

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

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019



LUTZ AND GARR

CERTIFIED PUBLIC ACCOUNTANTS, LLP

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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, 2020 and 2019, and the related consolidated statements of activities, functional expenses 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 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 from 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, 2020 and 2019, 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.

Emphasis of Matter

As discussed in Note 10 to the consolidated financial statements, in March 2020, the United States declared the global pandemic novel coronavirus COVID-19 outbreak a national emergency. As a result, The Elysabeth Kleinhans Theatrical Foundation, Inc. (d/b/a 59E59 Theaters) and subsidiary have suspended some of their program activities at the direction of state and local governmental authorities. Our opinion is not modified with respect to this matter.

Lotz + Carr, LLP

New York, New York
October 8, 2021

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2020 AND 2019

	2020	2019
Assets		
Cash and cash equivalents (Notes 1c and 8)	\$ 334,854	\$ 132,596
Accounts and box office receivables	-	10,186
Accrued investment income	48,551	44,218
Inventory (Note 1f)	13,823	13,335
Prepaid expenses	8,510	31,645
Investments (Notes 1d, 4 and 5)	22,187,843	20,422,825
Property and equipment, at cost, net of accumulated depreciation and amortization (Notes 1g and 6)	23,387,853	23,692,398
Total Assets	\$45,981,434	\$44,347,203
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 40,878	\$ 99,225
Deferred rental income (Note 1h)	76,083	70,833
Loan payable - Paycheck Protection Program (Note 9)	206,900	-
Box office payables (Note 1h)	93,015	130,956
Theatre deposits (Note 1h)	-	5,000
Total Liabilities	416,876	306,014
Commitment and Contingencies (Notes 7 and 10)		
Net Assets		
Without Donor Restrictions		
Property and equipment	23,387,853	23,692,398
Undesignated	(59,825)	(118,389)
Total Without Donor Restrictions	23,328,028	23,574,009
With Donor Restrictions		
Subject to time and purpose restrictions (Note 3a)	3,737,210	1,967,860
Perpetual in nature (Note 3b)	18,499,320	18,499,320
Total With Donor Restrictions	22,236,530	20,467,180
Total Net Assets	45,564,558	44,041,189
Total Liabilities and Net Assets	\$45,981,434	\$44,347,203

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, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Changes in Net Assets Without Donor Restrictions		
Revenue, Gains and Other Support		
Box office receipts	\$ 191,411	\$ 1,502,670
Less: Outside attraction share	(191,411)	(1,502,670)
Net Box Office Receipts (Note 1h)	-	-
Contributions	358,729	253,918
Theatre rental income	107,612	642,239
Theatre service fees and miscellaneous income	49,487	105,551
Reimbursed expenses	57,259	268,559
Concessions, net of cost of goods sold of \$7,756 (2020) and \$52,272 (2019)	2,182	26,611
Membership	42,010	171,887
Net assets released from restrictions - accumulated investment earnings	424,697	743,294
Net assets released from restrictions - contributions	-	33,618
Rental income - investment real estate (Note 7a)	850,000	850,000
	<u>1,891,976</u>	<u>3,095,677</u>
 Expenses		
Program Services	1,431,525	2,626,175
Supporting Services		
Management and general	335,091	379,826
	<u>1,766,616</u>	<u>3,006,001</u>
 Total Expenses Before Depreciation and Amortization		
	<u>1,766,616</u>	<u>3,006,001</u>
 Increase in Net Assets Without Donor Restrictions Before Depreciation and Amortization	125,360	89,676
 Depreciation and amortization	<u>371,341</u>	<u>371,362</u>
 Decrease in Net Assets Without Donor Restrictions	<u>(245,981)</u>	<u>(281,686)</u>
Changes in Net Assets With Donor Restrictions		
Contributions (Note 5)	-	33,618
Net investment income (Note 4)	2,194,047	2,660,032
Net assets released from restrictions - accumulated investment earnings (Note 3a)	(424,697)	(743,294)
Net assets released from restrictions - contributions	-	(33,618)
	<u>1,769,350</u>	<u>1,916,738</u>
 Increase in Net Assets With Donor Restrictions		
	<u>1,769,350</u>	<u>1,916,738</u>
 Increase in net assets	1,523,369	1,635,052
Net assets, beginning of year	<u>44,041,189</u>	<u>42,406,137</u>
 Net Assets, End of Year	<u><u>\$45,564,558</u></u>	<u><u>\$44,041,189</u></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, 2020 AND 2019

