

BROADWAY BOUND KIDS, INC.

**FINANCIAL STATEMENTS
AND
ACCOUNTANTS' REPORT**

AUGUST 31, 2020 AND 2019

BROADWAY BOUND KIDS, INC.

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To: The Board of Directors of
Broadway Bound Kids, Inc.

We have reviewed the accompanying statements of financial position of Broadway Bound Kids, Inc., a not-for-profit organization, as of August 31, 2020 and 2019, and the related statements of activities, expenses and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with U.S. generally accepted accounting principles. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with U.S. generally accepted accounting principles.

Skody Scot & Company, CPAs, PC

New York, NY
July 7, 2021

**BROADWAY BOUND KIDS, INC.
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2020 AND 2019**

| | 2020 | 2019 |
|---------------------|-------------|-------------|
| ASSETS | | |
| Cash | \$ 251,632 | \$ 60,264 |
| Accounts receivable | 2,010 | 10 |
| Total assets | \$ 253,642 | \$ 60,274 |

LIABILITIES AND NET ASSETS

| | | |
|---|------------|-----------|
| Liabilities: | | |
| Accounts payable and accrued expenses | \$ 14,711 | \$ 8,277 |
| Deferred revenue | 60,102 | - |
| Loan payable | 150,000 | - |
| Total liabilities | 224,813 | 8,277 |
| Commitments and contingencies (see notes) | | |
| Net Assets: | | |
| Without donor restrictions | 28,829 | 51,997 |
| With donor restrictions | - | - |
| Total net assets | 28,829 | 51,997 |
| Total liabilities and net assets | \$ 253,642 | \$ 60,274 |

**See independent accountants' review report
and accompanying notes.**

BROADWAY BOUND KIDS, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED AUGUST 31, 2020 AND 2019

| | <u>2020</u> | <u>2019</u> |
|--|------------------|------------------|
| Support and Revenues: | | |
| Without donor restrictions: | | |
| Program service revenue | \$ 308,821 | \$ 423,839 |
| Contributions | 61,021 | 36,381 |
| Government grants | 7,000 | - |
| Special events: | | |
| Income | - | 45,111 |
| Less: related direct costs | - | (5,444) |
| Net special event income | <u>-</u> | <u>39,667</u> |
| Total support and revenues | <u>376,842</u> | <u>499,887</u> |
| Expenses: | | |
| Program services | 294,593 | 344,999 |
| Supporting services: | | |
| Management and general | 74,127 | 78,871 |
| Fundraising | 31,290 | 57,222 |
| Total expenses | <u>400,010</u> | <u>481,092</u> |
| Increase/(Decrease) In Net Assets: | | |
| Without donor restrictions | (23,168) | 18,795 |
| With donor restrictions | - | - |
| Increase/(Decrease) in net assets | <u>(23,168)</u> | <u>18,795</u> |
| Net assets, beginning of year | <u>51,997</u> | <u>33,202</u> |
| Net assets, end of year | <u>\$ 28,829</u> | <u>\$ 51,997</u> |

**See independent accountants' review report
and accompanying notes.**

**BROADWAY BOUND KIDS, INC.
STATEMENT OF EXPENSES
YEAR ENDED AUGUST 31, 2020**

| | Supporting Services | | | Total Expenses |
|---------------------------|----------------------------|---------------------------|------------------|-------------------|
| | Program Services | Management and General | Fundraising | |
| Consultants & contractors | \$ 277,536 | \$ 36,065 | \$ 29,046 | \$ 342,647 |
| Equipment | - | 542 | - | 542 |
| Insurance | - | 3,427 | - | 3,427 |
| Marketing & promotion | 2,748 | - | 221 | 2,969 |
| Office expenses | 2,917 | 15,644 | - | 18,561 |
| Professional fees | - | 5,000 | - | 5,000 |
| Program expenses - other | 1,947 | - | - | 1,947 |
| Rent & utilities | 8,452 | 11,883 | - | 20,335 |
| Supplies | 356 | 554 | 2,023 | 2,933 |
| Travel and meetings | 637 | 1,012 | - | 1,649 |
| Total expenses | <u>\$ 294,593</u> | <u>\$ 74,127</u> | <u>\$ 31,290</u> | <u>\$ 400,010</u> |

