

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

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021



INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of The Elysabeth Kleinhans Theatrical Foundation, Inc. (d/b/a 59E59 Theaters) (a nonprofit corporation), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated 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 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) as of December 31, 2022 and 2021, and the changes in their net assets and their 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 The Elysabeth Kleinhans Theatrical Foundation, Inc. (d/b/a 59E59 Theaters) 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Elysabeth Kleinhans Theatrical Foundation, Inc.'s (d/b/a 59E59 Theaters) ability to continue as a going concern within one year after the date that the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 The Elysabeth Kleinhans Theatrical Foundation, Inc.'s (d/b/a 59E59 Theaters) 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Elysabeth Kleinhans Theatrical Foundation, Inc.'s (d/b/a 59E59 Theaters) 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

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2022 AND 2021

	2022	2021
Assets		
Cash and cash equivalents (Notes 1c and 8)	\$ 505,312	\$ 1,041,844
Employee retention credits receivable (Note 10)	-	182,372
Accounts receivable (Note 1d)	15,286	4,953
Accrued investment income	28,771	38,402
Inventory (Note 1g)	17,996	12,525
Prepaid expenses	49,680	42,684
Investments (Notes 1e, 4 and 5)	19,093,188	22,880,774
Property and equipment, at cost, net of accumulated depreciation and amortization (Notes 1h and 6)	23,646,831	23,884,602
Total Assets	\$43,357,064	\$48,088,156
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 67,908	\$ 171,573
Deferred rental income (Note 1i)	85,833	92,083
Box office payables (Note 1i)	100,287	144,951
Total Liabilities	254,028	408,607
Commitment and Contingency (Note 7)		
Net Assets		
Without Donor Restrictions		
Property and equipment	23,646,831	23,884,602
Undesignated	334,110	875,633
Total Without Donor Restrictions	23,980,941	24,760,235
With Donor Restrictions (Note 3)	19,122,095	22,919,314
Total Net Assets	43,103,036	47,679,549
Total Liabilities and Net Assets	\$43,357,064	\$48,088,156

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, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Changes in Net Assets Without Donor Restrictions		
Revenue, Gains and Other Support		
Box office receipts	\$ 974,542	\$ 35,747
Less: Outside attraction share	(974,542)	(35,747)
Net Box Office Receipts (Note 1i)	-	-
Contributions	260,667	506,020
Federal Relief Programs:		
Loan forgiveness - Paycheck Protection Program (Note 9)	-	206,900
Employee retention credits (Note 10)	-	182,372
Shuttered Venue Operators Grant (Note 11)	-	952,702
Theatre rental income	561,532	4,798
Theatre service fees and miscellaneous income	59,940	34,827
Reimbursed expenses	170,056	713
Concessions	396	-
Memberships	64,858	18,977
Net assets released from restrictions - accumulated investment earnings (Note 3)	474,612	472,069
Rental income - investment real estate (Note 7a)	850,000	850,000
	<u>2,442,061</u>	<u>3,229,378</u>
Expenses		
Program Services	2,355,168	939,703
Supporting Services		
Management and general	487,045	471,438
	<u>2,842,213</u>	<u>1,411,141</u>
Increase (Decrease) in Net Assets Without Donor Restrictions Before Depreciation and Amortization	(400,152)	1,818,237
Depreciation and amortization	379,142	386,030
	<u>(779,294)</u>	<u>1,432,207</u>
Changes in Net Assets With Donor Restrictions		
Net investment income (loss) (Note 4)	(3,322,607)	1,154,853
Net assets released from restrictions - accumulated investment earnings (Note 3)	(474,612)	(472,069)
	<u>(3,797,219)</u>	<u>682,784</u>
Increase (Decrease) in Net Assets With Donor Restrictions		
Increase (decrease) in net assets	(4,576,513)	2,114,991
Net assets, beginning of year	47,679,549	45,564,558
	<u>\$43,103,036</u>	<u>\$47,679,549</u>

See notes to consolidated financial statements.

