) | Level 2 (Quoted Reasonably Available Observable Inputs) |
| Investment cash and money market funds | \$ 45,119 | \$ 45,119 | \$ - |
| Domestic corporate bonds | 9,760,038 | - | 9,760,038 |
| Municipal notes | 202,106 | - | 202,106 |
| Mutual funds - fixed income | 717,105 | 717,105 | - |
| Domestic common stock | 2,582,156 | 2,582,156 | - |
| Equity investments | - | - | - |
| Exchange traded and closed end funds - equities | <u>73,706</u> | <u>73,706</u> | <u>-</u> |
| | <u>\$13,380,230</u> | <u>\$3,418,086</u> | <u>\$9,962,144</u> |

THE ELYSABETH KLEINHANS THEATRICAL FOUNDATION, INC.
(d/b/a 59E59 Theaters)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 4 - Endowment Funds

The Foundation's endowment was established by contributions from its founder. Consistent with the New York State Not-for-Profit Corporation Law and the New York State Prudent Management of Institutional Funds Act ("NYPMIFA"), the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of any applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation.

The Foundation's endowment fund is donor-restricted and is summarized by net asset classification at December 31, 2017 and 2016 as follows:

| | <u>2017</u> | <u>2016</u> |
|------------------------|---------------------|---------------------|
| Temporarily restricted | \$ 1,034,380 | \$ 481,258 |
| Permanently restricted | <u>12,999,320</u> | <u>12,999,320</u> |
| Total Funds | <u>\$14,033,700</u> | <u>\$13,480,578</u> |

Changes in the Foundation's endowment funds for the years ended December 31, 2017 and 2016 are summarized as follows:

| | <u>2017</u> | | |
|------------------------------------|-------------------------------|-------------------------------|---------------------|
| | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
| Endowment funds, beginning of year | \$ 481,258 | \$12,999,320 | \$13,480,578 |
| Net investment return | 1,100,644 | - | 1,100,644 |
| Appropriation for expenditure | <u>(547,522)</u> | <u>-</u> | <u>(547,522)</u> |
| Endowment Funds, End of Year | <u>\$1,034,380</u> | <u>\$12,999,320</u> | <u>\$14,033,700</u> |
| | <u>2016</u> | | |
| | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
| Endowment funds, beginning of year | \$ 57,729 | \$12,999,320 | \$13,057,049 |
| Net investment return | 961,503 | - | 961,503 |
| Appropriation for expenditure | <u>(537,974)</u> | <u>-</u> | <u>(537,974)</u> |
| Endowment Funds, End of Year | <u>\$481,258</u> | <u>\$12,999,320</u> | <u>\$13,480,578</u> |

THE ELYSABETH KLEINHANS THEATRICAL FOUNDATION, INC.
(d/b/a 59E59 Theaters)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 4 - Endowment Funds (continued)

The Foundation invests its endowment assets to provide a predictable stream of funding to operations, in a manner that is intended to produce current income while assuming a moderate level of investment risk.

To satisfy its long-term rate-of-return objectives, the Foundation has adopted an investment policy which includes the investment objectives of both capital appreciation (realized and unrealized) and current income (interest and dividends), achieved through investment primarily in equities and fixed income securities and funds.

The Foundation makes appropriations to fund operations. Appropriations totaled \$547,522 and \$537,974 for 2017 and 2016, respectively.

Note 5 - Property and Equipment

Property and equipment consist of the following at December 31:

| | <u>Life</u> | <u>2017</u> | <u>2016</u> |
|--------------------------------|-------------|---------------------|---------------------|
| Used in Operations: | | | |
| Building improvements | 39 years | \$ 8,512,905 | \$8,512,905 |
| Building | 39 years | 4,160,000 | 4,160,000 |
| Theatre equipment | 5 years | 304,922 | 306,171 |
| Office equipment | 3 years | 82,299 | 82,299 |
| Furniture and fixtures | 7 years | 122,910 | 122,910 |
| Website | 3 years | 8,027 | 8,027 |
| | | <u>13,191,063</u> | <u>13,192,312</u> |
| Less: Accumulated depreciation | | <u>(4,979,831)</u> | <u>(4,637,371)</u> |
| | | 8,211,232 | 8,554,941 |
| Land | | <u>1,040,000</u> | <u>1,040,000</u> |
| | | 9,251,232 | 9,594,941 |
| Held for Investment: | | | |
| Land | | <u>15,000,000</u> | <u>15,000,000</u> |
| | | <u>\$24,251,232</u> | <u>\$24,594,941</u> |

Depreciation expense for the years ended December 31, 2017 and 2016 was \$343,709 and \$343,336, respectively.