**See independent accountants' review report
and accompanying notes.**

BROADWAY BOUND KIDS, INC.
STATEMENT OF EXPENSES
YEAR ENDED AUGUST 31, 2019

| | Supporting Services | | | Total Expenses |
|---------------------------|----------------------------|---------------------------|------------------|-------------------|
| | Program Services | Management and General | Fundraising | |
| Consultants & contractors | \$ 302,356 | \$ 39,363 | \$ 55,630 | \$ 397,349 |
| Equipment | - | 2,158 | - | 2,158 |
| Insurance | - | 3,414 | - | 3,414 |
| Marketing & promotion | 4,483 | - | 377 | 4,860 |
| Office expenses | 2,096 | 13,697 | - | 15,793 |
| Professional fees | - | 4,500 | - | 4,500 |
| Program expenses - other | 8,519 | - | - | 8,519 |
| Rent & utilities | 23,118 | 12,017 | - | 35,135 |
| Supplies | 2,044 | 641 | 1,215 | 3,900 |
| Travel and meetings | 2,383 | 3,081 | - | 5,464 |
| Total expenses | <u>\$ 344,999</u> | <u>\$ 78,871</u> | <u>\$ 57,222</u> | <u>\$ 481,092</u> |

See independent accountants' review report
and accompanying notes.

**BROADWAY BOUND KIDS, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2020 AND 2019**

| | 2020 | 2019 |
|--|-------------|-------------|
| Cash flows from operating activities: | | |
| Increase/(decrease) in net assets | \$ (23,168) | \$ 18,795 |
| Adjustments for non-cash items included in operating activities | - | - |
| Changes in assets and liabilities: | | |
| Accounts receivable | (2,000) | (10) |
| Accounts payable and accrued expenses | 6,434 | (6,253) |
| Deferred revenue | 60,102 | - |
| Net cash provided/(used) by operating activities | 41,368 | 12,532 |
| Cash flows from investing activities | - | - |
| Cash flows from financing activities: | | |
| Proceeds from loan | 158,000 | - |
| Repayment of loan | (8,000) | - |
| Net cash provided/(used) by financing activities | 150,000 | - |
| Net increase/(decrease) in cash | 191,368 | 12,532 |
| Cash, at beginning of year | 60,264 | 47,732 |
| Cash, at end of year | \$ 251,632 | \$ 60,264 |

**See independent accountants' review report
and accompanying notes.**

BROADWAY BOUND KIDS, INC.
NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

The Organization

Broadway Bound Kids, Inc. (the Organization), a not-for-profit organization, was incorporated in the State of New York on December 22, 2016. The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and accordingly, no provision for federal, state or local income taxes has been recorded. The Organization does not believe its financial statements include any uncertain tax positions. The Organization primarily receives its support from program service fees, contributions, and special events.

The primary mission of the Organization is to inspire and empower kids of all ages through the performing arts. The Organization offers after-school programs, Saturday classes, trips to see Broadway shows, summer programs, master classes with Broadway performers, and a free youth theater ensemble called the Broadway Bound Players for students who don't have access to the performing arts.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Change in Accounting Principle

During fiscal year 2020, the Organization adopted FASB ASU 2014-09 *Revenue from Contracts with Customers* using the full retrospective approach. Analysis of various provisions of the standards resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to previously issued financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

Receivables

Receivables that are expected to be collected within one year are recorded at their net realizable value. Receivables that are expected to be collected in future years are recorded at the present value of estimated future cash flows. All receivables are expected to be collected within one year and as such have been stated at their net realizable value with no allowance for uncollectable receivables.

BROADWAY BOUND KIDS, INC.
NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies (Continued)

Net Assets

Net assets, revenue, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. This classification includes net assets designated by the board or management for a specified purpose or for an operating reserve.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature (endowment), where the donor stipulates that resources be maintained in perpetuity.

Revenue Recognition

The Organization recognizes contributions when cash, noncash assets, or unconditional promises to give are received. Conditional promises to give, which have a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Amounts received prior to meeting these conditions are reported as deferred revenue in the statements of financial position. At August 31, 2020 and 2019, the Organization did not have any conditional pledges that were not recognized.

All contributions are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as revenue with donor restrictions and increases in net assets with donor restrictions. Contributions received with restrictions that are met in the same reporting period are reported as revenue without donor restrictions and increases in net assets without donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Program service revenue relates to fees received in exchange for program services. Revenue is recognized when the program service is provided. Any revenue received which has not been earned is recorded as deferred revenue.

The Organization receives special events revenue which contains both an exchange component and a conditional contribution component. Both components are recognized when the event takes place. Any event revenue received in advance of the event is recorded as deferred revenue.

