

EISNERAMPER

ROSIE'S THEATER KIDS, INC.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2020 and 2019



ROSIE'S THEATER KIDS, INC.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors of
Rosie's Theater Kids, Inc.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Rosie's Theater Kids, Inc. and its wholly controlled entity (together "RTKids"), 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 each of the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

RTKids' management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 auditor's 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 organization'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 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 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 consolidated financial position of Rosie's Theater Kids, Inc. and its wholly controlled entity as of December 31, 2020 and 2019, and the consolidated changes in its net assets and its consolidated cash flows for each of the years then ended, in accordance with accounting principles generally accepted in the United States of America.

EisnerAmper LLP

EISNERAMPER LLP
New York, New York
July 11, 2021



ROSIE'S THEATER KIDS, INC.

Consolidated Statements of Financial Position

	December 31,	
	2020	2019
ASSETS		
Cash and cash equivalents	\$ 1,381,787	\$ 1,047,171
Pledges receivable, net	395,458	554,101
Other receivables	9,426	12,387
Investments	1,582,234	1,847,310
Prepaid expenses and other current assets	47,912	44,634
Property and equipment, net	<u>4,234.876</u>	<u>4,407,556</u>
	<u><u>\$ 7,651,693</u></u>	<u><u>\$ 7,913,159</u></u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 80,913	\$ 284,847
Paycheck Protection Program loan payable	<u>203.798</u>	-
Total liabilities	<u><u>284.711</u></u>	<u><u>284,847</u></u>
Commitments, contingency, and other uncertainty (Notes C and K)		
Net assets:		
Without donor restrictions:		
Undesignated and available for general activities	6,650,709	6,509,991
Board-designated	<u>114.319</u>	<u>134,143</u>
Total net assets without donor restrictions	<u><u>6,765.028</u></u>	<u><u>6,644,134</u></u>
With donor restrictions:		
Purpose restrictions	304,268	531,053
Time-restricted for future periods	<u>297.686</u>	<u>453,125</u>
Total net assets with donor restrictions	<u><u>601.954</u></u>	<u><u>984,178</u></u>
Total net assets	<u><u>7,366.982</u></u>	<u><u>7,628,312</u></u>
	<u><u>\$ 7,651,693</u></u>	<u><u>\$ 7,913,159</u></u>

ROSIE'S THEATER KIDS, INC.

Consolidated Statements of Activities

	Year Ended December 31,					
	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue:						
Contributions and grants (including in-kind contributions of \$190,000 for both 2020 and 2019)	\$ 1,132,732	\$ 239,786	\$ 1,372,518	\$ 904,173	\$ 458,590	\$ 1,362,763
Special event (net of direct benefit of \$265,387 for 2019)	626,146	-	626,146	935,532	-	935,532
Investment income, net	47,312	2,549	49,861	63,238	9,846	73,084
Loss as a result of a fraudulent transaction	-	-	-	(65,000)	-	(65,000)
Insurance proceeds as a result of a fraudulent transaction	<u>50,000</u>	<u>-</u>	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total public support and revenue before net assets released from restrictions	<u>1,856,190</u>	<u>242,335</u>	<u>2,098,525</u>	<u>1,837,943</u>	<u>468,436</u>	<u>2,306,379</u>
Net assets released from restrictions	<u>624,559</u>	<u>(624,559)</u>	<u>-</u>	<u>606,801</u>	<u>(606,801)</u>	<u>-</u>
Total public support and revenue	<u>2,480,749</u>	<u>(382,224)</u>	<u>2,098,525</u>	<u>2,444,744</u>	<u>(138,365)</u>	<u>2,306,379</u>
Expenses:						
Program services:						
Conservatory training	798,148	-	798,148	1,111,237	-	1,111,237
Educational development	518,909	-	518,909	680,556	-	680,556
Higher education support	<u>199,299</u>	<u>-</u>	<u>199,299</u>	<u>175,519</u>	<u>-</u>	<u>175,519</u>
Total program services	<u>1,516,356</u>	<u>-</u>	<u>1,516,356</u>	<u>1,967,312</u>	<u>-</u>	<u>1,967,312</u>
Supporting services:						
Management and general	503,371	-	503,371	502,716	-	502,716
Fund-raising	<u>340,128</u>	<u>-</u>	<u>340,128</u>	<u>348,375</u>	<u>-</u>	<u>348,375</u>
Total supporting services	<u>843,499</u>	<u>-</u>	<u>843,499</u>	<u>851,091</u>	<u>-</u>	<u>851,091</u>
Total expenses	<u>2,359,855</u>	<u>-</u>	<u>2,359,855</u>	<u>2,818,403</u>	<u>-</u>	<u>2,818,403</u>
Change in net assets						
Net assets, beginning of year	120,894	(382,224)	(261,330)	(373,659)	(138,365)	(512,024)
	<u>6,644,134</u>	<u>984,178</u>	<u>7,628,312</u>	<u>7,017,793</u>	<u>1,122,543</u>	<u>8,140,336</u>
Net assets, end of year	<u>\$ 6,765,028</u>	<u>\$ 601,954</u>	<u>\$ 7,366,982</u>	<u>\$ 6,644,134</u>	<u>\$ 984,178</u>	<u>\$ 7,628,312</u>

See notes to consolidated financial statements.

