

THE PERFORMANCE ZONE, INC.

DECEMBER 31, 2018 AND 2017

TABLE OF CONTENTS

|  | <u>Page No.</u> |
|--|-----------------|
| INDEPENDENT AUDITOR'S REPORT<br>ON FINANCIAL STATEMENTS      | 1               |
| FINANCIAL STATEMENTS   |                 |
| Statements of Financial Position                             | 2               |
| Statements of Changes in Net Assets                          | 4               |
| Statements of Activities                                     | 5               |
| Statements of Cash Flows                                     | 7               |
| Notes to Financial Statements                                | 8               |
| SUPPLEMENTARY INFORMATION                                    |                 |
| INDEPENDENT AUDITOR'S REPORT<br>ON SUPPLEMENTARY INFORMATION | 18              |
| Schedules of Functional Expenses                             | 19              |

# MOSES AND SCHREIBER, LLP

## CERTIFIED PUBLIC ACCOUNTANTS

GREGORY S. ROM  
GARY E. SCHREIBER

MELVIN SCHREIBER  
DAVID L. MOSES

ONE HUNTINGTON QUADRANGLE  
SUITE - 4S05  
MELVILLE, NEW YORK 11747

To the Board of Directors of  
The Performance Zone, Inc.  
New York, New York

### INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of The Performance Zone, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018 and 2017, and the related statements of activities, changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

#### **Management's Responsibility for the Financial Statements**

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

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Performance Zone, Inc. as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Melville, New York  
June 5, 2019

THE PERFORMANCE ZONE, INC.

STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31,

| ASSETS                         | <u>2018</u>       | <u>2017</u>       |
|--------------------------------|-------------------|-------------------|
| CURRENT ASSETS                 |                   |                   |
| Cash and cash equivalents      | \$ 538,737        | \$ 513,491        |
| Grants receivable              | 13,082            | 13,150            |
| Prepaid expenses               | <u>6,165</u>      | <u>5,652</u>      |
| TOTAL CURRENT ASSETS           | 557,984           | 532,293           |
| FIXED ASSETS                   |                   |                   |
| Computer equipment             | 22,248            | 22,248            |
| Machinery and equipment        | 29,357            | 29,357            |
| Furniture and fixtures         | 3,359             | 3,359             |
| Leasehold improvements         | <u>18,676</u>     | <u>18,676</u>     |
|                                | 73,640            | 73,640            |
| Less: Accumulated depreciation | <u>73,640</u>     | <u>73,640</u>     |
| TOTAL FIXED ASSETS             | -                 | -                 |
| OTHER ASSETS                   |                   |                   |
| Security deposit               | <u>16,262</u>     | <u>16,262</u>     |
| TOTAL OTHER ASSETS             | <u>16,262</u>     | <u>16,262</u>     |
| TOTAL ASSETS                   | <u>\$ 574,246</u> | <u>\$ 548,555</u> |

The accompanying notes are an integral part of these financial statements.

THE PERFORMANCE ZONE, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31,

| LIABILITIES AND NET ASSETS       | <u>2018</u>       | <u>2017</u>       |
|----------------------------------|-------------------|-------------------|
| LIABILITIES                      |                   |                   |
| Accounts payable                 | \$ 188,087        | \$ 126,830        |
| Accrued expenses                 | <u>7,498</u>      | <u>8,835</u>      |
| TOTAL LIABILITIES                | 195,585           | 135,665           |
| NET ASSETS                       |                   |                   |
| Without donor restrictions       | 278,456           | 357,640           |
| With donor restrictions          | <u>100,205</u>    | <u>55,250</u>     |
| TOTAL NET ASSETS                 | <u>378,661</u>    | <u>412,890</u>    |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 574,246</u> | <u>\$ 548,555</u> |

The accompanying notes are an integral part of these financial statements.

THE PERFORMANCE ZONE, INC.