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

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022			2021		
	Program Services	Supporting Services Management and General	Total Expenses	Program Services	Supporting Services Management and General	Total Expenses
Salaries	\$1,052,764	\$ 290,745	\$1,343,509	\$ 390,693	\$ 323,824	\$ 714,517
Payroll taxes	96,413	26,627	123,040	31,298	25,942	57,240
Employee benefits	57,084	15,433	72,517	18,380	15,235	33,615
Sponsorships and grants	-	-	-	125,000	-	125,000
Production expenses	56,984	-	56,984	58,169	-	58,169
Advertising	453,201	-	453,201	16,000	-	16,000
Design and printing	178,887	-	178,887	37,141	-	37,141
Postage and delivery	35,446	-	35,446	5,987	-	5,987
Utilities	81,153	9,017	90,170	35,639	3,960	39,599
Insurance	43,878	4,875	48,753	32,758	3,640	36,398
Professional fees and consultants	31,236	80,601	111,837	2,151	44,897	47,048
Supplies	125,881	13,692	139,573	58,182	5,687	63,869
Repairs and maintenance	61,499	6,833	68,332	74,302	8,256	82,558
Equipment and rentals	25,298	3,184	28,482	10,013	4,196	14,209
Telephone	7,999	889	8,888	9,250	1,028	10,278
Licenses and permits	7,291	-	7,291	1,621	-	1,621
Security	2,680	298	2,978	1,414	157	1,571
Travel and accommodations	17,145	1,898	19,043	9,728	329	10,057
Miscellaneous	20,329	32,953	53,282	21,977	34,287	56,264
Depreciation and amortization	341,228	37,914	379,142	347,427	38,603	386,030
Total Expenses	2,696,396	524,959	3,221,355	1,287,130	510,041	1,797,171
Less: Depreciation and amortization expense shown separately in the statement of activities	(341,228)	(37,914)	(379,142)	(347,427)	(38,603)	(386,030)
Total Expenses Included in the Expense Section of the Statement of Activities	<u>\$2,355,168</u>	<u>\$ 487,045</u>	<u>\$2,842,213</u>	<u>\$ 939,703</u>	<u>\$ 471,438</u>	<u>\$1,411,141</u>

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, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$(4,576,513)	\$ 2,114,991
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Loan forgiveness - Paycheck Protection Program	-	(206,900)
Depreciation and amortization	379,142	386,030
Unrealized (gain) loss on investments	3,119,450	(137,288)
Realized (gain) loss on investments	525,598	(809,237)
(Increase) decrease in:		
Employee retention credits receivable	182,372	(182,372)
Accounts receivable	(10,333)	(4,953)
Accrued investment income	9,631	10,149
Inventory	(5,471)	1,298
Prepaid expenses	(6,996)	(34,174)
Increase (decrease) in:		
Accounts payable and accrued expenses	(103,665)	130,695
Deferred rental income	(6,250)	16,000
Box office payables	(44,664)	51,936
Net Cash Provided (Used) By Operating Activities	<u>(537,699)</u>	<u>1,336,175</u>
 Cash Flows From Investing Activities		
Payments towards acquisition of property and equipment	(141,371)	(882,779)
Purchase of investments	(8,906,019)	(8,518,185)
Proceeds from sale of investments	9,048,557	8,771,779
Net Cash Provided (Used) By Investing Activities	<u>1,167</u>	<u>(629,185)</u>
 Net increase (decrease) in cash and cash equivalents	(536,532)	706,990
Cash and cash equivalents, beginning of year	<u>1,041,844</u>	<u>334,854</u>
 Cash and Cash Equivalents, End of Year	<u>\$ 505,312</u>	<u>\$ 1,041,844</u>
 Supplemental Disclosure		
Federal excise taxes paid	<u>\$ 25,388</u>	<u>\$ 27,931</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, 2022 AND 2021

Note 1 - Organization and Summary of Significant Accounting Policies

a - Organization

The Elysabeth Kleinhans Theatrical Foundation (d/b/a 59E59 Theaters) (the "Foundation") 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. Because of the COVID-19 pandemic, the theater was closed to public performances beginning in March 2020, so the Foundation supported theater companies by presenting their work to the public online. The Foundation returned to live performances in January 2022.