ROSIE'S THEATER KIDS, INC.

Consolidated Statement of Functional Expenses

Year Ended December 31, 2020

(with summarized financial information for December 31, 2019)

	Program Services				Supporting Services			Totals	
	Conservatory Training	Educational Development	Higher Education Support	Total Program Expenses	Management and General	Fund-Raising	Total Supporting Services	2020	2019
Salaries	\$ 440,077	\$ 285,886	\$ 9,789	\$ 735,752	\$ 116,527	\$ 148,961	\$ 265,488	\$ 1,001,240	\$ 1,085,520
Payroll taxes and employee benefits	89,454	53,793	2,335	145,582	48,284	32,388	80,672	226,254	246,976
Consultants and other professional fees	6,128	3,941	55	10,124	137,954	64,081	202,035	212,159	343,471
Theater tickets	-	300	-	300	-	-	-	300	23,129
Studio and performance	702	5,198	-	5,900	811	2,783	3,594	9,494	60,025
Scholarships	-	-	154,334	154,334	-	-	-	154,334	127,278
Occupancy	35,068	23,496	725	59,289	27,583	4,051	31,634	90,923	127,376
Dues and subscriptions	739	7	-	746	8,853	1,292	10,145	10,891	16,444
Postage	177	347	-	524	836	3,040	3,876	4,400	3,115
Insurance	29,302	18,511	-	47,813	24,778	7,625	32,403	80,216	79,583
Supplies	8,811	8,736	262	17,809	45,367	1,391	46,758	64,567	64,757
Catering and event-space rental	17,155	2,980	-	20,135	25	8,210	8,235	28,370	330,725
Telephone	4,693	3,390	422	8,505	6,222	1,716	7,938	16,443	42,655
Printing and promotion	269	648	-	917	1,485	12,746	14,231	15,148	13,955
Travel	1,301	95	-	1,396	951	366	1,317	2,713	35,361
Miscellaneous	2,766	3,270	113	6,149	7,625	19,377	27,002	33,151	84,993
Depreciation	96,567	65,855	15,217	177,639	32,392	4,321	36,713	214,352	208,427
Bad debt	-	-	-	-	4,900	-	4,900	4,900	-
Management fees (Note H)	<u>64,939</u>	<u>42,456</u>	<u>16,047</u>	<u>123,442</u>	<u>38,778</u>	<u>27,780</u>	<u>66,558</u>	<u>190,000</u>	<u>190,000</u>
Total expenses	798,148	518,909	199,299	1,516,356	503,371	340,128	843,499	2,359,855	3,083,790
Less: direct benefit to donors	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(265,387)</u>
Total expenses per consolidated statements of activities	<u>\$ 798,148</u>	<u>\$ 518,909</u>	<u>\$ 199,299</u>	<u>\$ 1,516,356</u>	<u>\$ 503,371</u>	<u>\$ 340,128</u>	<u>\$ 843,499</u>	<u>\$ 2,359,855</u>	<u>\$ 2,818,403</u>

See notes to consolidated financial statements.

ROSIE'S THEATER KIDS, INC.

