

HERE

**HOME FOR CONTEMPORARY THEATRE AND ART, LTD.
(d/b/a HERE Art Center)**

**Audited Financial Statements
and Supplemental Schedule**

August 31, 2016

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Home for Contemporary Theatre and Art, Ltd.
d/b/a HERE Art Center

Report on the Financial Statements

We have audited the accompanying financial statements of Home for Contemporary Theatre and Art, Ltd. d/b/a HERE Art Center (the "Center"), which comprise the statement of financial position as of August 31, 2016 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the 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 organization'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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

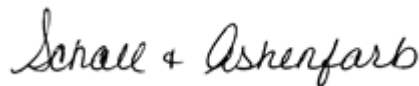
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Home for Contemporary Theatre and Art, Ltd. d/b/a HERE Art Center as of August 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Home for Contemporary Theatre and Art Ltd. d/b/a HERE Art Center's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 28, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Unrestricted Revenue and Expenses on page 13 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied to in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.



Schall & Ashenfarb
Certified Public Accountants, LLC

January 11, 2017

HOME FOR CONTEMPORARY THEATRE AND ART, LTD.
(d/b/a HERE Art Center)
STATEMENT OF FINANCIAL POSITION
AT AUGUST 31, 2016
(With comparative totals at August 31, 2015)

	<u>8/31/16</u>	<u>8/31/15</u>
Assets		
Cash and cash equivalents	\$677,881	\$542,816
Contributions receivable	149,915	265,915
Other receivables	30,254	6,418
Prepaid expenses	36,695	36,848
Security deposits	12,215	12,215
Fixed assets, net (Note 3)	<u>2,954,651</u>	<u>3,049,275</u>
 Total assets	 <u><u>\$3,861,611</u></u>	 <u><u>\$3,913,487</u></u>
 Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$64,762	\$46,848
Deferred revenue	31,434	40,593
Government grant advances	0	40,000
Loans payable (Note 4)	400,000	500,000
Mortgage payable (Note 5)	<u>1,085,320</u>	<u>1,115,365</u>
Total liabilities	<u>1,581,516</u>	<u>1,742,806</u>
Net assets:		
Unrestricted	(70,419)	(16,738)
Temporarily restricted (Note 6)	<u>2,350,514</u>	<u>2,187,419</u>
Total net assets	<u>2,280,095</u>	<u>2,170,681</u>
 Total liabilities and net assets	 <u><u>\$3,861,611</u></u>	 <u><u>\$3,913,487</u></u>

The attached notes and auditors' report are an integral part of these financial statements.

HOME FOR CONTEMPORARY THEATRE AND ART, LTD.
(d/b/a HERE Art Center)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2016
(With comparative totals for the year ended August 31, 2015)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 8/31/16</u>	<u>Total 8/31/15</u>
Public support and revenue:				
Contributions:				
Foundations	\$301,168	\$676,000	\$977,168	\$1,178,883
Individuals	262,555	10,000	272,555	214,358
Corporations	7,518		7,518	17,000
In-kind	15,962		15,962	23,675
Government grants	250,000		250,000	199,800
Special events (net expenses with a direct benefits to donor) (Note 8)	79,776		79,776	110,901
Ticket sales	115,760		115,760	117,281
Facility rentals and other reimbursements	256,934		256,934	267,588
Co-producer income	120,000		120,000	17,500
Interest and other income	43,149		43,149	49,761
Net assets released from restrictions (Note 6)	522,905	(522,905)	0	0
	<u>1,975,727</u>	<u>163,095</u>	<u>2,138,822</u>	<u>2,196,747</u>
Expenses:				
Program services	1,717,231		1,717,231	1,421,820
Management and general	140,847		140,847	98,291
Fundraising	171,330		171,330	207,766
	<u>2,029,408</u>	<u>0</u>	<u>2,029,408</u>	<u>1,727,877</u>
Change in net assets	(53,681)	163,095	109,414	468,870
Net assets - beginning of year	<u>(16,738)</u>	<u>2,187,419</u>	<u>2,170,681</u>	<u>1,701,811</u>
Net assets - end of year	<u>(\$70,419)</u>	<u>\$2,350,514</u>	<u>\$2,280,095</u>	<u>\$2,170,681</u>

The attached notes and auditors' report are an integral part of these financial statements.

