

NEW YORK THEATRE WORKSHOP, INC.

**FINANCIAL STATEMENTS
AND
ADDITIONAL INFORMATION**

JUNE 30, 2006 AND 2005

NEW YORK THEATRE WORKSHOP, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
New York Theatre Workshop, Inc.

We have audited the accompanying statements of financial position of New York Theatre Workshop, Inc. (a not-for-profit corporation) as of June 30, 2006 and 2005, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New York Theatre Workshop, Inc. as of June 30, 2006 and 2005, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Lutz + Carr, LLP

New York, New York
September 1, 2006

NEW YORK THEATRE WORKSHOP, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
Assets		
Current Assets		
Cash and cash equivalents (Note 1h)	\$ 660,033	\$ 247,639
Unconditional promises to give (Notes 1b and 3)	353,457	185,497
Prepaid expenses and other current assets	482,676	433,886
Total Current Assets	<u>1,496,166</u>	<u>867,022</u>
Other Assets		
Investments at market value (Notes 1c and 4)		
Unrestricted	210,137	885,606
Temporarily restricted	247,120	205,217
Permanently restricted	1,500,000	1,500,000
Building and equipment, at cost, net of accumulated depreciation (Notes 1d, 5 and 10)	2,432,034	1,824,362
Security deposits	16,730	32,815
Total Assets	<u><u>\$5,902,187</u></u>	<u><u>\$5,315,022</u></u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and other liabilities	\$ 198,745	\$ 68,107
Deferred subscription and ticket revenue (Note 6)	541,844	547,957
Total Liabilities	<u>740,589</u>	<u>616,064</u>
Commitment and Contingency (Note 8)		
Net Assets		
Unrestricted		
Board designated reserves (Note 2a)	785,444	1,125,000
Building and equipment	2,432,034	1,824,362
General operations	-	(12,871)
Total Unrestricted	<u>3,217,478</u>	<u>2,936,491</u>
Temporarily restricted (Note 2b)	444,120	262,467
Permanently restricted (Note 2c)	1,500,000	1,500,000
Total Net Assets	<u>5,161,598</u>	<u>4,698,958</u>
Total Liabilities and Net Assets	<u><u>\$5,902,187</u></u>	<u><u>\$5,315,022</u></u>

See notes to financial statements.

NEW YORK THEATRE WORKSHOP, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2006 AND 2005