Consolidated Statement of Functional Expenses

Year Ended December 31, 2019

	Program Services				Supporting Services				Total
	Conservatory Training	Educational Development	Higher Education Support	Total Program Expenses	Management and General	Fund-Raising	Total Supporting Services		
Salaries	\$ 486,257	\$ 297,415	\$ 13,501	\$ 797,173	\$ 189,117	\$ 99,230	\$ 288,347	\$ 1,085,520	
Payroll taxes and employee benefits	107,816	70,827	3,523	182,166	38,057	26,753	64,810	246,976	
Consultants and other professional fees	84,108	20,377	-	104,485	116,236	122,750	238,986	343,471	
Theater tickets	133	22,526	-	22,659	-	470	470	23,129	
Studio and performance	38,611	17,614	1,700	57,925	822	1,278	2,100	60,025	
Scholarships	-	-	127,278	127,278	-	-	-	127,278	
Occupancy	59,443	38,061	1,224	98,728	22,377	6,271	28,648	127,376	
Dues and subscriptions	574	-	-	574	7,918	7,952	15,870	16,444	
Postage	14	714	-	728	522	1,865	2,387	3,115	
Insurance	29,975	18,035	-	48,010	23,977	7,596	31,573	79,583	
Supplies	22,589	21,018	613	44,220	11,224	9,313	20,537	64,757	
Catering and event-space rental	44,756	11,496	200	56,452	317	273,956	274,273	330,725	
Telephone	18,454	15,367	414	34,235	6,236	2,184	8,420	42,655	
Printing and promotion	2,294	239	7	2,540	1,638	9,777	11,415	13,955	
Travel	32,180	599	538	33,317	1,408	636	2,044	35,361	
Miscellaneous	14,861	30,105	254	45,220	19,586	20,187	39,773	84,993	
Depreciation	94,061	64,146	14,825	173,032	31,231	4,164	35,395	208,427	
Bad debt	-	-	-	-	-	-	-	-	
Management fees (Note H)	75,111	52,017	11,442	138,570	32,050	19,380	51,430	190,000	
Total expenses	1,111,237	680,556	175,519	1,967,312	502,716	613,762	1,116,478	3,083,790	
Less: direct benefit to donors	-	-	-	-	-	(265,387)	(265,387)	(265,387)	
Total expenses per consolidated statements of activities	\$ 1,111,237	\$ 680,556	\$ 175,519	\$ 1,967,312	\$ 502,716	\$ 348,375	\$ 851,091	\$ 2,818,403	

See notes to consolidated financial statements.

ROSIE'S THEATER KIDS, INC.

Consolidated Statements of Cash Flows

	Year Ended December 31,	
	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ (261,330)	\$ (512,024)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	214,352	208,427
Net realized and unrealized gains on investments	(19,575)	(18,361)
Donated securities	(87,348)	(76,950)
Proceeds from sale of securities	87,348	76,950
Bad debt expense	4,900	-
Changes in:		
Pledges receivable, net	153,743	76,700
Other receivables	2,961	1,027
Prepaid expense and other current assets	(3,278)	2,412
Accounts payable and accrued expenses	<u>(203,934)</u>	<u>136,604</u>
Net cash used in operating activities	<u>(112,161)</u>	<u>(105,215)</u>
Cash flows from investing activities:		
Proceeds from sales of investments	1,308,876	693,048
Purchases of investments	(1,024,225)	(490,311)
Purchases of property and equipment	<u>(41,672)</u>	<u>(8,226)</u>
Net cash provided by investing activities	<u>242,979</u>	<u>194,511</u>
Cash flows from financing activities:		
Proceeds from Paycheck Protection Program loan	<u>203,798</u>	-
Increase in cash and cash equivalents		
Cash and cash equivalents, beginning of year	<u>1,047,171</u>	<u>957,875</u>
Cash and cash equivalents, end of year	<u>\$ 1,381,787</u>	<u>\$ 1,047,171</u>
Supplemental disclosures of cash flow information:		
Donated services	<u>\$ 190,000</u>	<u>\$ 190,000</u>
Federal taxes paid	<u>\$ -</u>	<u>\$ 3,132</u>

ROSIE'S THEATER KIDS, INC.

Notes to Consolidated Financial Statements December 31, 2020 and 2019

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] Organization:

Rosie's Theater Kids, Inc. ("RTK"), formerly Rosie's Broadway Kids New York Corp., incorporated in New York in 2008, and Rosie's Broadway Kids ("RBK"), incorporated in Delaware in 2003, were organized to provide musical theater training and a professional theater experience to underprivileged New York City public school children. RTK and RBK are dedicated to enriching the lives of children through the arts, and do so through several programs. Their goal is to inspire excellence, motivate learning, uplift the human spirit, and instill a lifelong appreciation for the arts.

A majority of the governing Board members of both organizations are the same, and accordingly, the consolidated financial statements include the consolidated financial position, consolidated results of operations, and consolidated cash flows of RTK and RBK (collectively, "RTKids"). All inter-company transactions and balances have been eliminated in the consolidation process. In addition, both organizations are exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code (the "Code") and from state and local income taxes under comparable laws.

PS Broadway is a program of RTKids and is a fifteen-week, in-school program for some of the neediest New York City public elementary schools. Every fifth-grade class at each participating school meets for one hour weekly and is provided with an overview of American musical theater, along with introductory classes in music and dance for fifteen weeks. Students also attend a Broadway show and visit with professional performers.