	<u>2020</u>			<u>2019</u>		
	<u>Program Services</u>	<u>Supporting Services</u>		<u>Program Services</u>	<u>Supporting Services</u>	
		<u>Management and General</u>	<u>Total Expenses</u>		<u>Management and General</u>	<u>Total Expenses</u>
Salaries	\$ 713,265	\$ 222,658	\$ 935,923	\$1,153,029	\$ 251,912	\$1,404,941
Payroll taxes	54,862	17,126	71,988	95,902	20,952	116,854
Employee benefits	42,957	13,410	56,367	54,232	11,849	66,081
Production expenses	93,187	-	93,187	150,106	-	150,106
Advertising	132,313	-	132,313	414,144	-	414,144
Design and printing	92,951	-	92,951	262,681	-	262,681
Postage and delivery	14,884	-	14,884	91,638	-	91,638
Utilities	37,869	4,208	42,077	57,549	6,394	63,943
Insurance	57,747	6,416	64,163	40,569	4,508	45,077
Professional fees and consultants	1,191	41,340	42,531	477	43,669	44,146
Supplies	26,784	2,831	29,615	38,698	3,881	42,579
Repairs and maintenance	48,855	5,428	54,283	85,219	9,469	94,688
Equipment and rentals	28,836	3,132	31,968	76,484	3,693	80,177
Telephone	10,943	1,216	12,159	10,463	1,162	11,625
Licenses and permits	20,721	-	20,721	19,005	-	19,005
Concession expenses	361	40	401	5,681	631	6,312
Security	1,885	209	2,094	3,807	423	4,230
Travel and accommodations	8,061	209	8,270	23,042	1,433	24,475
Bad debt expense	32,142	-	32,142	-	-	-
Miscellaneous	11,711	16,868	28,579	43,449	19,850	63,299
Depreciation and amortization	334,207	37,134	371,341	334,226	37,136	371,362
Total Expenses	1,765,732	372,225	2,137,957	2,960,401	416,962	3,377,363
Less: Depreciation and amortization expense shown separately in the statement of activities	(334,207)	(37,134)	(371,341)	(334,226)	(37,136)	(371,362)
Total Expenses Included in the Expense Section of the Statement of Activities	<u>\$1,431,525</u>	<u>\$ 335,091</u>	<u>\$1,766,616</u>	<u>\$2,626,175</u>	<u>\$ 379,826</u>	<u>\$3,006,001</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, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities		
Increase in net assets	\$ 1,523,369	\$ 1,635,052
Adjustments to reconcile increase in net assets to net cash used by operating activities:		
Depreciation and amortization	371,341	371,362
Bad debt expense	32,142	-
Unrealized gain on investments	(1,287,877)	(2,034,740)
Realized gain on investments	(582,967)	(196,141)
(Increase) decrease in:		
Accounts and box office receivables	(21,956)	1,195
Accrued investment income	(4,333)	9,725
Inventory	(488)	(2,294)
Prepaid expenses	23,135	(10,021)
Deposits	-	5,156
Increase (decrease) in:		
Accounts payable and accrued expenses	(58,347)	(62,064)
Deferred rental income	5,250	(75,604)
Box office payables	(37,941)	41,699
Theatre deposits	(5,000)	(48,250)
Net Cash Used By Operating Activities	<u>(43,672)</u>	<u>(364,925)</u>
 Cash Flows From Investing Activities		
Payments towards acquisition of property and equipment	(66,796)	(85,626)
Purchase of investments	(13,321,262)	(8,169,079)
Proceeds from sale of investments	13,427,088	8,473,647
Net Cash Provided by Investing Activities	<u>39,030</u>	<u>218,942</u>
 Cash Flows From Financing Activities		
Proceeds from loan payable - Paycheck Protection Program	<u>206,900</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	202,258	(145,983)
Cash and cash equivalents, beginning of year	<u>132,596</u>	<u>278,579</u>
 Cash and Cash Equivalents, End of Year	 <u><u>\$ 334,854</u></u>	 <u><u>\$ 132,596</u></u>
 Supplemental Disclosure		
Federal excise taxes paid	<u><u>\$ 25,303</u></u>	<u><u>\$ 36,706</u></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, 2020 AND 2019

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 expects to return to live performances in January 2022.