THE ELYSABETH KLEINHANS THEATRICAL FOUNDATION, INC.
(d/b/a 59E59 Theaters)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

Note 6 - Commitment and Contingency

- a - The Foundation received a contribution from its founder and others of all the membership interests of 120 Broadway LLC, a limited liability company, which owns, leases and manages a property. Under the terms of an existing ground lease, the Foundation receives \$850,000 in rental income per annum during the entire term of the lease. The lease has forty-three remaining renewal options each for successive periods of twenty-one years. The term of the lease currently runs through July 31, 2039.
- b - The Foundation has been named as one of several defendants in sixty-five personal injury actions brought by workers and their spouses for alleged respiratory injuries suffered as a result of exposure to allegedly toxic dust while doing clean-up and other work at 120 Broadway, New York, NY, in the weeks and months following the attacks on the World Trade Center on September 11, 2001. Eight of these cases have never been served. Fifty-seven of these cases have been served and were all consolidated in U.S. District Court for the Southern District of New York. The Foundation is the ground lessor of 120 Broadway and is being defended and indemnified by the ground lessee, 120 Broadway Holdings, LLC. Fourteen of these fifty-seven cases have been involuntarily dismissed by the District Court for the Southern District of New York and have been affirmed by the United States Court of Appeals for the Second Circuit. All of the remaining forty-three cases have been dismissed without prejudice pending completion of documents effectuating settlements of the claims against the Foundation. Settlement documentation has been completed in forty-two of these cases and submitted to the court to be executed. None of the settlements required any payment by the Foundation. Upon completion, filing and court execution of these settlement documents, it is anticipated that all forty-three remaining actions against the Foundation will be dismissed without prejudice.

Note 7 - Concentration of Credit Risk

The Foundation maintains its cash and cash equivalents at a financial institution in New York. Certain cash balances are insured by the Federal Deposit Insurance Corporation. Cash balances commonly exceed federally insured limits.

Note 8 - Functional Allocation of Expenses

The cost of providing the various program and supporting services has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

SUPPLEMENTARY INFORMATION



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**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION**

To the Board of Directors of
The Elysabeth Kleinhans Theatrical Foundation, Inc.
(d/b/a 59E59 Theaters)

We have audited the consolidated financial statements of The Elysabeth Kleinhans Theatrical Foundation, Inc. (d/b/a 59E59 Theaters) as of and for the years ended December 31, 2017 and 2016, and our report thereon dated October 4, 2018, which expressed an unmodified opinion on those consolidated financial statements, appears on pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Consolidated Schedule of Functional Expenses for the year ended December 31, 2017 with comparative totals for 2016 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Lutz + Carr, LLP

New York, New York
October 4, 2018

THE ELYSABETH KLEINHANS THEATRICAL FOUNDATION, INC.
(d/b/a 59E59 Theaters)

CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2017 WITH COMPARATIVE TOTALS FOR 2016

| | <u>Program Services</u> | <u>Supporting Services Management and General</u> | <u>2017 Total Expenses</u> | <u>2016 Total Expenses</u> |
|--|-----------------------------|---|------------------------------------|------------------------------------|
| Salaries | \$ 947,041 | \$ 322,895 | \$1,269,936 | \$1,218,132 |
| Payroll taxes | 79,793 | 27,205 | 106,998 | 102,667 |
| Employee benefits | 75,057 | 29,269 | 104,326 | 89,475 |
| Production expenses | 99,873 | - | 99,873 | 84,497 |
| Advertising | 450,258 | - | 450,258 | 454,209 |
| Design and printing | 256,335 | - | 256,335 | 323,960 |
| Postage and delivery | 139,031 | - | 139,031 | 151,401 |
| Utilities | 53,861 | 5,984 | 59,845 | 61,202 |
| Insurance | 38,105 | 4,234 | 42,339 | 43,147 |
| Professional fees and consultants | 1,605 | 59,766 | 61,371 | 49,811 |
| Supplies | 37,058 | 7,942 | 45,000 | 43,092 |
| Repairs and maintenance | 59,746 | 6,487 | 66,233 | 68,867 |
| Equipment and rentals | 24,421 | 3,545 | 27,966 | 50,206 |
| Telephone | 10,582 | 1,176 | 11,758 | 17,043 |
| Licenses and permits | 13,372 | - | 13,372 | 26,146 |
| Concession expenses | 534 | 59 | 593 | 586 |
| Security | 724 | 80 | 804 | 1,606 |
| Travel and accommodations | 75,596 | 2,721 | 78,317 | 39,384 |
| Miscellaneous | 28,622 | 21,815 | 50,437 | 58,075 |
| Depreciation | <u>309,338</u> | <u>34,371</u> | <u>343,709</u> | <u>343,336</u> |
| Total Expenses, 2017 | 2,700,952 | 527,549 | 3,228,501 | |
| Less: Depreciation expense shown separately in the statement of activities | <u>(309,338)</u> | <u>(34,371)</u> | <u>(343,709)</u> | |
| Total Expenses Included in the Expense Section of the Statement of Activities, 2017 | <u>\$2,391,614</u> | <u>\$ 493,178</u> | <u>\$2,884,792</u> | |
| Total Expenses, 2016 | \$2,675,063 | \$ 551,779 | | \$3,226,842 |
| Less: Depreciation expense shown separately in the statement of activities | <u>(309,002)</u> | <u>(34,334)</u> | | <u>(343,336)</u> |
| Total Expenses Included in the Expense Section of the Statement of Activities, 2016 | <u>\$2,366,061</u> | <u>\$ 517,445</u> | | <u>\$2,883,506</u> |

See independent auditors' report on supplementary information.