b - Principles of Consolidation

The accompanying consolidated financial statements include the accounts of 120 Broadway LLC (the "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 on accounts receivable at December 31, 2022 and 2021.

e - Investments and Fair Value Measurements

The Foundation reflects investments at fair value in the consolidated statements of financial position. Realized and unrealized gains and losses on investments are reflected in the consolidated statements of activities as increases and decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

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

e - Investments and Fair Value Measurements (continued)

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. 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

The Foundation recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Contributed property and equipment is recorded at fair value at the date of donation.

Donor restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets with donor restrictions and recorded on the statement of activities as net assets released from restriction.

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 net realizable value.

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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

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

i - Revenue Recognition

The Foundation has multiple revenue streams that are accounted for as exchange transactions including box office receipts, theatre rental income, theatre service fees and miscellaneous income, reimbursed expenses, concessions, memberships, and rental income. With the exception of memberships, which can be for a period of approximately one year, all of the Foundation's revenue from contracts with customers are from performance obligations with an initial expected duration of one year or less. Prices are specific to a distinct performance obligation and do not consist of multiple transactions. The Foundation records deferred revenue in situations when amounts are collected, but the performance obligations have not yet been met.

Box office receipts, theatre service fees and miscellaneous income are recognized in the period the performance takes place. Reimbursed expenses are recognized when the expense is incurred. Theatre rental and rental income are recognized over the period that the rental takes place. Concession income is recognized when products are sold.

Membership revenue is collected at the commencement of the membership period. Membership revenue is primarily contribution revenue, and a portion represents an exchange transaction and entitles members to certain discounts and events over the course of the membership period. The Foundation recognizes membership revenue as contribution revenue in the year received since the substantial portion of the Foundation's performance obligations is completed by the end of each year and the value related to other membership benefits is de minimus.

j - Lease

The LLC is the owner of a property (Note 7a) which it leases to another organization. The LLC has determined that the lease is an operating lease and recognizes income on a straight-line basis over the term of the lease.

k - Financial Statement Presentation

The consolidated financial statements of the Foundation have been prepared in accordance with accounting principles generally accepted in the United States of America, which require the Foundation 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 Foundation. These net assets may be used at the discretion of Foundation's management and Board of Directors.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

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

k - Financial Statement Presentation (continued)

Net Assets With Donor Restrictions

Net assets that are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

l - Advertising Costs

Advertising costs are charged to operations at the time the advertising occurs.

m - Functional Allocation of Expenses

The consolidated 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. A substantial portion of the Foundation's expenses are directly related to program activities of the theaters. The expenses that are allocated include salaries, advertising, design and printing, postage and other administrative costs, which are allocated based upon estimates of employee time and effort.

n - 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.

o - 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 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.

p - Subsequent Events

The Foundation has evaluated subsequent events through September 15, 2023, the date that the financial statements are considered available to be issued.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

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

r - New Accounting Standard

During 2022, the Foundation and the LLC adopted ASU 2016-02, *Leases* ("ASC 842"). The core principles of ASC 842 change the way organizations account for their leases with terms longer than twelve months and disclosing key information about leasing arrangements. The adoption of ASC 842 did not have a significant impact on the Foundation's consolidated financial statements.

The LLC has adopted the practical expedients which allows the LLC to not reassess (i) whether any expired or existing contracts are leases or contain leases (ii) the lease classification for any expired or existing leases (iii) initial direct costs for any existing leases.

Note 2 - Information Regarding Liquidity and Availability

The Foundation operates 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 contributions raised and program revenue earned during the year and appropriations of accumulated investment earnings from the Foundation's endowment. The Foundation considers general expenditures to consist of all expenses related to its ongoing program services, and the expenses related to general and administrative activities undertaken to support those services.