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 - 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, 2020 AND 2019

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

d - 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.

e - 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 releases from restriction.

f - 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.

g - 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, 2020 AND 2019

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

h - 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 and theatre services 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.

i - 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 ("U.S. GAAP"), 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, 2020 AND 2019

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

i - 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.

j - Advertising Costs

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

k - 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.

l - 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.

m - 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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

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

n - Subsequent Events

The Foundation has evaluated subsequent events through October 8, 2021, the date that the financial statements are considered available to be issued.

o - Reclassifications

Certain 2019 amounts have been reclassified to conform to the presentation used in 2020.

p - New Accounting Pronouncement

During 2020, the Foundation adopted Accounting Standards Update ("ASU") 2019-09, *Revenue from Contracts with Customers (Topic 606)*. The guidance requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for these goods and services. Adoption of this standard had no impact on the financial statements.

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. The Foundation considers general expenditures to consist of all expenses related to its ongoing program services, and the expenses related to general, administrative and fundraising 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, 2020 AND 2019

Note 2 - Information Regarding Liquidity and Availability (continued)

The Foundation's assets as of December 31, 2020 and 2019, and those available within one year to meet cash needs for general expenditures are summarized as follows:

	<u>2020</u>	<u>2019</u>
Financial Assets at Year End:		
Cash and cash equivalents	\$ 334,854	\$ 132,596
Accounts and box office receivables	-	10,186
Accrued investment income	48,551	44,218
Investments	<u>22,187,843</u>	<u>20,422,825</u>
Total Financial Assets	22,571,248	20,609,825
Less: Amounts not Available to be Used within One Year:		
Net assets with donor restriction, subject to time and purpose restrictions	(3,737,210)	(1,967,860)
Net assets with donor restrictions for endowment, perpetual in nature	(18,499,320)	(18,499,320)
Plus: Amount expected to be appropriated within one year	<u>1,070,000</u>	<u>780,000</u>
Financial Assets Available to Meet General Expenditures within One Year	<u>\$ 1,404,718</u>	<u>\$ 922,645</u>

Note 3 - Net Assets With Donor Restrictions

a - Subject to Time and Purpose Restrictions

Net assets with donor restrictions consist of accumulated investment earnings on the Foundation's donor-restricted endowment. For the years ended December 31, 2020 and 2019, \$424,697 and \$743,294 respectively, of accumulated investment earnings were released from restriction for use in operations.

b - Perpetual in Nature

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).

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 4 - Investments

Investments at December 31, 2020 and 2019 consist of the following:

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
Investment cash and money market funds	\$ 862,745	\$ 862,745	\$ 638,537	\$ 638,537
Domestic corporate bonds	5,014,255	5,516,147	3,277,883	3,464,734
Municipal bonds	-	-	290,722	308,942
Mutual funds - fixed income	5,564,976	5,940,244	6,625,504	6,879,291
Domestic common stock	3,628,048	6,087,532	4,106,316	5,548,820
U.S agency and treasury securities	2,479,501	2,519,795	2,632,273	2,850,660
Other equity investments	98,949	153,190	142,722	180,199
Asset-backed securities	<u>1,087,551</u>	<u>1,108,190</u>	<u>544,927</u>	<u>551,642</u>
	<u>\$18,736,025</u>	<u>\$22,187,843</u>	<u>\$18,258,884</u>	<u>\$20,422,825</u>

Net investment income for 2020 and 2019 is summarized as follows:

	2020	2019
Interest and dividend income	\$ 434,383	\$ 542,609
Realized gain on sale of investments	582,967	196,141
Unrealized gain on investments	1,287,877	2,034,740
Investment fees	(85,877)	(76,752)
Federal excise tax expense	<u>(25,303)</u>	<u>(36,706)</u>
Net Investment Income	<u>\$2,194,047</u>	<u>\$2,660,032</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 4 - Investments (continued)