RTKids also provides an after-school and summer scholarship program for outstanding graduates of the in-school program, called A Commitment to Excellence ("ACTE II"). Students are chosen for the program based on demonstrated commitment, passion, and drive, and those in good standing may remain in the program from sixth grade through high school graduation. ACTE II provides intensive classes in music, voice, dance, and drama, as well as all dancewear and supplies, theater tickets, and classes with Broadway professionals, at no cost to students or their families. While a majority of ACTE II is dedicated to providing arts training and professional performance opportunities, the program also provides in-depth academic tutoring and mentoring for the students to ensure their graduation from high school. The program's ultimate goal is to create young men and women of character and commitment, preparing them to be successful citizens and leaders of their communities.

[2] Basis of accounting:

The consolidated financial statements of RTKids have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America ("U.S. GAAP"), as applicable to not-for-profit organizations.

[3] Use of estimates:

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, public support and revenues and expenses, as well as the disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

[4] Cash and cash equivalents:

For financial reporting purposes, RTKids considers all highly liquid financial instruments purchased with a maturity of three months or less, to be cash and cash equivalents, except for those cash equivalent assets held as part of the investment portfolio.

ROSIE'S THEATER KIDS, INC.

Notes to Consolidated Financial Statements December 31, 2020 and 2019

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[5] Investments:

RTKids' investments in common stock and fixed income securities are reported at their fair values in the consolidated statements of financial position based on quoted market prices. Money-market funds held as a part of the investment portfolio are also included in the balances reported as investments.

RTKids has an investment in a not-readily-marketable security which is comprised of an ownership interest in a limited partnership for which a readily determinable fair value does not exist. The fair value of the limited partnership has been estimated based on the respective net asset value per share ("NAV") (or its equivalent unit), as a practical expedient to fair value as of year-end, as reported by the investment company's fund-manager. Because of the complex management structures and nature of the underlying investments and the inherent uncertainty of the valuation of the limited partnership investment, RTKids' management and its various investment managers monitor their positions to reduce the risk of potential losses due to changes in fair values or the failure of counterparties to perform on a routine basis. Management believes the carrying amount of the investments in non-publicly traded securities is a reasonable estimate of their fair value. However, such estimated fair values may differ significantly from the values that would have been used had a ready market for these securities existed.

RTKids' investments, in general, are subject to various risks, such as interest-rate, market, and credit risks. Due to the level of risk associated with certain investment vehicles, it is at least reasonably possible that changes in the values of those securities could occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements.

Investment transactions are recorded on a trade-date basis. Realized gains and losses on investments sold, and unrealized appreciation and depreciation on investments held, are reported in the consolidated statements of activities as increases or decreases in net assets without donor restrictions unless their use is restricted through donor stipulation. Realized gains and losses on investments are determined by comparison of the cost basis to proceeds at the time of disposition. Distributions from limited partnerships that represent returns of contributed capital reduce the cumulative cost basis of the respective investment. Distributions received from limited partnerships in excess of RTKids' cumulative cost basis are recognized as realized gains. Unrealized gains and losses on investments are determined by comparing each investment's cost to the fair value at the end of each year. The earnings from dividends and interest are recognized when earned.

RTKids' policy is to sell the donated securities immediately, and, accordingly, for purposes of the consolidated statements of cash flows, donated securities and the proceeds generated from their sale are included within operating activities. Donated securities are recorded at their estimated fair values on the dates of donation.

Investment expenses include the services of investment managers and custodians. The balances of investment management fees disclosed in Note C are the specific fees charged by RTKids' various investment managers in each year; however, they do not include those fees that are embedded in various other investment accounts and transactions.

ROSIE'S THEATER KIDS, INC.

Notes to Consolidated Financial Statements December 31, 2020 and 2019

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[6] Land, property and equipment:

Property and equipment are stated at their original costs at the dates of acquisition, or, if contributed, at their estimated fair values at the dates of donation, net of accumulated depreciation. RTKids capitalizes items of property and equipment that have a cost of \$1,000 or more and useful lives of greater than one year, whereas minor costs of repair and maintenance are expensed as incurred. Depreciation is calculated using the straight-line method over the assets' estimated useful lives. Land is not depreciated. Building and improvements are depreciated over five to twenty seven and a half years; furniture and fixtures are depreciated over seven years; and equipment is depreciated over three to five years.

Management evaluates the recoverability of its investments in long-lived assets on an on-going basis and recognizes any impairment in the year of determination. There were no triggering events during 2020 or 2019 requiring management to test for impairment adjustments to property and equipment. However, it is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimate of the recoverability of these assets.

[7] Accrued vacation:

Accrued vacation is included as a liability in the consolidated statements of financial position and represents RTKids' obligation for the potential cost of unused employee vacation time that would be payable in the event that these employees leave RTKids. At December 31, 2020 and 2019, the accrued vacation obligation was \$15,311 and \$13,759, respectively, and was reported as part of accounts payable and accrued expenses in the accompanying consolidated statements of financial position.