STATEMENTS OF CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31,

|                               | <u>2018</u>       | <u>2017</u>       |
|-------------------------------|-------------------|-------------------|
| NET ASSETS, BEGINNING OF YEAR | \$ 412,890        | \$ 563,303        |
| CHANGES IN NET ASSETS         | <u>(34,229)</u>   | <u>(150,413)</u>  |
| NET ASSETS, END OF YEAR       | <u>\$ 378,661</u> | <u>\$ 412,890</u> |

The accompanying notes are an integral part of these financial statements.

THE PERFORMANCE ZONE, INC.

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2018

|   | <u>Without Donor<br/>Restrictions</u> | <u>With Donor<br/>Restrictions</u> | <u>Total</u>          |
|---|---------------------------------------|------------------------------------|-----------------------|
| REVENUE, SUPPORT<br>AND RECLASSIFICATIONS           |                                       |                                    |                       |
| Fees  | \$ 6,076                              | \$ -                               | \$ 6,076              |
| Corporate support                                   | 30,283                                | -                                  | 30,283                |
| Foundation support                                  | -                                     | 132,500                            | 132,500               |
| Government support                                  | -                                     | 125,410                            | 125,410               |
| Individual support                                  | 93,295                                | -                                  | 93,295                |
| Board contributions                                 | 15,200                                | -                                  | 15,200                |
| Sponsorship dues                                    | 48,034                                | -                                  | 48,034                |
| Sponsorship fees                                    | 111,947                               | -                                  | 111,947               |
| Sponsored artist income                             | -                                     | 1,968,982                          | 1,968,982             |
| Interest income                                     | 997                                   | -                                  | 997                   |
| Net assets released from restriction                | <u>2,181,937</u>                      | <u>(2,181,937)</u>                 | <u>-</u>              |
| <br>TOTAL REVENUE, SUPPORT AND<br>RECLASSIFICATIONS | <br>2,487,769                         | <br>44,955                         | <br>2,532,724         |
| <br>EXPENSES  |                                       |                                    |                       |
| PROGRAM SERVICES                                    |                                       |                                    |                       |
| Art based programs                                  | 111,690                               | -                                  | 111,690               |
| Career based programs                               | 2,295,123                             | -                                  | 2,295,123             |
| SUPPORTING SERVICES                                 |                                       |                                    |                       |
| Management and general                              | 115,697                               | -                                  | 115,697               |
| Fundraising   | <u>44,443</u>                         | <u>-</u>                           | <u>44,443</u>         |
| <br>TOTAL EXPENSES                                  | <br><u>2,566,953</u>                  | <br><u>-</u>                       | <br><u>2,566,953</u>  |
| <br>CHANGES IN NET ASSETS                           | <br>(79,184)                          | <br>44,955                         | <br>(34,229)          |
| <br>NET ASSETS, BEGINNING OF YEAR                   | <br><u>357,640</u>                    | <br><u>55,250</u>                  | <br><u>412,890</u>    |
| <br>NET ASSETS, END OF YEAR                         | <br><u>\$ 278,456</u>                 | <br><u>\$ 100,205</u>              | <br><u>\$ 378,661</u> |

The accompanying notes are an integral part of these financial statements.

THE PERFORMANCE ZONE, INC.