HOME FOR CONTEMPORARY THEATRE AND ART, LTD.
(d/b/a HERE Art Center)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2016
(With comparative totals for the year ended August 31, 2015)

	Program Services	Management and General	Fundraising	Total 8/31/16	Total 8/31/15
Salaries	\$530,023	\$19,068	\$98,921	\$648,012	\$613,339
Payroll taxes and employee benefits	97,062	15,648	7,824	120,534	99,222
Artistic and other fees	484,931			484,931	242,106
Stipends and travel	75,639	85	42	75,766	102,722
Professional fees	2,282	29,415	202	31,899	53,881
Utilities and storage	34,367	6,090	3,045	43,502	39,428
Advertising and public relations expenses	56,099	26,928		83,027	76,649
Printing	29,362		2,022	31,384	25,144
Office supplies	8,151	1,293	647	10,091	9,072
Insurance expense	10,047	1,781	890	12,718	17,433
Postage and shipping	8,615	841	421	9,877	10,891
Repairs and maintenance	49,166	8,713	4,357	62,236	45,722
Telephone	5,964	1,057	529	7,550	7,901
Hospitality/conference fees	10,557	415	446	11,418	12,364
Interest	70,970	12,577	6,289	89,836	92,461
Production expense	142,070		2,500	144,570	130,005
Bank and credit card charges	4,490	795	398	5,683	4,353
Special event			34,727	34,727	29,692
Dues and subscriptions	10,683	768	383	11,834	7,932
Miscellaneous	3,197	566	283	4,046	688
Total expenses before depreciation	<u>1,633,675</u>	<u>126,040</u>	<u>163,926</u>	<u>1,923,641</u>	<u>1,621,005</u>
Depreciation	<u>83,556</u>	<u>14,807</u>	<u>7,404</u>	<u>105,767</u>	<u>106,872</u>
Total expenses	<u><u>\$1,717,231</u></u>	<u><u>\$140,847</u></u>	<u><u>\$171,330</u></u>	<u><u>\$2,029,408</u></u>	<u><u>\$1,727,877</u></u>

The attached notes and auditors' report are an integral part of these financial statements.

HOME FOR CONTEMPORARY THEATRE AND ART, LTD.
(d/b/a HERE Art Center)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2016
(With comparative totals for the year ended August 31, 2015)

	<u>8/31/16</u>	<u>8/31/15</u>
Cash flows from operating activities:		
Change in net assets	\$109,414	\$468,870
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	105,767	106,872
Changes in assets and liabilities:		
Contributions receivable	116,000	(230,000)
Other receivables	(23,836)	(2,502)
Prepaid expenses	153	4,522
Security deposits	0	(1,000)
Accounts payable and accrued expenses	17,914	(25,623)
Deferred revenue	(9,159)	(15,125)
Government grant advances	(40,000)	40,000
Other liabilities	0	(5,050)
Total adjustments	<u>166,839</u>	<u>(127,906)</u>
Net cash flows provided by operating activities	<u>276,253</u>	<u>340,964</u>
Cash flows from investing activities:		
Purchase of fixed assets	<u>(11,143)</u>	<u>(5,216)</u>
Net cash flows used for investing activities	<u>(11,143)</u>	<u>(5,216)</u>
Cash flows from financing activities:		
Repayment of mortgage payable	(30,045)	(28,440)
Proceeds from loans payable	100,000	100,000
Repayment of loans payable	<u>(200,000)</u>	<u>0</u>
Net cash flows (used for)/provided by financing activities	<u>(130,045)</u>	<u>71,560</u>
Net increase in cash and cash equivalents	135,065	407,308
Cash and cash equivalents - beginning of year	<u>542,816</u>	<u>135,508</u>
Cash and cash equivalents - end of year	<u><u>\$677,881</u></u>	<u><u>\$542,816</u></u>
Supplemental disclosure of cash flow information:		
Total interest paid	<u>\$89,836</u>	<u>\$92,461</u>
Total taxes paid	<u>\$0</u>	<u>\$0</u>

The attached notes and auditors' report are an integral part of these financial statements.