The Foundation 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, and has a policy to maintain liquid financial assets on an ongoing basis sufficient to cover 90 days of general expenditures. Financial assets in excess of daily cash requirements are invested in money market funds and other short-term investments.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

Note 2 - Information Regarding Liquidity and Availability (continued)

The Foundation's assets as of December 31, 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	\$ 505,312	\$ 1,041,844
Employee retention credits receivable	-	182,372
Accounts receivable	15,286	4,953
Accrued investment income	28,771	38,402
Investments	<u>19,093,188</u>	<u>22,880,774</u>
Total Financial Assets	19,642,557	24,148,345
Less: Amounts not Available to be Used within One Year:		
Net assets with donor restrictions for endowment:		
Accumulated investment earnings subject to appropriation	(622,775)	(4,419,994)
Perpetual in nature	(18,499,320)	(18,499,320)
Plus: Amount expected to be appropriated within one year	<u>960,000</u>	<u>500,000</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$ 1,480,462</u>	<u>\$ 1,729,031</u>

Note 3 - Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the Foundation's donor restricted endowment and accumulated investment earnings thereon. The Foundation has received endowment contributions totaling \$18,499,320. Income from this endowment is not restricted for any specific purpose and may be appropriated for expenditure for use in the Foundation's general operations (Note 5). For the years ended December 31, 2022 and 2021, \$474,612 and \$472,069 respectively, of accumulated investment earnings were released from restriction for use in operations.

THE ELYSABETH KLEINHANS THEATRICAL FOUNDATION, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

Note 4 - Investments

Investments at December 31, 2022 and 2021 consist of the following:

	2022		2021	
	Cost	Fair Value	Cost	Fair Value
Investment cash and money market funds	\$ 1,201,831	\$ 1,201,831	\$ 1,417,697	\$ 1,417,697
Domestic corporate bonds	2,136,089	1,900,080	3,876,801	4,010,427
Municipal bonds	137,900	116,369	137,900	137,833
Mutual funds - fixed income	6,311,804	6,000,920	6,384,728	6,650,618
Domestic common stock	4,139,715	5,702,162	2,947,607	6,003,680
U.S agency and treasury securities	3,492,440	3,056,068	2,911,494	2,962,564
Other equity investments	68,803	93,715	76,133	162,391
Asset-backed securities	1,134,950	1,022,043	1,539,308	1,535,564
	\$18,623,532	\$19,093,188	\$19,291,668	\$22,880,774

Net investment income (loss) for 2022 and 2021 is summarized as follows:

	2022	2021
Interest and dividend income	\$ 436,178	\$ 330,139
Realized gain (loss) on sale of investments	(525,598)	809,237
Unrealized gain (loss) on investments	(3,119,450)	137,288
Investment fees	(88,349)	(93,880)
Federal excise tax expense	(25,388)	(27,931)
Net Investment Income (Loss)	\$(3,322,607)	\$1,154,853

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

Note 4 - Investments (continued)

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

	2022		
	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	\$ 1,201,831	\$ 1,201,831	\$ -
Domestic corporate bonds	1,900,080	-	1,900,080
Municipal bonds	116,369	-	116,369
Mutual funds - fixed income	6,000,920	6,000,920	-
Domestic common stock	5,702,162	5,702,162	-
U.S agency and treasury securities	3,056,068	-	3,056,068
Other equity investments	93,715	93,715	-
Asset-backed securities	<u>1,022,043</u>	<u>-</u>	<u>1,022,043</u>
	<u>\$19,093,188</u>	<u>\$12,998,628</u>	<u>\$6,094,560</u>
	2021		
	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	\$ 1,417,697	\$ 1,417,697	\$ -
Domestic corporate bonds	4,010,427	-	4,010,427
Municipal bonds	137,833	-	137,833
Mutual funds - fixed income	6,650,618	6,650,618	-
Domestic common stock	6,003,680	6,003,680	-
U.S agency and treasury securities	2,962,564	-	2,962,564
Other equity investments	162,391	162,391	-
Asset-back securities	<u>1,535,564</u>	<u>-</u>	<u>1,535,564</u>
	<u>\$22,880,774</u>	<u>\$14,234,386</u>	<u>\$8,646,388</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

Note 5 - Endowment Funds

The Foundation's endowment was established by contributions from its founder. Endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. 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 retains in perpetuity (a) the original value of the gifts donated to the endowment (b) the original value of subsequent gifts to the endowment and (c) accumulations to the 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 that is not perpetual in nature is classified as an endowment subject to spending policy and appropriation until these amounts are appropriated for expenditure by the Foundation.