[8] Paycheck Protection Program loan payable:

On March 27, 2020, Congress enacted the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). The Paycheck Protection Program ("PPP") established by the CARES Act, implemented by the U.S. Small Business Administration ("SBA"), provides businesses, including certain not-for-profit organizations, with funds to pay payroll and qualifying expenditures during the coronavirus ("COVID-19") pandemic. During 2020, the RTKids applied for and received PPP funds.

There are two acceptable methods for accounting for the PPP funds received under the CARES Act. Entities can elect to treat the funds as a loan or as a conditional contribution. RTKids has elected to record the PPP funds as a loan under the Financial Accounting Standards Board's (the "FASB") Accounting Standards Codification ("ASC") 470 *Debt*. RTKids is in the process of applying for loan forgiveness, which will be recognized when the application is formally approved by the bank and the SBA; however, no assurance can be provided that RTKids will be eligible for forgiveness, in whole, or in part (see Note E).

[9] Net assets:

The net assets of RTKids and the changes therein are classified and reported as follows:

(i) Net assets without donor restrictions - undesignated and available for general activities:

RTKids' net assets without donor restrictions represent those resources for which there are no restrictions by donors as to their use and are available for current operations.

ROSIE'S THEATER KIDS, INC.

Notes to Consolidated Financial Statements December 31, 2020 and 2019

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[9] Net assets: (continued)

(ii) Net assets without donor restrictions - Board-designated:

The Board of Directors has designated a portion of net assets without donor restrictions, known as the Building Emergency Fund, to serve as a reserve fund should emergency building maintenance or repairs be needed. The Fund is to be used and distributed as determined from time to time by the Board of Directors.

(iii) Net assets with donor restrictions:

Net assets with donor restrictions represent those resources that are subject to donor-imposed restrictions, such as specific purposes and/or the passage of time. When a donor restriction expires, that is, when a stipulated time restriction ends, a purpose restriction is accomplished, or funds are appropriated through an action of the Board of Directors, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the consolidated statements of activities as "net assets released from restrictions." It is RTKids' policy to report contributions with donor restrictions received and expended in the same year of donation in the net assets without donor restrictions category.

[10] Contributions and grants:

Contributions and grants to RTKids are recognized as revenue upon the receipt of cash, other assets, or of unconditional pledges. Contributions and grants are reported as "with donor restrictions" if they are received with donor stipulations or time considerations as to their use. Conditional contributions and grants are recognized when the donor's conditions have been met by requisite actions of RTKids' management or necessary events take place. Contributions and grants to be received over periods longer than a single year are discounted at an interest rate commensurate with the risk involved.

Gross proceeds paid by attendees at special events held as fundraising activities represents contribution revenue as well as the payment of the direct cost of the benefit received by the attendee at the event. Special-event income is reported net of the direct benefit to donors. Special event revenues, other than contributions, applicable to a current year are recognized as revenue in the year the special event takes place. Special event revenue received for a future year's event is deferred and recognized when the event takes place.

[11] Donated services:

For recognition of donated services in RTKids' consolidated financial statements, such services must (i) create or enhance non-financial assets, (ii) typically need to be acquired if not provided by donation, (iii) require specialized skill, and (iv) be provided by individuals possessing these skills. Donated services are recorded as support at their estimated fair value at the dates of donation and are reported as without donor restrictions. Donated services are reported as both contributions and offsetting expenses in the consolidated statements of activities.

ROSIE'S THEATER KIDS, INC.

Notes to Consolidated Financial Statements December 31, 2020 and 2019

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[12] Functional allocation of expenses:

The costs of providing RTKids' various programs and supporting services have been summarized on a functional basis in the consolidated statements of activities. The statements of functional expenses present expenses by function and natural classification. Accordingly, direct costs have been functionalized within the program, management and general, and fundraising categories based on the nature of the expense. Indirect costs such as salaries, occupancy, and depreciation have been allocated on the basis of time and effort by employees.

[13] Income tax uncertainties:

RTKids is subject to the provisions of the FASB's ASC Topic 740, *Income Taxes*, as it relates to accounting and reporting for uncertainty in income-tax obligations. Because of RTKids' general tax-exempt status, management believes ASC Topic 740 has not had, and is not anticipated to have, a material impact on RTKids' consolidated financial statements.

