EISNERAMPER

ROSIE'S THEATER KIDS, INC.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2023 and 2022

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 Audit of the Financial Statements

Opinion

We have audited the 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, 2023 and 2022, 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.

In our opinion, the accompanying financial statements 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, 2023 and 2022, and the consolidated changes in their net assets and their cash flows for each of the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of RTKids and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

RTKids' 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the RTKids' ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

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Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 RTKids' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the RTKids' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

EisnerAmper LLP

EISNERAMPER LLP
New York, New York
February 29, 2024

ROSIE'S THEATER KIDS, INC.

Consolidated Statements of Financial Position

	December 31, 2023	December 31, 2022
ASSETS		
Cash and cash equivalents	**$ 1,165,908**	$ 1,506,778
Pledges receivable, net	**259,857**	276,159
Other receivables	**2,676**	10,010
Investments	**1,334,644**	1,353,149
Prepaid expenses and other current assets	**114,785**	91,761
Property and equipment, net	**3,683,652**	3,870,577
	$ 6,561,522	$ 7,108,434
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	**$ 97,362**	$ 106,695
Finance lease obligation	**25,471**	-
Total liabilities	**122,833**	106,695
Commitments and contingency (Notes C and J)		
Net assets:		
Without donor restrictions:		
Undesignated and available for general activities	**6,085,183**	6,633,723
Board-designated	**93,649**	93,345
Total net assets without donor restrictions	**6,178,832**	6,727,068
With donor restrictions:		
Purpose restrictions	**-**	20,100
Time-restricted for future periods	**259,857**	254,571
Total net assets with donor restrictions	**259,857**	274,671
Total net assets	**6,438,689**	7,001,739
	$ 6,561,522	$ 7,108,434

See notes to consolidated financial statements.

ROSIE'S THEATER KIDS, INC.

Consolidated Statements of Activities

	Year Ended December 31,					
	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue:						
Contributions and grants	**$ 840,176**	**$ 262,357**	**$ 1,102,533**	$ 949,020	$ 183,336	$ 1,132,356
Donated services	**150,000**	**-**	**150,000**	150,000	-	150,000
Special event (net of direct benefit of $141,498 and $123,518 for 2023 and 2022, respectively)	**792,956**	**-**	**792,956**	665,200	-	665,200
Gain on loan forgiveness	**-**	**-**	**-**	203,802	-	203,802
Investment income (loss), net	**61,679**	**703**	**62,382**	(28,002)	489	(27,513)
Total public support and revenue before net assets released from restrictions	**1,844,811**	**263,060**	**2,107,871**	1,940,020	183,825	2,123,845
Net assets released from restrictions	**277,874**	**(277,874)**	**-**	422,473	(422,473)	-
Total public support and revenue	**2,122,685**	**(14,814)**	**2,107,871**	2,362,493	(238,648)	2,123,845
Expenses:						
Program services:						
Conservatory training	**824,905**	**-**	**824,905**	799,465	-	799,465
Educational development	**601,021**	**-**	**601,021**	548,660	-	548,660
Higher education support	**144,305**	**-**	**144,305**	188,024	-	188,024
Total program services	**1,570,231**	**-**	**1,570,231**	1,536,149	-	1,536,149
Supporting services:						
Management and general	**518,731**	**-**	**518,731**	522,106	-	522,106
Fund-raising	**581,959**	**-**	**581,959**	585,466	-	585,466
Total supporting services	**1,100,690**	**-**	**1,100,690**	1,107,572	-	1,107,572
Total expenses	**2,670,921**	**-**	**2,670,921**	2,643,721	-	2,643,721
Change in net assets	**(548,236)**	**(14,814)**	**(563,050)**	(281,228)	(238,648)	(519,876)
Net assets, beginning of year	**6,727,068**	**274,671**	**7,001,739**	7,008,296	513,319	7,521,615
Net assets, end of year	**$ 6,178,832**	**$ 259,857**	**$ 6,438,689**	$ 6,727,068	$ 274,671	$ 7,001,739

See notes to consolidated financial statements.

ROSIE'S THEATER KIDS, INC.