HOME FOR CONTEMPORARY THEATRE AND ART, LTD.
(d/b/a HERE Art Center)
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016

Note 1 - Organization

Home for Contemporary Theatre and Art, Ltd. d/b/a HERE Art Center (the "Center") is dedicated to the production and presentation of works by contemporary artists in performance and media. The Center operates a facility which contains two theatres, a café, and support facilities.

The Center is tax exempt under Section 501(c)(3) of the Internal Revenue Code. It has not been designated as a private foundation.

Note 2 - Summary of Significant Accounting Policies

a. Basis of Presentation

The accompanying financial statements have been prepared using the accrual basis of accounting which is the process of recording revenue and expenses when earned or incurred, rather than when received or paid.

The Center's net assets are classified based upon the existence or absence of donor-imposed restrictions as follows:

- *Unrestricted* – represents all activity without donor imposed restrictions.
- *Temporarily restricted* – represents contributions and the net residual of assets with donor imposed restrictions that are expected to be satisfied by performing certain activities or through the passage of time (See Note 6).
- *Permanently restricted* – represent contributions that contain donor restrictions that are permanent in nature. The Center had no permanently restricted net assets at August 31, 2016.

b. Contributions

The Center reports contributions as revenue upon the earlier of receipt of cash or at the time a pledge is considered unconditional. Contributions received with specific donor restrictions are recorded in one of the restricted classes of net assets. All other contributions are recorded as unrestricted. When a restriction expires by satisfying the specific purpose or through the passage of time, temporarily restricted net assets are released from restriction and reclassified to unrestricted net assets. When a restriction is met in the same period that the contribution has been received, it is recorded as unrestricted.

Each government grant is reviewed to determine if it contains traits more similar to a contribution or exchange transaction. All government grants have been determined to be exchange transactions and have been recognized as income when earned, either based

on performance of certain milestones or by incurring expenses that can be reimbursed under the terms of the grant agreement.

The difference between cash received and government grant income recognized is reflected as government grants receivable or government grant advances.

c. Cash and Cash Equivalents

The Center considers all liquid investments with an initial maturity of three months or less to be cash and cash equivalents.

d. Concentration of Credit Risk

Financial instruments which potentially subject the Center to concentration of credit risk consist of cash accounts that are placed with financial institutions that management deems to be creditworthy. At year end and at various times during the year, the Center had material uninsured balances. The Center has not experienced any losses due to the failure of any of these institutions.

e. Allowance for Doubtful Accounts

All contributions received at year end are expected to be received within one year and have been recorded at net realizable value. Management has evaluated all receivables based on specific review that factors in historical experience. Based upon this review, no allowance for uncollectible amounts has been deemed necessary; therefore, no reserve has been established. Once all collection efforts have been exhausted, a receivable will be written-off to bad debt expense.

f. Fixed Assets

Fixed assets and equipment purchased that benefit future periods are capitalized at cost, or if donated, at the estimated fair value at the time of the donation. Depreciation is computed using the straight-line method over the estimated useful life of the asset, as follows:

Building - *39 years*

Building improvements - *5 to 39 years*

Computers and equipment - *5 to 7 years*

Mortgage closing costs - *10 to 20 years*

Website - *3 years*

g. Deferred Income

Deferred income represents box office and rental income received for future periods.

h. Advertising

Advertising costs are charged to operations when the advertising first takes place. Advertising expense was \$26,928 and \$22,377 for the year ended August 31, 2016 and August 31, 2015, respectively.

i. Donated Services

Donated services are recognized in circumstances where those services create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided in-kind.

In-kind expenses of \$15,962 and \$23,675, were incurred in 2016 and 2015, respectively, of that amount, \$5,962 and \$10,000 was charged to program services and \$10,000 and \$13,675 was charged to management and general in 2016 and 2015, respectively.