[14] Upcoming accounting pronouncements:

(i) Contributed nonfinancial assets:

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. For each category of contributed nonfinancial assets recognized, the not-for-profit organization will need to disclose: (i) qualitative information about whether the contributed nonfinancial assets were either monetized or utilized during the reporting period. If utilized, a description of the programs or other activities in which those assets were used; (ii) the not-for-profit's policy (if any) about monetizing rather than utilizing contributed nonfinancial assets; (iii) a description of any donor-imposed restrictions associated with the contributed nonfinancial assets; (iv) the valuation techniques and inputs used to arrive at a fair value measure, in accordance with the requirements in *Topic 820, Fair Value Measurement*, at initial recognition; and (v) the principal market (or most advantageous market) used to arrive at a fair value measure, if it is a market in which the recipient entity is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets. The amendments in this ASU will be applied on a retrospective basis and are effective for annual reporting periods beginning after June 15, 2021. RTKids is in the process of assessing the impact of this ASU on the financial statements.

(ii) Leases:

In February 2016, the FASB issued its new lease accounting guidance in ASU 2016-02, *Leases*. ASU 2016-02 will require lessees to recognize for all leases (with terms of more than 12 months) at the commencement date, the following: a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis, and b) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The lease guidance also simplified the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. Lessees will no longer be provided with a source of off-balance sheet financing. This ASU is required to be adopted on a modified retrospective basis. As a result of recent deferrals due to COVID-19, ASU 2016-02 will be effective for fiscal years beginning after December 15, 2021. Management is in the process of assessing the impact of this ASU on the financial statements and related note disclosures.

ROSIE'S THEATER KIDS, INC.

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[15] Reclassifications:

Certain amounts in the prior-year's financial statements have been reclassified to conform to the current-year's presentation.

[16] Subsequent events:

RTKids evaluated subsequent events through July 11, 2021, the date on which the consolidated financial statements were available to be issued.

NOTE B - RECEIVABLES

[1] Pledges receivable:

Pledges of future contributions and grants made to RTKids as of each year-end, but not yet collected as of that date, were recorded as pledges receivable and are expected to be collected as follows:

	December 31,	
	2020	2019
Less than one year	\$ 357,037	\$ 541,133
One to five years	<u>48,000</u>	15,000
	405,037	556,133
Reduction of pledges due in excess of one year to present value at 5%	<u>(4,679)</u>	(2,032)
	400,358	554,101
Less: estimated uncollectible amounts	<u>(4,900)</u>	-
	\$ 395,458	\$ 554,101

[2] Other receivables:

At each year-end, other receivables consisted of amounts due to RTKids for exchange-type transactions. All amounts are due within one year.

RTKids periodically assesses collectability of its receivables based on management's estimate of potential defaults, which considers such factors such as prior collection history, type of receivable, or type of activity and provides allowances for anticipated losses, if any, when necessary.

ROSIE'S THEATER KIDS, INC.

Notes to Consolidated Financial Statements December 31, 2020 and 2019

NOTE C - INVESTMENTS

At each year-end, investments consisted of the following:

	December 31,			
	2020		2019	
	Fair Value	Cost	Fair Value	Cost
Money-market funds	\$ 578,231	\$ 578,231	\$ 669,536	\$ 669,536
Common stock	-	-	77,995	76,950
Fixed income:				
Government bonds	550,170	645,994	568,174	642,699
Corporate bonds	424,256	417,874	503,679	507,003
Limited partnership (a)	<u>29,577</u>	<u>-</u>	<u>27,926</u>	<u>-</u>
	<u>\$ 1,582,234</u>	<u>\$ 1,642,099</u>	<u>\$ 1,847,310</u>	<u>\$ 1,896,188</u>

(a) This fund focuses on acquiring portfolios of private equity assets including interests in limited partnerships ("LP secondaries") and portfolios of direct company investments (referred to as "synthetic secondaries") and on creative capital solutions for private equity general partners and limited partners.

During each year, investment income consisted of the following:

	Year Ended December 31,	
	2020	2019
Interest and dividends	\$ 31,850	\$ 65,084
Realized gains	30,562	46,313
Unrealized losses	(10,987)	(27,952)
Investment fees	<u>(1,564)</u>	<u>(10,361)</u>
	<u>\$ 49,861</u>	<u>\$ 73,084</u>

The FASB's ASC Topic 820, *Fair Value Measurements*, establishes a three-level valuation hierarchy of fair-value measurements. These valuation techniques are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. These two types of inputs create the following fair-value hierarchy:

- Level 1: Valuations are based on observable inputs that reflect quoted market prices in active markets for identical investments, at the reporting date.
- Level 2: Valuations are based on (i) quoted prices for similar investments in active markets, or (ii) quoted prices for those investments, or similar investments, in markets that are not active, or (iii) pricing inputs other than quoted prices that are directly or indirectly observable at the reporting date.
- Level 3: Valuations are based on pricing inputs that are unobservable and include situations where there is little, if any, market activity for the investments, or the investments cannot be independently valued.

ROSIE'S THEATER KIDS, INC.