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2017

|   | <u>Without Donor<br/>Restrictions</u> | <u>With Donor<br/>Restrictions</u> | <u>Total</u>          |
|---|---------------------------------------|------------------------------------|-----------------------|
| REVENUE, SUPPORT<br>AND RECLASSIFICATIONS           |                                       |                                    |                       |
| Fees  | \$ 7,271                              | \$ -                               | \$ 7,271              |
| Corporate support                                   | 30,180                                | -                                  | 30,180                |
| Foundation support                                  | -                                     | 37,500                             | 37,500                |
| Government support                                  | -                                     | 114,600                            | 114,600               |
| Individual support                                  | 84,037                                | -                                  | 84,037                |
| Board contributions                                 | 32,704                                | -                                  | 32,704                |
| Sponsorship dues                                    | 52,409                                | -                                  | 52,409                |
| Sponsorship fees                                    | 124,417                               | -                                  | 124,417               |
| Sponsored artist income                             | -                                     | 2,163,428                          | 2,163,428             |
| Interest income                                     | 74                                    | -                                  | 74                    |
| Other income  | 11,858                                | -                                  | 11,858                |
| Net assets released from restriction                | <u>2,474,778</u>                      | <u>(2,474,778)</u>                 | <u>-</u>              |
| <br>TOTAL REVENUE, SUPPORT AND<br>RECLASSIFICATIONS | <br>2,817,728                         | <br>(159,250)                      | <br>2,658,478         |
| <br>EXPENSES  |                                       |                                    |                       |
| PROGRAM SERVICES                                    |                                       |                                    |                       |
| Art based programs                                  | 111,076                               | -                                  | 111,076               |
| Career based programs                               | 2,533,862                             | -                                  | 2,533,862             |
| SUPPORTING SERVICES                                 |                                       |                                    |                       |
| Management and general                              | 117,782                               | -                                  | 117,782               |
| Fundraising   | <u>46,171</u>                         | <u>-</u>                           | <u>46,171</u>         |
| <br>TOTAL EXPENSES                                  | <br><u>2,808,891</u>                  | <br><u>-</u>                       | <br><u>2,808,891</u>  |
| <br>CHANGES IN NET ASSETS                           | <br>8,837                             | <br>(159,250)                      | <br>(150,413)         |
| <br>NET ASSETS, BEGINNING OF YEAR                   | <br><u>348,803</u>                    | <br><u>214,500</u>                 | <br><u>563,303</u>    |
| <br>NET ASSETS, END OF YEAR                         | <br><u>\$ 357,640</u>                 | <br><u>\$ 55,250</u>               | <br><u>\$ 412,890</u> |

The accompanying notes are an integral part of these financial statements.

THE PERFORMANCE ZONE, INC.

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value (continued)

The Valuation Hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. A financial instrument's categorization within the Valuation Hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels of the Valuation Hierarchy and the distribution of The Performance Zone, Inc.'s financial assets within it are as follows:

- Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurements.

Certain financial instruments are carried at cost on the balance sheet, which approximates fair value due to their short-term, highly liquid nature. These instruments include cash and cash equivalents, accounts receivable, accrued expenses and other liabilities, and deferred revenue.

2. FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management. All categories of expenses have been allocated on the foundation of time and effort, with the exception of sponsored artist expenses and registration fees, which have been allocated directly to career-based program expenses.



THE PERFORMANCE ZONE, INC.

NOTES TO FINANCIAL STATEMENTS

3. DESCRIPTION OF PROGRAM SERVICE

During the year, the following program services are included in the accompanying financial statements.

Art Based Programs help artists create more effective, communicative art from the page to the stage. The Performance Zone, Inc. does this through creative residency opportunities, rehearsal space, peer artistic feedback sessions and free out of town creative retreats. The Performance Zone, Inc. also runs workshops and performance opportunities for local artists.

Career Based Programs improve the artists' organizational know how and technological savvy. Workshops provide training, consultation services and fiscal sponsorship which assist artists in gathering the resources necessary to develop their artwork and careers as well as provide structure for artists.

4. GRANTS RECEIVABLE

Unconditional promises to give are to be received by The Performance Zone, Inc. in years subsequent to December 31, 2018 and 2017, and are deemed fully collectible by management. Unconditional promises to give due in more than one year are reflected at the present value of estimated future cash flows using a discount rate (AFR) of 1.72%. Unconditional promises are expected to be collected as follows as of December 31:

|                     | <u>2018</u>      | <u>2017</u>      |
|---------------------|------------------|------------------|
| In one year or less | <u>\$ 13,082</u> | <u>\$ 13,150</u> |

5. PREPAID EXPENSES

Prepaid expenses consist of the following as of December 31:

|           | <u>2018</u>     | <u>2017</u>     |
|-----------|-----------------|-----------------|
| Insurance | \$ 6,165        | \$ 3,292        |
| Other     | -               | 2,360           |
|           | <u>\$ 6,165</u> | <u>\$ 5,652</u> |

THE PERFORMANCE ZONE, INC.