	2006				2005			
	Unrestricted	Temporarily Restricted (Note 2b)	Permanently Restricted (Note 2c)	Total	Unrestricted	Temporarily Restricted (Note 2b)	Permanently Restricted (Note 2c)	Total
Changes in Net Assets								
Support and Other Revenue								
Contributions								
Individuals	\$ 1,153,764	\$ -	\$ -	\$1,153,764	\$ 898,553	\$ -	\$ -	\$ 898,553
Corporations	86,458	20,000	-	106,458	51,456	6,000	-	57,456
Foundations	608,010	228,500	-	836,510	364,183	77,500	-	441,683
Government	93,000	50,000	-	143,000	85,500	7,600	-	93,100
Gross benefit income (Note 11)	1,700,658	-	-	1,700,658	278,012	-	-	278,012
Less: Direct benefit expenses (Note 11)	(231,043)	-	-	(231,043)	(48,053)	-	-	(48,053)
Less: Costs related to shared benefit, including payments to benefit partners (Note 11)	(978,926)	-	-	(978,926)	-	-	-	-
Box Office Revenue								
Single tickets	535,234	-	-	535,234	989,009	-	-	989,009
Subscriptions (Note 6)	481,544	-	-	481,544	687,662	-	-	687,662
Royalties	705,819	-	-	705,819	350,027	-	-	350,027
Production enhancement fee	150,000	-	-	150,000	-	-	-	-
Investment income (Note 4)	23,740	65,987	-	89,727	24,120	76,634	-	100,754
Other income	24,112	-	-	24,112	21,163	-	-	21,163
	<u>4,352,370</u>	<u>364,487</u>	<u>-</u>	<u>4,716,857</u>	<u>3,701,632</u>	<u>167,734</u>	<u>-</u>	<u>3,869,366</u>
Net assets released from restriction								
Satisfaction of time and program restriction	182,834	(182,834)	-	-	251,109	(251,109)	-	-
Total Support and Other Revenue	<u>4,535,204</u>	<u>181,653</u>	<u>-</u>	<u>4,716,857</u>	<u>3,952,741</u>	<u>(83,375)</u>	<u>-</u>	<u>3,869,366</u>
Operating Expenses								
Program Services								
Productions	2,543,753	-	-	2,543,753	2,453,859	-	-	2,453,859
Workshop	808,248	-	-	808,248	801,582	-	-	801,582
Education	139,007	-	-	139,007	-	-	-	-
Total Program Services	<u>3,491,008</u>	<u>-</u>	<u>-</u>	<u>3,491,008</u>	<u>3,255,441</u>	<u>-</u>	<u>-</u>	<u>3,255,441</u>
Supporting Services								
Management and general	427,056	-	-	427,056	388,137	-	-	388,137
Audience development	293,907	-	-	293,907	339,420	-	-	339,420
Fundraising	434,137	-	-	434,137	355,754	-	-	355,754
Total Supporting Services	<u>1,155,100</u>	<u>-</u>	<u>-</u>	<u>1,155,100</u>	<u>1,083,311</u>	<u>-</u>	<u>-</u>	<u>1,083,311</u>
Total Operating Expenses	<u>4,646,108</u>	<u>-</u>	<u>-</u>	<u>4,646,108</u>	<u>4,338,752</u>	<u>-</u>	<u>-</u>	<u>4,338,752</u>
Excess (deficiency) of support and other revenue over operating expenses	(110,904)	181,653	-	70,749	(386,011)	(83,375)	-	(469,386)
Contribution - building (Note 10)	530,000	-	-	530,000	-	-	-	-
Depreciation expense	(138,109)	-	-	(138,109)	(152,233)	-	-	(152,233)
Changes in net assets	280,987	181,653	-	462,640	(538,244)	(83,375)	-	(621,619)
Net assets, beginning of year	<u>2,936,491</u>	<u>262,467</u>	<u>1,500,000</u>	<u>4,698,958</u>	<u>3,474,735</u>	<u>345,842</u>	<u>1,500,000</u>	<u>5,320,577</u>
Net Assets, End of year	<u>\$ 3,217,478</u>	<u>\$ 444,120</u>	<u>\$ 1,500,000</u>	<u>\$5,161,598</u>	<u>\$ 2,936,491</u>	<u>\$ 262,467</u>	<u>\$ 1,500,000</u>	<u>\$4,698,958</u>

See notes to financial statements.

NEW YORK THEATRE WORKSHOP, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ 462,640	\$ (621,619)
Adjustments to reconcile decrease in net assets to net cash used by operating activities:		
Depreciation	138,109	152,233
Realized and unrealized gains from investments	(74,235)	(70,200)
Contribution of building	(530,000)	-
(Increase) decrease in:		
Unconditional promises to give	(167,960)	69,905
Prepaid expenses and other current assets	(48,790)	(171,150)
Security deposits	16,085	9,504
Increase (decrease) in:		
Accounts payable and other liabilities	130,638	12,553
Deferred subscription and ticket revenue	(6,113)	55,643
Net Cash Used By Operating Activities	<u>(79,626)</u>	<u>(563,131)</u>
Cash Flows From Investing Activities		
Proceeds from sale of investments	2,716,594	2,231,667
Purchase of investments	(2,008,793)	(2,032,946)
Purchase of property and equipment	(215,781)	(111,094)
Net Cash Provided By Investing Activities	<u>492,020</u>	<u>87,627</u>
Net increase (decrease) in cash and cash equivalents	412,394	(475,504)
Cash and cash equivalents at beginning of year	<u>247,639</u>	<u>723,143</u>
Cash and Cash Equivalents at End of Year	<u>\$ 660,033</u>	<u>\$ 247,639</u>

See notes to financial statements.