Consolidated Statement of Functional Expenses
Year Ended December 31, 2023
(with summarized financial information for December 31, 2022)

	Program Services				Supporting Services			Totals	
	Conservatory Training	Educational Development	Higher Education Support	Total Program Expenses	Management and General	Fund-Raising	Total Supporting Services	2023	2022
Salaries	$ 404,035	$ 314,345	$ 23,218	$ 741,598	$ 125,576	$ 264,389	$ 389,965	$ 1,131,563	$ 1,059,917
Payroll taxes and employee benefits	68,771	41,053	4,844	114,668	18,905	43,728	62,633	177,301	226,234
Consultants and other professional fees	62,702	25,018	33	87,753	132,852	139,310	272,162	359,915	333,544
Theater tickets	2,060	8,732	-	10,792	-	-	-	10,792	7,719
Studio and performance	6,159	25,131	-	31,290	-	3,829	3,829	35,119	40,217
Scholarships	-	-	84,815	84,815	-	-	-	84,815	139,248
Occupancy	57,285	36,097	4,245	97,627	60,750	6,587	67,337	164,964	129,805
Dues and subscriptions	672	47	-	719	11,721	98	11,819	12,538	12,201
Postage	146	1,335	-	1,481	187	1,573	1,760	3,241	5,718
Insurance	26,152	18,149	1,945	46,246	26,772	15,733	42,505	88,751	89,705
Supplies	8,989	6,501	167	15,657	55,950	4,801	60,751	76,408	77,740
Catering and event-space rental	16,412	9,850	451	26,713	67	149,740	149,807	176,520	174,813
Telephone	9,698	6,899	498	17,095	3,099	1,028	4,127	21,222	21,731
Printing and promotion	3,969	778	-	4,747	2,526	18,893	21,419	26,166	8,419
Travel	8,675	1,029	-	9,704	1,155	10,592	11,747	21,451	29,847
Miscellaneous	2,415	3,916	197	6,528	18,089	20,062	38,151	44,679	30,601
Depreciation	102,728	70,056	16,188	188,972	33,529	4,473	38,002	226,974	229,780
Management fees (Note G)	44,037	32,085	7,704	83,826	27,553	38,621	66,174	150,000	150,000
Total expenses	824,905	601,021	144,305	1,570,231	518,731	723,457	1,242,188	2,812,419	2,767,239
Less: direct benefit to donors	-	-	-	-	-	(141,498)	(141,498)	(141,498)	(123,518)
Total expenses per consolidated statements of activities	$ 824,905	$ 601,021	$ 144,305	$ 1,570,231	$ 518,731	$ 581,959	$ 1,100,690	$ 2,670,921	$ 2,643,721

See notes to consolidated financial statements.

ROSIE'S THEATER KIDS, INC.

Consolidated Statement of Functional Expenses
Year Ended December 31, 2022

	Program Services				Supporting Services			
	Conservatory Training	Educational Development	Higher Education Support	Total Program Expenses	Management and General	Fund-Raising	Total Supporting Services	Totals
Salaries	$ 375,263	$ 293,625	$ 13,474	$ 682,362	$ 122,683	$ 254,872	$ 377,555	$ 1,059,917
Payroll taxes and employee benefits	67,364	50,671	2,246	120,281	44,174	61,779	105,953	226,234
Consultants and other professional fees	42,960	11,737	5	54,702	127,750	151,092	278,842	333,544
Theater tickets	7,069	650	-	7,719	-	-	-	7,719
Studio and performance	2,083	28,774	1,872	32,729	2,558	4,930	7,488	40,217
Scholarships	5,999	-	133,249	139,248	-	-	-	139,248
Occupancy	47,447	28,861	3,259	79,567	44,942	5,296	50,238	129,805
Dues and subscriptions	1,348	-	-	1,348	9,919	934	10,853	12,201
Postage	-	662	-	662	140	4,916	5,056	5,718
Insurance	24,958	15,326	6,917	47,201	25,207	17,297	42,504	89,705
Supplies	6,195	3,706	132	10,033	63,352	4,355	67,707	77,740
Catering and event-space rental	39,827	3,144	-	42,971	2,267	129,575	131,842	174,813
Telephone	10,138	6,946	424	17,508	3,163	1,060	4,223	21,731
Printing and promotion	1,058	-	-	1,058	890	6,471	7,361	8,419
Travel	17,321	320	-	17,641	5,105	7,101	12,206	29,847
Miscellaneous	3,092	3,578	77	6,747	7,710	16,144	23,854	30,601
Depreciation	103,998	70,922	16,388	191,308	33,944	4,528	38,472	229,780
Management fees (Note G)	43,345	29,738	9,981	83,064	28,302	38,634	66,936	150,000
Total expenses	799,465	548,660	188,024	1,536,149	522,106	708,984	1,231,090	2,767,239
Less: direct benefit to donors	-	-	-	-	-	(123,518)	(123,518)	(123,518)
Total expenses per consolidated statements of activities	$ 799,465	$ 548,660	$ 188,024	$ 1,536,149	$ 522,106	$ 585,466	$ 1,107,572	$ 2,643,721

See notes to consolidated financial statements.