NOTES TO FINANCIAL STATEMENTS

6. SECURITY DEPOSITS

Security deposits consist of the following as of December 31:

|           | <u>2018</u>     | <u>2017</u>     |
|-----------|-----------------|-----------------|
| Insurance | \$ 6,165        | \$ 3,292        |
| Other     | -               | 2,360           |
|           | <u>\$ 6,165</u> | <u>\$ 5,652</u> |

7. ACCRUED EXPENSES

Accrued expenses consist of the following as of December 31:

|               | <u>2018</u>     | <u>2017</u>     |
|---------------|-----------------|-----------------|
| Salaries      | \$ 5,589        | \$ 6,446        |
| Payroll taxes | 1,909           | 2,389           |
|               | <u>\$ 7,498</u> | <u>\$ 8,835</u> |

8. NET ASSETS WITH DONOR RESTRICTIONS

“With donor restrictions” net assets represent amounts that have been donated and stipulated to support specific years. The balance in “with donor restrictions” net assets as of December 31, 2018 and 2017 is \$100,205 and \$55,250, respectively.

|                  | <u>2018</u>       | <u>2017</u>      |
|------------------|-------------------|------------------|
| For future years | <u>\$ 100,205</u> | <u>\$ 55,250</u> |

THE PERFORMANCE ZONE, INC.

NOTES TO FINANCIAL STATEMENTS

9. LEASE COMMITMENTS

The organization entered into a lease dated December 6, 2012 on office space for a term of ten years and three months commencing February 1, 2013 and ending May 31, 2023. The lease calls for a base charge of \$4,368 per month, increasing by approximately 3% each year thereafter.

The office rent expense amounted to \$72,576 and \$73,124 for the years 2018 and 2017, respectively.

Future minimum lease payments are as follows:

| <u>Years ending December 31,</u> | <u>Amount</u>     |
|----------------------------------|-------------------|
| 2019                             | \$ 62,593         |
| 2020                             | 64,471            |
| 2021                             | 66,405            |
| 2022                             | 68,398            |
| 2023                             | <u>17,612</u>     |
|                                  | <u>\$ 279,479</u> |

The company leased a copier with Konica Minolta Business Solutions USA, Inc. in February 2013 for a period of 60 months. The lease called for a base charge of \$407 per month. Beginning March 1, 2018, the lease renewed for an additional 60 months at a base charge of \$347 per month.

Future minimum lease payments are \$4,164 for the year ending December 31, 2019.

10. IN-KIND DONATIONS

The Performance Zone, Inc. records in-kind support, including materials and supplies. Contributed in-kind support is recognized in accordance with FASB Accounting Standards Codification 958-605-25. This pronouncement requires recognition of professional services received if those services (a) create or enhance long lived assets or (b) require specialized skills; are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed services received during the year are recognized as contribution revenue and program expenses in net assets without donor restrictions. Contributions of tangible assets are recognized at fair market value when received. There were no in-kind contributions for 2018 and 2017.

THE PERFORMANCE ZONE, INC.

NOTES TO FINANCIAL STATEMENTS

11. SUBSEQUENT EVENTS

In accordance with ASC 855, the Company evaluated subsequent events through June 5, 2019, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

SUPPLEMENTARY  
INFORMATION

# MOSES AND SCHREIBER, LLP

---

CERTIFIED PUBLIC ACCOUNTANTS

GREGORY S. ROM  
GARY E. SCHREIBER

MELVIN SCHREIBER  
DAVID L. MOSES

ONE HUNTINGTON QUADRANGLE  
SUITE - 4505  
MELVILLE, NEW YORK 11747

Board of Directors  
The Performance Zone, Inc.  
New York, New York

## INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

We have audited the financial statements of The Performance Zone, Inc. as of and for the years ended December 31, 2018 and 2017, and have issued our report thereon dated June 5, 2019, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole.

The schedule of functional expenses on pages 19 and 20 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Melville, New York  
June 5, 2019

THE PERFORMANCE ZONE, INC.