Many volunteers, including board members, provide service in support of the Center's mission. Those services have not been recognized on the financial statements because they do not meet the criteria outlined above.

j. Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

k. Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

l. Summarized Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Center's financial statements for the year ended August 31, 2015 from which the summarized information was derived.

m. Accounting for Uncertainty of Income Taxes

The Center does not believe its financial statements include any material, uncertain tax positions. Tax filings for periods ending August 31, 2013 and later are subject to examination by applicable taxing authorities.

n. Subsequent Events

Management has evaluated for potential recognition and disclosure events subsequent to the date of the statement of financial position through January 11, 2017, the date the financial statements were available to be issued. All disclosures for subsequent events have been included in the financial statements.

o. New Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU, which becomes effective for the August 31, 2019 year, with early implementation permitted, focuses on improving the current net asset classification requirements and information presented in financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows. The Center has not yet evaluated the impact this will have on future statements.

Note 3 - Fixed Assets

Fixed assets consist of the following:

	<u>8/31/16</u>	<u>8/31/15</u>
Building	\$1,538,677	\$1,538,677
Building improvements	2,607,772	2,603,124
Computers and equipment	279,695	273,200
Mortgage closing costs	69,692	69,692
Website	<u>32,500</u>	<u>32,500</u>
	4,528,336	4,517,193
Less: accumulated depreciation	<u>(1,573,685)</u>	<u>(1,467,918)</u>
Net fixed assets	<u>\$2,954,651</u>	<u>\$3,049,275</u>

Over the years, the City of New York has funded renovations to the building that total \$1,824,623. The amount of these capital costs, net of depreciation was \$1,464,971 and \$1,511,756, at August 31, 2016 and 2015, respectively, and is reflected in the temporarily restricted class of net assets. Each year, an amount is released from restriction and reclassified to the unrestricted class of net assets, in the same amount as the depreciation expense on those restricted assets.

Note 4 - Loans Payable

On March 14, 2014, the Center received a loan in the amount of \$400,000. Interest payments are due in quarterly installments at a rate of prime plus 3%. The principal of the amount and any unpaid interest have been extended and are now due on October 31, 2017. The loan is evidenced by a promissory note and is secured by the building held at 145 Avenue of the Americas, subordinate to the mortgage referred to in Note 5. The full amount of the loan is outstanding at August 31, 2016.

In addition, on November 30, 2015, the Center received an unsecured, non-interest bearing \$100,000 cash flow loan. The full balance has been paid as of August 31, 2016.

Subsequent to year end, on September 28, 2016, the Center entered into an unsecured, non-interest bearing \$100,000 cash flow loan. The full balance is due on September 2, 2017.

Note 5 - Mortgage Payable

On March 22, 2011, the Center entered into a mortgage loan agreement with a bank in the amount of \$1,230,000. Monthly installments of \$7,533 are applied first to interest at 5.5% per annum and the balance to principal. A final payment of all outstanding principal plus accrued interest is due on March 22, 2021. This mortgage is secured by the building at 145 Avenue of the Americas and is subject to financial covenants.

Minimum scheduled principal payments on the mortgage are as follows:

Year ending:	August 31, 2017	\$31,738
	August 31, 2018	33,529
	August 31, 2019	35,421
	August 31, 2020	37,419
	August 31, 2021	<u>947,213</u>
Total		<u>\$1,085,320</u>

Note 6 - Temporarily Restricted Net Assets

The following schedule summarizes temporarily restricted net assets:

	August 31, 2016			
	Balance 9/1/15	Restricted Contributions	Released from Restrictions	Balance 8/31/16
Programs:				
Property and equipment	\$1,511,756	\$0	(\$46,785)	\$1,464,971
Prototype festival	259,383	310,000	(237,383)	332,000
Productions	250,685	56,000	(141,200)	165,485
Artists in residence program	<u>8,095</u>	<u>240,000</u>	<u>(15,037)</u>	<u>233,058</u>
Total programs	2,029,919	606,000	(440,405)	2,195,514
Time restricted	<u>157,500</u>	<u>80,000</u>	<u>(82,500)</u>	<u>155,000</u>
Total	<u>\$2,187,419</u>	<u>\$686,000</u>	<u>(\$522,905)</u>	<u>\$2,350,514</u>