BROADWAY BOUND KIDS, INC.
NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

The Organization received grants from governmental agencies. Depending upon the terms of the grant, it can be either an exchange transaction or a contribution. In accordance with grant provisions, the grant can be an expense reimbursement grant which requires that approved expenses be incurred prior to reimbursement by the grantor. Other grants permit advances of grant funds or full payment of grant funds at the start of the grant. If the grant is an exchange type grant, all unreimbursed expenses, for approved purposes, as of year-end are recorded as receivables and any unexpended advances are recorded as refundable advances. If the grant is a contribution, it is recognized in accordance with the contribution recognition policy described above.

During the year ended August 31, 2020, the Organization received an EIDL grant of \$7,000 from the U.S. Small Business Administration. Management has determined that the purpose-related conditions imposed on the grant were met by year end. Therefore, the full amount has been recognized as government grant revenue in the statement of activities for the year ended August 31, 2020.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and the statements of expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include consultants and contractors based on estimated time and effort and marketing and promotion and travel and meeting based on usage. The Organization classifies expenses, which are not directly related to a specific program, as Management and General expenses.

Note 2 - Loan Payable

In June 2020, the Organization received a \$150,000 loan from the United States Small Business Administration (SBA). The loan charges an annual interest rate of 2.75%. Monthly payments are due to start in June 2022 and will continue for 30 years.

As of August 31, 2020, minimum annual loan payments, including implied interest on the loan, are as follows:

| | |
|----------------------------|-------------------|
| Year ended August 31, 2022 | \$ 1,923 |
| 2023 | 7,692 |
| 2024 | 7,692 |
| 2025 | 7,692 |
| 2026 through 2052 | <u>198,588</u> |
| | <u>\$ 223,587</u> |

**BROADWAY BOUND KIDS, INC.
NOTES TO FINANCIAL STATEMENTS**

Note 3 - Related Party Loan

During the year ended August 31, 2020, the Organization received an \$8,000 loan from its Executive Director for cash flows reasons. The loan was interest free and approved by the Organization's Board of Directors. The loan was repaid prior to August 31, 2020.

Note 4 - Revenue from Contracts with Customers

Detail of revenue from contracts with customers during the years ended August 31, 2020 and 2019, is as follows:

| | <u>2020</u> | <u>2019</u> |
|--|-------------|-------------|
| DOE Partnerships | \$ 59,049 | \$ - |
| Tuition | 309,874 | 422,029 |
| Special event revenue – exchange portion | - | 5,444 |

The following table provides information about significant changes in the contract liabilities for the years ended December 31, 2020 and 2019:

| | <u>2020</u> | <u>2019</u> |
|---|------------------|-------------|
| Deferred revenue, beginning of the year | \$ - | \$ - |
| Increase in deferred rental income due to cash received during the period | <u>60,102</u> | <u>-</u> |
| Deferred revenue, end of the year | <u>\$ 60,102</u> | <u>\$ -</u> |

Note 5 - Liquidity and Availability of Financial Assets

The Organization regularly monitors liquidity required to meet its operating needs and other obligations as they come due. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities to be general expenditures. Amounts available for general expenditures over a 12-month period include donor-restricted amounts that are available for ongoing programmatic and support expenditures.

The following reflects the Organization's financial assets, as of August 31, 2020 and 2019, reduced by amounts not available for general use within one year because of contractual, donor-imposed, or internal restrictions and designations:

| | <u>2020</u> | <u>2019</u> |
|--|-------------------|------------------|
| Financial assets: | | |
| Cash | \$ 251,632 | \$ 60,264 |
| Accounts receivable | <u>2,010</u> | <u>10</u> |
| Total financial assets | 253,642 | 60,274 |
| Less those unavailable for general expenditures within one year | <u>-</u> | <u>-</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 253,642</u> | <u>\$ 60,274</u> |

BROADWAY BOUND KIDS, INC.
NOTES TO FINANCIAL STATEMENTS

Note 6 - Concentrations

The Organization maintains its checking account with a major financial institution. The Federal Deposit Insurance Corporation (FDIC) insures bank deposits up to \$250,000 per financial institution. At times, the balance of the account may have exceeded the insurance limits during the years ended August 31, 2020 and 2019.

Note 7 - Subsequent Events

Subsequent events were evaluated for potential additional disclosures and corrections through July 7, 2021, which is the date the financial statements were available to be issued.