SCHEDULE OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2018

|                                  | PROGRAM SERVICES  |                      |                   | SUPPORT SERVICES |    |    | Total               |
|----------------------------------|-------------------|----------------------|-------------------|------------------|----|----|---------------------|
|                                  | Art Based Program | Career Based Program | Mgmt. & General   | Fundraising      |    |    |                     |
| Salaries                         | \$ 40,868         | \$ 163,475           | \$ 58,384         | \$ 29,192        | \$ | \$ | \$ 291,919          |
| Payroll taxes                    | 3,131             | 12,527               | 4,474             | 2,237            |    |    | 22,369              |
| Health insurance                 | 4,815             | 19,258               | 6,878             | 3,439            |    |    | 34,390              |
| Insurance                        | 1,551             | 6,205                | 2,216             | 1,108            |    |    | 11,080              |
| Operations                       | 11,854            | 47,417               | 16,935            | 8,467            |    |    | 84,673              |
| Space rental and utilities       | 25,402            | 38,465               | 8,709             | -                |    |    | 72,576              |
| Advertising and promotion        | 1,762             | 2,671                | 606               | -                |    |    | 5,039               |
| Office expense                   | 13,377            | 20,257               | 4,587             | -                |    |    | 38,221              |
| Website development              | 6,261             | 9,481                | 2,147             | -                |    |    | 17,889              |
| Repairs and maintenance          | 163               | 248                  | 56                | -                |    |    | 467                 |
| Dues and subscriptions           | 326               | 493                  | 111               | -                |    |    | 930                 |
| Telephone                        | 1,483             | 2,245                | 508               | -                |    |    | 4,236               |
| Conferences                      | 697               | 1,056                | 239               | -                |    |    | 1,992               |
| Professional fees                | -                 | -                    | 7,740             | -                |    |    | 7,740               |
| Sponsored artist expenses        | -                 | 1,969,200            | -                 | -                |    |    | 1,969,200           |
| Registration fees                | -                 | 2,125                | -                 | -                |    |    | 2,125               |
| Other items                      | -                 | -                    | 2,107             | -                |    |    | 2,107               |
| <b>TOTAL FUNCTIONAL EXPENSES</b> | <b>\$ 111,690</b> | <b>\$ 2,295,123</b>  | <b>\$ 115,697</b> | <b>\$ 44,443</b> |    |    | <b>\$ 2,566,953</b> |

See independent auditor's report on supplementary information.

THE PERFORMANCE ZONE, INC.

SCHEDULE OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2017

|                                  | <u>PROGRAM SERVICES</u> |                      | <u>SUPPORT SERVICES</u> |                  | Total               |
|----------------------------------|-------------------------|----------------------|-------------------------|------------------|---------------------|
|                                  | Art Based Program       | Career Based Program | Mgmt. & General         | Fundraising      |                     |
| Salaries                         | \$ 46,564               | \$ 186,256           | \$ 66,520               | \$ 33,260        | \$ 332,600          |
| Payroll taxes                    | 4,122                   | 16,490               | 5,889                   | 2,945            | 29,446              |
| Health insurance                 | 3,656                   | 14,626               | 5,223                   | 2,612            | 26,117              |
| Insurance                        | 2,593                   | 10,368               | 3,702                   | 1,851            | 18,514              |
| Operations                       | 7,704                   | 30,817               | 11,007                  | 5,503            | 55,031              |
| Space rental and utilities       | 25,593                  | 38,756               | 8,775                   | -                | 73,124              |
| Advertising and promotion        | 205                     | 311                  | 71                      | -                | 587                 |
| Office expense                   | 11,296                  | 17,105               | 3,873                   | -                | 32,274              |
| Website development              | 3,777                   | 5,719                | 1,294                   | -                | 10,790              |
| Repairs and maintenance          | 29                      | 43                   | 10                      | -                | 82                  |
| Dues and subscriptions           | 408                     | 617                  | 140                     | -                | 1,165               |
| Telephone                        | 2,083                   | 3,154                | 714                     | -                | 5,951               |
| Conferences                      | 2,818                   | 4,267                | 965                     | -                | 8,050               |
| Professional fees                | -                       | -                    | 8,460                   | -                | 8,460               |
| Sponsored artist expenses        | -                       | 2,192,815            | -                       | -                | 2,192,815           |
| Registration fees                | -                       | 12,173               | -                       | -                | 12,173              |
| Depreciation expense             | 228                     | 345                  | 77                      | -                | 650                 |
| Other items                      | -                       | -                    | 1,062                   | -                | 1,062               |
| <b>TOTAL FUNCTIONAL EXPENSES</b> | <b>\$ 111,076</b>       | <b>\$ 2,533,862</b>  | <b>\$ 117,782</b>       | <b>\$ 46,171</b> | <b>\$ 2,808,891</b> |