	August 31, 2015			
	Balance 9/1/14	Restricted Contributions	Released from Restrictions	Balance 8/31/15
Programs:				
Property and equipment	\$1,558,541	\$0	(\$46,785)	\$1,511,756
Prototype festival	42,464	332,500	(115,581)	259,383
Productions	48,715	380,000	(178,030)	250,685
Artists in residence program	<u>3,205</u>	<u>4,890</u>	<u>0</u>	<u>8,095</u>
Total programs	1,652,925	717,390	(340,396)	2,029,919
Time restricted	<u>58,500</u>	<u>157,500</u>	<u>(58,500)</u>	<u>157,500</u>
Total	<u>\$1,711,425</u>	<u>\$874,890</u>	<u>(\$398,896)</u>	<u>\$2,187,419</u>

Note 7 - Commitments & Contingencies

Government supported projects are subject to audit by the applicable granting agency. Management is of the opinion that disallowances that may result from such audits is immaterial and has not recorded a reserve. A liability resulting in potential disallowed costs will be recorded when notified and payment is considered probable.

Note 8 - Benefit Income

The Center holds an annual fundraising dinner. Direct expenses of the event that benefited donors have been netted with fundraising activities in the public support section of the statement of activities. Other event costs have been reflected as special event expenses on the statement of functional expenses.

The Center's special event proceeds are summarized as follows:

	<u>8/31/16</u>	<u>8/31/15</u>
Program restrictions:	\$119,044	\$149,716
Less: expenses with a direct benefit to donor	<u>(39,268)</u>	<u>(38,815)</u>
	79,776	110,901
Less: other event expenses	<u>(34,727)</u>	<u>(29,692)</u>
Total	<u>\$45,049</u>	<u>\$81,209</u>

HOME FOR CONTEMPORARY THEATRE AND ART, LTD.
(d/b/a HERE Art Center)
SCHEDULE OF UNRESTRICTED REVENUE AND EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2016

	<u>Operating</u>	<u>Property & Equipment</u>	<u>Total Unrestricted</u>
Unrestricted public support and revenue:			
Contributions:			
Foundations	\$301,168		\$301,168
Individuals	262,555		262,555
Corporations	7,518		7,518
In-kind	15,962		15,962
Government grants	250,000		250,000
Special events (net expenses with a direct benefit to donor)	79,776		79,776
Ticket sales	115,760		115,760
Facility rentals and other reimbursements	256,934		256,934
Co-producer income	120,000		120,000
Interest and other income	43,149		43,149
Net assets released from restrictions	476,120	\$46,785	522,905
	<u>1,928,942</u>	<u>46,785</u>	<u>1,975,727</u>
Total unrestricted public support and revenue			
Expenses:			
Salaries	648,012		648,012
Payroll taxes and employee benefits	120,534		120,534
Artistic and other fees	484,931		484,931
Stipends and travel	75,766		75,766
Professional fees	31,899		31,899
Utilities and storage	43,502		43,502
Advertising and public relations expenses	83,027		83,027
Printing	31,384		31,384
Office supplies	10,091		10,091
Insurance expense	12,718		12,718
Postage and shipping	9,877		9,877
Repairs and maintenance	62,236		62,236
Telephone	7,550		7,550
Hospitality/conference fees	11,418		11,418
Interest	89,836		89,836
Production expense	144,570		144,570
Bank and credit card charges	5,683		5,683
Special event	34,727		34,727
Dues and subscriptions	11,834		11,834
Miscellaneous	4,046		4,046
Depreciation and amortization		105,767	105,767
	<u>1,923,641</u>	<u>105,767</u>	<u>2,029,408</u>
Total expenses			
Total expenses in excess of unrestricted public support and revenue	<u>\$5,301</u>	<u>(\$58,982)</u>	<u>(\$53,681)</u>