NEW YORK THEATRE WORKSHOP, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2006 AND 2005****Note 1 - Organization and Summary of Significant Accounting Policies****a - Organization**

New York Theatre Workshop, Inc. (successor to the Stephen Graham Foundation) was incorporated on February 19, 1982 under the New York State Not-for-Profit Corporation Law. New York Theatre Workshop (NYTW) is a theatrical producing organization which engages with artists who explore new dramatic forms. In fiscal year 2006, NYTW piloted an education program partially financed from its cash reserves.

b - Contributions and Unconditional Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

c - Investments

The Organization reflects investments at fair value in the statement of financial position. Unrealized gains and losses on investments are included in the change in net assets. Interest, dividends, gains and losses on investments are reflected in the statement of activities as increases and decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law. Investment income restricted by the donor is reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the income is recognized.

d - Building and Equipment

Purchased building and equipment are recorded at cost and are depreciated using the straight-line method over the estimated useful life of the related asset. Donated assets are recorded at fair value at time of contribution.

e - Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

f - 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.

g - Tax Status

New York Theatre Workshop, Inc. is a not-for-profit organization exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation.

NEW YORK THEATRE WORKSHOP, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006 AND 2005

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

h - Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less, to be cash equivalents, except for those held in the Organization's endowment investment portfolio. These equivalents are considered investments since they are managed by investment managers as part of their long-term investment strategies.

i - Advertising Costs

Advertising costs are charged to operations when incurred. Advertising expense for the years ended June 30, 2006 and 2007 was \$302,871 and \$281,739, respectively.

Note 2 - Restriction on Net Assets

a - Unrestricted - Board Designated Reserves

Board Designated Reserves consists of unspent earnings that the Board of Trustees has segregated for use as a cash reserve fund, and for planning and capital expenditures.

For fiscal 2006 and 2005, the Board of Trustees authorized the appropriation of \$339,556 (2006) and \$500,000 (2005) from the Board Designated Reserves to the Unrestricted-General Operations net assets. It is the Organization's intent to replenish the Reserves, if possible.

b - Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted for the following and are expected to be released within one year:

	<u>2006</u>	<u>2005</u>
Future programs	\$411,120	\$206,467
Time restrictions	33,000	56,000
	<u>\$444,120</u>	<u>\$262,467</u>

c - Permanently Restricted Net Assets

Permanently restricted net assets consist of an endowment for future artistic programming established by a grant from the Doris Duke Charitable Foundation plus matching support and revenues. At June 30, 2006, \$135,020 of temporarily restricted net assets relating to the endowment are available for artistic programming.

NEW YORK THEATRE WORKSHOP, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006 AND 2005

Note 3 - Unconditional Promises to Give

Unconditional promises to give are due in less than one year as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
2006	<u>\$156,457</u>	<u>\$197,000</u>	<u>\$353,457</u>
2005	<u>\$128,247</u>	<u>\$ 57,250</u>	<u>\$185,497</u>

Uncollectible promises are expected to be insignificant.

Note 4 - Investments

Investments are stated at fair value and consist of the following:

	<u>2006</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Net Appreciation</u>
Cash equivalents (Note 1h)	\$ 40,531	\$ 40,531	\$ -
Common stocks	863,391	1,273,923	410,532
Certificates of deposit	200,000	198,006	(1,994)
US Treasury Bill	<u>444,512</u>	<u>444,797</u>	<u>285</u>
	<u>\$1,548,434</u>	<u>\$1,957,257</u>	<u>\$408,823</u>
	<u>2005</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Net Appreciation</u>
Cash equivalents (Note 1h)	\$ 16,086	\$ 16,086	\$ -
Common stocks	770,353	1,153,392	383,039
Certificates of deposit	800,000	796,540	(3,460)
US Treasury Bill	<u>622,146</u>	<u>624,805</u>	<u>2,659</u>
	<u>\$2,208,585</u>	<u>\$2,590,823</u>	<u>\$382,238</u>

The following summarizes investment income and its classification in the statement of activities:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2006</u>	<u>Total 2005</u>
Interest and dividends	\$22,274	\$ 5,617	\$27,891	\$ 41,573
Net realized (gains) losses	-	47,650	47,650	(40,268)
Net unrealized gains	1,466	25,119	26,585	110,468
Investment fees	<u>-</u>	<u>(12,399)</u>	<u>(12,399)</u>	<u>(11,019)</u>
Investment Income	<u>\$23,740</u>	<u>\$65,987</u>	<u>\$89,727</u>	<u>\$100,754</u>