See independent auditor's report on supplementary information.



THE PERFORMANCE ZONE, INC.

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED

|   | <u>2018</u>       | <u>2017</u>       |
|---|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES  |                   |                   |
| Changes in net assets   | \$ (34,229)       | \$ (150,413)      |
| Adjustments to reconcile change in net assets<br>to net cash provided by operating activities |                   |                   |
| Depreciation  | -                 | 650               |
| (Increase) decrease in:   |                   |                   |
| Grants receivable   | 68                | 47,750            |
| Prepaid expenses  | (513)             | 2,985             |
| Increase (decrease) in:   |                   |                   |
| Accounts payable  | 61,257            | 103,429           |
| Accrued expenses  | (1,337)           | (600)             |
|   | <u>25,246</u>     | <u>3,801</u>      |
| NET CASH PROVIDED BY OPERATING ACTIVITIES   |                   |                   |
|   | <u>25,246</u>     | <u>3,801</u>      |
| NET INCREASE IN CASH AND CASH EQUIVALENTS   |                   |                   |
|   | <u>513,491</u>    | <u>509,690</u>    |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR  |                   |                   |
|   | <u>\$ 538,737</u> | <u>\$ 513,491</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR  |                   |                   |

The accompanying notes are an integral part of these financial statements.

## THE PERFORMANCE ZONE, INC.

### NOTES TO FINANCIAL STATEMENTS

#### 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Nature of Organization

The Performance Zone, Inc. is a not-for-profit organization located in New York, New York, which was established in March 1986 by a small group of performing artists, for the specific and primary purpose of encouraging and cultivating appreciation of the performing arts. The Performance Zone, Inc. is committed to strategically and comprehensively serving the myriad artistic and administrative needs of independent performing artists and companies who work in the fields of dance, theatre, music, text and performance art. The Performance Zone, Inc. is also committed to providing a hands on and supportive environment that helps each singular artist or company thrive. The organization was born by artists and remains staffed by and centered on artists. This focus and their core values of affordability, accessibility, and rigorous delivery, guide all of their short and long term interactions.

##### Method of Accounting

The financial statements of The Performance Zone, Inc. have been prepared utilizing the accrual basis of accounting. The Company recognizes revenue only when all the following criteria have been met:

- Persuasive evidence of an arrangement exists
- Delivery has occurred or services have been rendered;
- The fee for the arrangement is fixed or determinable; and
- Collectability is reasonably assured.

##### Financial Statement Presentation

In August 2016, the FASB issued Accounting Standards Update (“ASU”) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which is intended to improve how a not-for-profit entity classifies its net assets, as well as the information it presents in its financial statements about its liquidity and availability of resources, expenses and investment returns, and cash flows. The update replaces the three classes of net assets previously presented on the statement of financial position with two new classes of net assets, which are based upon the presence or absence of donor-imposed restrictions. ASU 2016-14 includes specific disclosure requirements intended to improve a financial statement user’s ability to assess an entity’s available financial resources, along with its management of liquidity and liquidity risk. Performance Zone, Inc. has selected to adopt FASB ASU 2016-14, and has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

THE PERFORMANCE ZONE, INC.

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets

Net assets and revenue are classified based on the existence or absence of donor-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 restrictions.