The Foundation's endowment fund is included in net assets with donor restrictions at December 31, 2022 and 2021. Changes in the Foundation's endowment funds for the years ended December 31, 2022 and 2021 are summarized as follows:

	2022		
	Investment Income Above Original Gift Amount	Investment in Perpetuity	Total
Endowment funds, beginning of year	\$ 4,419,994	\$18,499,320	\$22,919,314
Net investment loss	(3,322,607)	-	(3,322,607)
Appropriation for expenditure	<u>(474,612)</u>	<u>-</u>	<u>(474,612)</u>
Endowment Funds, End of Year	<u>\$ 622,775</u>	<u>\$18,499,320</u>	<u>\$19,122,095</u>
	2021		
	Investment Income Above Original Gift Amount	Investment in Perpetuity	Total
Endowment funds, beginning of year	\$3,737,210	\$18,499,320	\$22,236,530
Net investment return	1,154,853	-	1,154,853
Appropriation for expenditure	<u>(472,069)</u>	<u>-</u>	<u>(472,069)</u>
Endowment Funds, End of Year	<u>\$4,419,994</u>	<u>\$18,499,320</u>	<u>\$22,919,314</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

Note 5 - 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 \$474,612 and \$472,069 for 2022 and 2021, respectively.

Note 6 - Property and Equipment

Property and equipment consist of the following at December 31:

	<u>Life</u>	<u>2022</u>	<u>2021</u>
Used in Operations:			
Building improvements	20-39 years	\$ 9,480,992	\$ 9,348,085
Building	39 years	4,160,000	4,160,000
Theatre equipment	5-7 years	341,795	341,795
Office equipment	3 years	73,416	72,002
Furniture and fixtures	7 years	233,688	229,138
Website	3 years	<u>101,801</u>	<u>99,301</u>
		14,391,692	14,250,321
Less: Accumulated depreciation and amortization		<u>(6,784,861)</u>	<u>(6,405,719)</u>
		7,606,831	7,844,602
Land		<u>1,040,000</u>	<u>1,040,000</u>
		8,646,831	8,884,602
Held for Investment:			
Land		<u>15,000,000</u>	<u>15,000,000</u>
		<u>\$23,646,831</u>	<u>\$23,884,602</u>

THE ELYSABETH KLEINHANS THEATRICAL FOUNDATION, INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

Note 7 - 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-two remaining renewal options each for successive periods of twenty-one years. The term of the lease currently runs through July 31, 2060.
- 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 8 - 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

Note 9 - Loan Forgiveness - Paycheck Protection Program

In April 2020, the Foundation received a loan totaling \$206,900 under the Paycheck Protection Program ("PPP") administered by the U.S. Small Business Administration (SBA) approved partner. The full amount of the loan was forgiven on April 7, 2021 and, accordingly, recognized as loan forgiveness revenue for the year ended December 31, 2021.

Note 10 - Employee Retention Credits Receivable

The Coronavirus Aid, Relief and Economic Security ("CARES") Act enacted in 2020 allowed the Organization to claim employee retention credits for qualified wages for the first three quarters of 2021. The Foundation qualified for the credit based on partial suspension of operations due to government COVID-related orders and a decrease in gross receipts.

Note 11 - Shuttered Venue Operators Grant

On August 24, 2021, the Foundation was awarded Shuttered Venue Operators Grant (the "SVOG") from the U.S. Small Business Administration (the "SBA") in the amount of \$952,702. The SVOG is recognized as income when approved expenses have been incurred. During the year ended December 31, 2021, the Organization incurred approved expenses for the full amount of the grant. Accordingly, the full amount of the grant is reflected as revenue for the year ended December 31, 2021.