NEW YORK THEATRE WORKSHOP, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006 AND 2005

Note 5 - Building and Equipment

Building and equipment consist of the following at June 30:

	<u>Life</u>	<u>2006</u>	<u>2005</u>
Building	40 years	\$2,440,493	\$2,403,269
Equipment	5 years	453,086	419,216
Contributed building (Note 10)	40 years	530,000	-
Costs related to building project (Note 10)		<u>278,906</u>	<u>134,219</u>
		3,702,485	2,956,704
Less: Accumulated depreciation		<u>1,270,451</u>	<u>1,132,342</u>
		<u>\$2,432,034</u>	<u>\$1,824,362</u>

Depreciation expense for the years ended June 30, 2006 and 2005 was \$138,109 and \$152,233, respectively.

Note 6 - Deferred Subscription Revenue

Subscription revenue is recognized in the applicable subscription period. Deferred subscription revenue relates to amounts received that apply to future periods.

Note 7 - Functional Allocation of Expenses

The cost of providing various programs and supporting services has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Note 8 - Commitment and Contingency

- a) The Organization has a non-contributory defined contribution pension plan which covers all eligible employees. Each year, the Organization can make a discretionary contribution. For the fiscal years ended June 30, 2006 and 2005, the Organization made contributions amounting to \$44,069 and \$42,820, respectively, to the plan.
- b) The Organization has entered into an employment contract which extends into fiscal 2009.
- c) Government supported projects are subject to audit by the granting agency.

NEW YORK THEATRE WORKSHOP, INC.**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2006 AND 2005****Note 9 - Employee Bonus**

Included in fiscal year 2005 operating expenses is a bonus approximating \$150,000, which was approved by the Board of Directors to be paid to the artistic director in recognition of his long and hard meritorious service to the Organization. If this expense had not been incurred, the change in unrestricted net assets before depreciation for fiscal year 2005 would have approximated (\$236,000).

Note 10 - New Building

On October 11, 2005, New York Theatre Workshop, Inc. (NYTW) purchased, for a nominal amount, a one-and-a-half-story building from New York City's Department of Housing Preservation and Development that is across the street from its offices and theatre. The building, 72 East 4th Street, was valued at \$530,000, and is recorded at that amount on NYTW's financial records. The sale was made as part of the creation of an official New York City Fourth Arts Block Cultural District, which includes the sale of six city-owned buildings on NYTW's block to cultural organizations. Each building has an enforcement mortgage to ensure that it will remain a cultural building in perpetuity. NYTW's building will be renovated to become the new scenic shop, costume shop, and production offices for NYTW at a cost of approximately \$2.6 million. In Fiscal Year 2006, New York City's Office of the Mayor committed \$500,000 in Capital Funds for the renovation. Subsequently, the New York City Council committed \$1,000,000 in Fiscal Year 2007, which was matched by the Mayor's Office, for a total commitment of \$2.5 million to be administered by the Department of Cultural Affairs. The City's support has placed New York Theatre Workshop in position to launch a Capital Campaign for the renovation of its other buildings at 79 and 83 East 4th Street. Renovation of 72 East 4th Street is projected to be completed by spring 2009.

Note 11 - Special Events

The following is a summary of the net income generated by the benefits held in fiscal years 2006 and 2005.

NEW YORK THEATRE WORKSHOP, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006 AND 2005

Note 11 - Special Events (continued)

Direct expenses generally include the cost of tickets purchased to performances and food provided to attendees at the benefits. Indirect expenses are all of the other expenses incurred in connection with the benefits.

	<u>2006</u>	<u>2005</u>
	<u>Rent 10</u>	<u>Various</u>
	<u>Benefit</u>	<u>Benefits</u>
Gross benefit income	\$1,700,658	\$278,012
Direct expenses	(231,043)	(48,053)
Costs related to shared benefit, including payments to benefit partners *	<u>(978,926)</u>	<u>-</u>
	490,689	229,959
Indirect expenses	<u>(116,620)</u>	<u>(58,801)</u>
Net Income	<u>\$ 374,069</u>	<u>\$171,158</u>

* The income of this benefit is shared with Friends In Deed and the Jonathan Larson Performing Arts Foundation.