Notes to Consolidated Financial Statements December 31, 2020 and 2019

NOTE C - INVESTMENTS (CONTINUED)

RTKids has an investment that is valued using NAV per share (or its equivalent unit) as a practical expedient of fair value. This applies to investments which (i) do not have a readily determinable fair value and (ii) whose financial statements were prepared by the respective investment manager consistent with the measurement principles of an investment company or have the attributes of an investment company. Investments that are valued using NAV per share (or its equivalent unit) are not required to be categorized within the fair value hierarchy and accordingly, have been excluded from the fair-value hierarchy.

The availability of market data is monitored by RTKids' management to assess the appropriate classification of financial instruments within the fair-value hierarchy. Changes in economic conditions or valuation techniques may require the transfer of financial instruments from one level to another. In such instances, the transfer is reported at the beginning of the reporting period.

The following tables summarize the fair values of RTKids' investments at each year end, in accordance with the ASC Topic 820 valuation levels:

	December 31, 2020				
	Amounts Within Fair-Value Hierarchy			Measured at NAV	
	Level 1	Level 2	Total		Total
Money-market funds	\$ 578,231	\$ -	\$ 578,231	\$ -	\$ 578,231
Fixed income	-	974,426	974,426	-	974,426
Limited partnership	-	-	-	29,577	29,577
	<u>\$ 578,231</u>	<u>\$ 974,426</u>	<u>\$ 1,552,657</u>	<u>\$ 29,577</u>	<u>\$ 1,582,234</u>

	December 31, 2019				
	Amounts Within Fair-Value Hierarchy			Measured at NAV	
	Level 1	Level 2	Total		Total
Money-market funds	\$ 669,536	\$ -	\$ 669,536	\$ -	\$ 669,536
Common stock	77,995	-	77,995	-	77,995
Fixed income	-	1,071,853	1,071,853	-	1,071,853
Limited partnership	-	-	-	27,926	27,926
	<u>\$ 747,531</u>	<u>\$ 1,071,853</u>	<u>\$ 1,819,384</u>	<u>\$ 27,926</u>	<u>\$ 1,847,310</u>

The following table describes the funding commitment and redemption information for RTKids' limited partnership investment at December 31, 2020:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Limited partnership	<u>\$ 29,577</u>	<u>\$ 35,502</u>	None	Upon liquidation

ROSIE'S THEATER KIDS, INC.

Notes to Consolidated Financial Statements December 31, 2020 and 2019

NOTE D - PROPERTY AND EQUIPMENT

At each year-end, property and equipment consisted of the following:

	<u>December 31,</u>	
	<u>2020</u>	<u>2019</u>
Building and improvements	\$ 5,554,392	\$ 5,542,392
Land	894,913	894,913
Furniture and fixtures	428,981	428,981
Equipment	<u>285,077</u>	<u>255,405</u>
	 <u>7,163,363</u>	 7,121,691
Less: accumulated depreciation	<u>(2,928,487)</u>	<u>(2,714,135)</u>
	 <u>\$ 4,234,876</u>	 <u>\$ 4,407,556</u>

NOTE E - PPP LOAN PAYABLE

On April 13, 2020, RTKids received \$203,798 in funds from the PPP, which is reported as a Paycheck Protection Program loan payable in the accompanying consolidated statements of financial position at December 31, 2020. The loan matures on April 13, 2022 and bears interest at a rate of 1%. This loan may be forgiven subject to bank approval in accordance with SBA guidelines. In accordance with SBA guidelines, required monthly principal and interest payments will begin no earlier than the end of the covered period of September 2020. RTKids has ten months after the end of the covered period to apply for forgiveness of the loan. Any outstanding principle of the loan that is not forgiven under the PPP Loan program at the end of the ten-month deferral period will convert to a term loan with an interest rate of 1% payable in equal installments of principle and interest over the next twenty four months, beginning in August 2021. Until determination of forgiveness, the scheduled future principle maturities as of December 31, 2020 are as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2021	\$ 152,844
2022	<u>50,954</u>
	 <u>\$ 203,798</u>

ROSIE'S THEATER KIDS, INC.