ROSIE'S THEATER KIDS, INC.

Consolidated Statements of Cash Flows

	Year Ended December 31,	
	2023	**2022**
Cash flows from operating activities:		
Change in net assets	**$ (563,050)**	$ (519,876)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	**226,974**	229,780
Net realized and unrealized losses on investments	**(17,805)**	50,815
Gain on loan forgiveness	**-**	(203,802)
Changes in:		
Pledges receivable, net	**16,302**	279,022
Other receivables	**7,334**	(127)
Prepaid expense and other current assets	**(23,024)**	13,130
Accounts payable and accrued expenses	**(9,333)**	18,476
Net cash used in operating activities	**(362,602)**	(132,582)
Cash flows from investing activities:		
Proceeds from sales of investments	**395,662**	292,556
Purchases of investments	**(359,352)**	(215,003)
Purchases of property and equipment	**(14,195)**	(41,648)
Net cash provided by investing activities	**22,115**	35,905
Cash flows from financing activities:		
Principal payments on finance lease	**(383)**	-
Change in cash and cash equivalents	**(340,870)**	(96,677)
Cash and cash equivalents, beginning of year	**1,506,778**	1,603,455
Cash and cash equivalents, end of year	**$ 1,165,908**	$ 1,506,778
Supplemental disclosures of cash flow information:		
Finance lease interest expense	**$ 101**	$ -
Equipment acquired through finance lease	**$ 25,854**	$ -
Donated services	**$ 150,000**	$ 150,000

See notes to consolidated financial statements.

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.

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.

[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, or in the case of capitalized leased assets, the lesser of the useful life of the asset or the lease term. 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.

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

[6] Land, property and equipment: (continued)

Management evaluates the recoverability of its investments in long-lived assets on an on-going basis and, when triggering events indicate that the fair value of the long-lived assets may be less than the carrying value, recognizes any impairment in the year of determination. There were no triggering events during 2023 or 2022 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, 2023 and 2022, the accrued vacation obligation was $14,123 and $10,727, 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.

On May 19, 2021 and April 13, 2020, RTKids received $203,802 and $203,798, respectively, in funds from the PPP. 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 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 applied for and received full forgiveness of both loans from the bank and the SBA. Accordingly, the amount forgiven during 2022 is reflected as a gain on loan forgiveness on the consolidated statements of activities for the year ended December 31, 2022.

[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.

(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 (the "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.

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

[9] Net assets: (continued)

(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:

From time-to-time, RTKids receives various forms of gifts-in-kind, which are contributions of nonfinancial assets, including donated professional services. These types of contributions are reported at their estimated fair value on the date of receipt and reported as expenses when utilized. Donated goods are valued based upon estimates of fair value that would be received for selling the goods in their principal marketplace considering their condition and utility for use at the time the goods are contributed by the donor. It is RTKids' policy that contributions of nonfinancial assets are only utilized within operations to support the Organization's mission and not monetized.

For recognition of donated services, such services must: (i) create of enhance non-financial assets; (ii) typically need to be acquired, if not provided by donation; (iii) require a specialized skill; and (iv) be provided by individuals possessing these skills (see Note G).

[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 consolidated 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.

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

[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] Subsequent events:

RTKids evaluated subsequent events through February 29, 2024, 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, 2023	December 31, 2022
Less than one year	**$ 257,546**	$ 276,524
One to five years	**2,500**	5,000
	260,046	281,524
Reduction of pledges due in excess of one to present value at 4.010%	**(189)**	(465)
Less: estimated uncollectible amounts	**-**	(4,900)
	$ 259,857	$ 276,159

[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 all 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.

NOTE C - INVESTMENTS

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

	December 31,			
	2023		2022	
	Fair Value	Cost	Fair Value	Cost
Money-market funds	**$ 406,663**	**$ 406,663**	$ 446,559	$ 446,559
Fixed income:				
Government bonds	**387,107**	**390,300**	302,539	324,023
Corporate bonds	**523,674**	**556,543**	580,960	615,284
Limited partnership (a)	**17,200**	**-**	23,091	-
	$ 1,334,644	**$ 1,353,506**	$ 1,353,149	$ 1,385,866

(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 (loss) income consisted of the following:

	Year Ended December 31,	
	2023	2022
Interest and dividends	**$ 46,263**	$ 23,302
Realized gains	**3,950**	1,181
Unrealized gains (losses)	**13,855**	(51,996)
Management fees	**(1,686)**	-
	$ 62,382	$ (27,513)

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.