ADDITIONAL INFORMATION



**INDEPENDENT AUDITOR'S REPORT ON
ADDITIONAL INFORMATION**

To the Board of Trustees of
New York Theatre Workshop, Inc.

Our report on our audits of the basic financial statements of New York Theatre Workshop, Inc. for 2006 and 2005 appears on page 1. We conducted our audits in accordance with auditing standards generally accepted in the United States of America for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Functional Expenses for the year ended June 30, 2006 with comparative totals for 2005 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lutz + Carr, LLP

New York, New York
September 1, 2006

NEW YORK THEATRE WORKSHOP, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2006 WITH COMPARATIVE TOTALS FOR 2005

	Program Services				Supporting Services				2006	2005
	Productions	Workshop	Education	Total	Management and General	Audience Development	Fundraising	Total	Total Expenses	Total Expenses
Salaries	\$ 1,101,363	\$431,236	\$ 71,137	\$1,603,736	\$ 131,528	\$ 113,912	\$ 178,725	\$ 424,165	\$2,027,901	\$2,043,068
Payroll taxes	133,114	52,120	8,598	193,832	15,897	13,768	21,601	51,266	245,098	239,085
Employee benefits	170,716	59,900	9,884	240,500	18,270	15,873	24,858	59,001	299,501	234,077
Professional fees	45,210	17,086	23,425	85,721	120,755	27,411	44,972	193,138	278,859	140,212
Equipment and supplies	29,886	16,855	3,251	49,992	26,658	16,577	8,330	51,565	101,557	92,017
Telephone	11,671	5,836	2,918	20,425	4,377	2,918	1,459	8,754	29,179	30,813
Postage and shipping	24,017	643	-	24,660	6,933	35,042	6,279	48,254	72,914	61,293
Utilities	26,751	13,376	6,688	46,815	10,031	6,688	3,344	20,063	66,878	61,697
Credit Card Fees	14,569	-	-	14,569	-	13,699	14,875	28,574	43,143	54,067
Indirect benefit expenses	-	-	-	-	-	-	116,620	116,620	116,620	58,801
Rental and equipment maintenance	52,285	25,144	-	77,429	16,212	-	-	16,212	93,641	86,887
Printing and publications	46,558	23,633	2,350	72,541	18,539	20,865	7,622	47,026	119,567	102,222
Travel and transportation	85,445	24,017	-	109,462	19,687	11,520	4,697	35,904	145,366	137,053
Dues, conferences and meetings	1,635	-	350	1,985	18,006	-	755	18,761	20,746	13,251
Insurance	21,463	10,732	2,146	34,341	8,586	-	-	8,586	42,927	44,451
Production materials	276,074	34,280	-	310,354	-	-	-	-	310,354	315,033
Artistic fees	209,912	33,725	8,260	251,897	-	-	-	-	251,897	240,623
Royalties/commissions	13,301	27,003	-	40,304	-	-	-	-	40,304	66,437
Advertising and promotion	254,022	26,060	-	280,082	7,155	15,634	-	22,789	302,871	281,739
Trucking and storage	25,761	6,602	-	32,363	4,422	-	-	4,422	36,785	35,926
Total expenses before depreciation	2,543,753	808,248	139,007	3,491,008	427,056	293,907	434,137	1,155,100	4,646,108	4,338,752
Depreciation	82,755	34,666	-	117,421	20,688	-	-	20,688	138,109	152,233
Total Expenses, 2006	<u>\$ 2,626,508</u>	<u>\$842,914</u>	<u>\$ 139,007</u>	<u>\$3,608,429</u>	<u>\$ 447,744</u>	<u>\$ 293,907</u>	<u>\$ 434,137</u>	<u>\$1,175,788</u>	<u>\$4,784,217</u>	
Total Expenses, 2005	<u>\$ 2,546,513</u>	<u>\$838,845</u>	<u>\$ -</u>	<u>\$3,385,358</u>	<u>\$ 410,453</u>	<u>\$ 339,420</u>	<u>\$ 355,754</u>	<u>\$1,105,627</u>		<u>\$4,490,985</u>

See independent auditor's report on additional information.