*Net Assets With Donor Restrictions* – Net assets subject to donor-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, where the donor stipulates that such resources be maintained in perpetuity. Generally, the donors of these assets permit Performance Zone, Inc. to use all or part of the income earned on related investments for general or specific purposes. Performance Zone, Inc. does not have any restrictions on resources for perpetuity.

Contributions

Contributions that are restricted by the donor as to their specified purpose or time period for use are recognized and reported as increases to net assets “with donor restrictions” in the statement of activities in the fiscal year in which the donor makes the promise to give to Performance Zone, Inc. Unrestricted contributions are recognized and reported as increases to net assets “without donor restrictions” in the statement of activities in the fiscal year in which the donor makes the unconditional promise to give to Performance Zone, Inc. When a donor restriction is met through the passage of time or fulfillment of a purpose restriction, “with donor restrictions” net assets are reclassified to “without donor restrictions” net assets and are reported in the statement of activities as net assets released from restrictions. Donor restricted contributions that are received and expended in the same period are reported as “without donor restrictions” contributions. All contributions are considered to be available “without donor restrictions” unless specifically restricted by the donor.

THE PERFORMANCE ZONE, INC.

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

The company considers deposits that can be redeemed on demand and investments that have original maturities of less than three months, when purchased, to be cash equivalents. As of December 31, 2018 and 2017, the Company's cash and cash equivalents were deposited at Chase and First Republic Bank.

Use of Estimates

The Performance Zone, Inc. prepares its financial statements in conformity with accounting principles generally accepted in the United States of America, which requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of public support, revenues, and expenses during the reporting period. Actual results could differ from those estimates.

Income Tax Status

The Performance Zone, Inc. is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, The Performance Zone, Inc. qualifies for the charitable contribution deduction under Section 170(b)(1)(a). The organization has been classified as an organization that is not a private foundation within the meaning of Section 509(a) of the Internal Revenue Code because it can reasonably expect to be a publicly supported organization described in section 509(a)(2). The Performance Zone, Inc. has been registered nationally since 2010, to solicit donations in any state.

Equipment

The Performance Zone, Inc. capitalizes all expenditures and furniture in excess of \$500 and an estimated useful life greater than one year. Equipment is recorded at cost or estimated fair market value for donated items. Such donations are reported as unrestricted support unless the donor has restricted the asset to a specific purpose. Expenditures for major additions and improvements are capitalized and minor replacements, maintenance, and repairs are charged to expense as incurred. When property and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the results of operations for the respective period. Depreciation is provided over the estimated useful lives of the related assets using the straight-line method.

THE PERFORMANCE ZONE, INC.

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Equipment (continued)

The estimated useful lives for significant property and equipment categories are as follows:

|                                |              |
|--------------------------------|--------------|
| Computer equipment             | 5 years      |
| Machinery and office equipment | 5 – 10 years |
| Furniture and fixtures         | 5 – 10 years |
| Leasehold improvements         | 5 – 39 years |

Depreciation expense for the year ended December 31, 2017 was \$650. All fixed assets were fully depreciated at the end of 2017.

Concentration of Risk

Cash and cash equivalents include all cash balances and highly liquid investments with an initial maturity of three months or less. The Company places its temporary cash investments with high credit quality financial institutions. At times such investments may be in excess of Federal Deposit Insurance Corporation (FDIC) insurance limit. Financial instruments that potentially subject the company to concentrations of credit risk consist principally of cash deposits. At December 31, 2017 the Company had deposits in excess of the (FDIC) limit of \$207,703.

Fair Value

Effective January 1, 2008, The Performance Zone, Inc. adopted Statement of Financial Accounting Standards (“SFAS”) ASC 820 “Fair Value Measurements and Disclosures,” for assets and liabilities measured at fair value on a recurring basis. ASC 820 accomplishes the following key objectives:

Defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; establishes a three-level hierarchy (the “Valuation Hierarchy”) for fair value measurements; requires consideration of the Company’s creditworthiness when valuing liabilities; and expands disclosure about instruments measured at fair value.