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, 2023				
	Amounts Within Fair-Value Hierarchy				
	Level 1	Level 2	Total	Measured at NAV	Total
Money-market funds	**$ 406,663**	**$ -**	**$ 406,663**	**$ -**	**$ 406,663**
Fixed income	**-**	**910,781**	**910,781**	**-**	**910,781**
Limited partnership	**-**	**-**	**-**	**17,200**	**17,200**
	$ 406,663	**$ 910,781**	**$ 1,317,444**	**$ 17,200**	**$ 1,334,644**

	December 31, 2022				
	Amounts Within Fair-Value Hierarchy				
	Level 1	Level 2	Total	Measured at NAV	Total
Money-market funds	$ 446,559	$ -	$ 446,559	$ -	$ 446,559
Fixed income	-	883,499	883,499	-	883,499
Limited partnership	-	-	-	23,091	23,091
	$ 446,559	$ 883,499	$ 1,330,058	$ 23,091	$ 1,353,149

The following table describes the funding commitment and redemption information for RTKids' limited partnership investment at December 31, 2023:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Limited partnership	**$ 17,200**	**$ 4,252**	Quarterly/Semi-annual	30 Days

NOTE D - PROPERTY AND EQUIPMENT

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

	December 31, 2023	December 31, 2022
Building and improvements	**$ 5,621,621**	$ 5,621,621
Land	**894,913**	894,913
Furniture and fixtures	**428,981**	428,981
Equipment	**344,893**	304,844
	7,290,408	7,250,359
Less: accumulated depreciation	**(3,606,756)**	(3,379,782)
	$ 3,683,652	$ 3,870,577

NOTE E - NET ASSETS WITH DONOR RESTRICTIONS

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

	December 31, 2023	December 31, 2022
Purpose restricted:		
Scholarships	**$ -**	$ 20,100
	-	20,100
Restricted for future periods	**259,857**	254,571
	$ 259,857	$ 274,671

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

	December 31, 2023	December 31, 2022
Time restrictions satisfied	**$ 257,071**	$ 283,225
Purpose restricted:		
Theater-arts programs	**20,803**	139,248
	$ 277,874	$ 422,473

NOTE F - 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, 2023 and 2022, respectively, because of contractual or donor-imposed restrictions or internal designations:

	December 31,	
	2023	**2022**
Cash and cash equivalents	**$ 1,165,908**	$ 1,506,778
Pledges receivable, net	**259,857**	276,159
Other receivables	**2,676**	10,010
Investments (excluding those with liquidity restrictions)	**1,317,444**	1,329,941
Total financial assets available within one year	**2,745,885**	3,122,888
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Restrictions by donors with purpose restrictions	**-**	(20,100)
Restrictions by donors with time restrictions	**(259,857)**	(254,571)
Total amounts unavailable for general expenditure within one year	**(259,857)**	(274,671)
Amounts unavailable to management without Board approval:		
Board-designated	**(93,649)**	(93,345)
Total financial assets to meet cash needs for general expenditures within one year	**$ 2,392,379**	$ 2,754,872

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 G - 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 $150,000 annually for both 2023 and 2022, 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.

NOTE H - 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, 2023 and 2022 were $20,635 and $22,457, respectively.

NOTE I - 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 monitors the risk associated with concentrations on an ongoing basis and believes that RTKids does not face a significant risk of loss on these accounts that might result from failures of the financial institutions.

NOTE J - COMMITMENTS AND CONTINGENCY

[1] Leases:

During 2023, RTKids entered into a finance type lease for office equipment with a lease term of five years. The equipment was recorded at its fair value of $25,854 and is being depreciated over its useful life.

The future minimum lease payments as of December 31, 2023 are as follows:

Year Ending December 31,	Amount
2024	$ 5,808
2025	5,808
2026	5,808
2027	5,808
2028	5,323
Total minimum lease payments	28,555
Less: amount representing interest	(3,084)
Amount reported on statements of financial position	$ 25,471

The table below presents additional information related to RTKids' lease for year-end 2023:

Weighted average remaining lease term:	
Operating lease	4.8 years
Weighted average discount rate:	
Operating lease	4.67%

[2] Government-funded activities:

Government-supported activities and projects are subject to audit by the applicable governmental agencies. During 2023 and 2022, no such audit had taken place, and management believes that any subsequent audit would not result in any material obligations.