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

	2020		
	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	\$ 862,745	\$ 862,745	\$ -
Domestic corporate bonds	5,516,147	-	5,516,147
Mutual funds - fixed income	5,940,244	5,940,244	-
Domestic common stock	6,087,532	6,087,532	-
U.S agency and treasury securities	2,519,795	-	2,519,795
Other equity investments	153,190	153,190	-
Asset-backed securities	<u>1,108,190</u>	<u>-</u>	<u>1,108,190</u>
	<u>\$22,187,843</u>	<u>\$13,043,711</u>	<u>\$9,144,132</u>
	2019		
	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	\$ 638,537	\$ 638,537	\$ -
Domestic corporate bonds	3,464,734	-	3,464,734
Municipal bonds	308,942	-	308,942
Mutual funds - fixed income	6,879,291	6,879,291	-
Domestic common stock	5,548,820	5,548,820	-
U.S agency and treasury securities	2,850,660	-	2,850,660
Other equity investments	180,199	180,199	-
Asset-back securities	<u>551,642</u>	<u>-</u>	<u>551,642</u>
	<u>\$20,422,825</u>	<u>\$13,246,847</u>	<u>\$7,175,978</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

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, 2020 and 2019. Changes in the Foundation's endowment funds for the years ended December 31, 2020 and 2019 are summarized as follows:

	2020		
	Investment Income Above Original Gift Amount	Investment in Perpetuity	Total
Endowment funds, beginning of year	\$1,967,860	\$18,499,320	\$20,467,180
Net investment return	2,194,047	-	2,194,047
Appropriation for expenditure	<u>(424,697)</u>	<u>-</u>	<u>(424,697)</u>
Endowment Funds, End of Year	<u>\$3,737,210</u>	<u>\$18,499,320</u>	<u>\$22,236,530</u>
	2019		
	Investment Income Above Original Gift Amount	Investment in Perpetuity	Total
Endowment funds, beginning of year	\$ 51,122	\$18,499,320	\$18,550,442
Net investment return	2,660,032	-	2,660,032
Appropriation for expenditure	<u>(743,294)</u>	<u>-</u>	<u>(743,294)</u>
Endowment Funds, End of Year	<u>\$1,967,860</u>	<u>\$18,499,320</u>	<u>\$20,467,180</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

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 \$424,697 and \$743,294 for 2020 and 2019, respectively.

Note 6 - Property and Equipment

Property and equipment consist of the following at December 31:

	<u>Life</u>	<u>2020</u>	<u>2019</u>
Used in Operations:			
Building improvements	39 years	\$ 8,559,022	\$ 8,546,522
Building	39 years	4,160,000	4,160,000
Theatre equipment	5 years	312,915	308,715
Office equipment	3 years	86,083	85,061
Furniture and fixtures	7 years	192,599	160,525
Website	3 years	<u>102,328</u>	<u>85,328</u>
		13,412,947	13,346,151
Less: Accumulated depreciation and amortization		<u>(6,065,094)</u>	<u>(5,693,753)</u>
		7,347,853	7,652,398
Land		<u>1,040,000</u>	<u>1,040,000</u>
		8,387,853	8,692,398
Held for Investment:			
Land		<u>15,000,000</u>	<u>15,000,000</u>
		<u>\$23,387,853</u>	<u>\$23,692,398</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

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-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 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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Note 9 - Loan Payable-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 loan is uncollateralized and is fully guaranteed by the Federal government. The loan bears interest at 0.98% per annum and is due in two years. The loan included provisions for forgiveness if the Foundation meets certain employee retention requirements and the funds were used for eligible expenses. In April 2021, the full amount of the loan was forgiven.

Note 10 - Risks and Uncertainties

In March 2020, the United States declared the global pandemic novel coronavirus COVID-19 outbreak a national emergency. As a result, the Foundation has suspended some of its program activities at the direction of state and local governmental authorities. Management is currently evaluating the potential impact that the resulting economic uncertainties will have on the Foundation's operations.