Notes to Consolidated Financial Statements December 31, 2020 and 2019

NOTE F - NET ASSETS WITH DONOR RESTRICTIONS

At each year-end, net assets with donor restrictions consisted of the following:

	<u>December 31,</u>	
	<u>2020</u>	<u>2019</u>
Purpose restricted:		
Scholarships	\$ 304,268	\$ 456,053
Theater-arts programs	<u> -</u>	<u> 75,000</u>
	<u>304,268</u>	<u>531,053</u>
Restricted for future periods	<u>297,686</u>	<u>453,125</u>
	<u>\$ 601,954</u>	<u>\$ 984,178</u>

During each year, net assets released from restrictions consisted of the following:

	<u>December 31,</u>	
	<u>2020</u>	<u>2019</u>
Time restrictions satisfied	<u>\$ 395,225</u>	<u>\$ 404,523</u>
Purpose restricted:		
Scholarships	<u>154,334</u>	<u>127,278</u>
Theater-arts programs	<u>75,000</u>	<u>75,000</u>
	<u>229,334</u>	<u>202,278</u>
	<u>\$ 624,559</u>	<u>\$ 606,801</u>

ROSIE'S THEATER KIDS, INC.

Notes to Consolidated Financial Statements December 31, 2020 and 2019

NOTE G - LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects RTKids' financial assets as of the consolidated statements of financial position dates, reduced by amounts not available for general use within one year of December 31, 2020 and 2019, respectively, because of contractual or donor-imposed restrictions or internal designations.

RTKids' financial assets available for general use within one year of the consolidated statements of financial position dates for general expenditure are as follows:

	<u>December 31,</u>	
	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,381,787	\$ 1,047,171
Pledges receivable, net	395,458	554,101
Other receivables	9,426	12,387
Investments (excluding those with liquidity restrictions)	<u>1,552,657</u>	<u>1,819,384</u>
Total financial assets available within one year	<u>3,339,328</u>	<u>3,433,043</u>
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Restrictions by donors with purpose restrictions	(304,268)	(531,053)
Restrictions by donors with time restrictions	<u>(297,686)</u>	<u>(453,125)</u>
Total amounts unavailable for general expenditure within one year	<u>(601,954)</u>	<u>(984,178)</u>
Amounts unavailable to management without Board approval:		
Board-designated	<u>(114,319)</u>	<u>(134,143)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,623,055</u>	<u>\$ 2,314,722</u>

Liquidity policy:

RTKids has a policy to structure its financial assets to be available for its general expenditures, liabilities, and other obligations as they come due. Additionally, RTKids has Board-designated net assets without donor restrictions that, although RTKids doesn't intend to spend for purposes other than those identified, may be used to help manage unanticipated liquidity needs, if needed.

NOTE H - RELATED-PARTY TRANSACTIONS

ROD Management LLC ("ROD"), a commercial enterprise that provides administrative management services, agreed to donate its services to RTKids on an ongoing basis. The value of these services amounted to \$190,000 annually for both 2020 and 2019, with the amounts recorded as both a contribution and expense in the accompanying consolidated statements of activities. RTKids has governing Board members in common with ROD; however, these members do not represent a majority of either Board, and each organization's Board has a separate chief executive. The relationships these organizations have with one another do not satisfy the criteria for consolidation of the organizations' respective financial statements.

ROSIE'S THEATER KIDS, INC.

Notes to Consolidated Financial Statements December 31, 2020 and 2019

NOTE I - EMPLOYEE BENEFIT PLAN

RTKids maintains a defined-contribution retirement plan under Section 403(b) of the Code, which covers substantially all employees, each of whom must meet certain eligibility requirements as to age and length of service. RTKids matches 100% of the first 3% of elective deferrals that participants contribute to the plan. RTKids' contributions for the years ended December 31, 2020 and 2019 were \$23,474 and \$5,037, respectively.

NOTE J - CREDIT RISK

Financial instruments that potentially subject RTKids to concentrations of credit risk consist principally of cash deposited in financial institutions in amounts which, from time to time, may exceed federal insurance limits. However, based on the current Federal Deposit Insurance Corporation coverage, management believes that RTKids does not face a significant risk of loss on these accounts that might result from failures of the financial institutions.

NOTE K - COMMITMENT, CONTINGENCY, AND OTHER UNCERTAINTY

[1] Leases:

RTKids is obligated under a noncancelable operating lease for office equipment, expiring in 2023. Future minimum lease payments for years subsequent to December 31, 2020 are as follows:

<u>Year</u>	<u>Amount</u>
2021	\$ 6,588
2022	6,588
2023	<u>5,490</u>
	<u><u>\$ 18,666</u></u>

[2] Government-funded activities:

Government-supported activities and projects are subject to audit by the applicable governmental agencies. During 2020 and 2019, no such audit had taken place, and management believes that any subsequent audit would not result in any material obligations.

[3] Other uncertainty:

The extent of the impact of the COVID-19 outbreak on the operational and financial performance of RTKids will depend on the continued future developments, including the duration and spread of the outbreak and related travel advisories and restrictions, and the impact of COVID-19 on overall demand for RTKids' services, all of which are highly uncertain and cannot be predicted. If demand for RTKids' services are impacted for an extended period, results of operations may be materially adversely affected.