

ROULETTE INTERMEDIUM, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2018

WITH SUMMARIZED COMPARATIVE INFORMATION

FOR THE YEAR ENDED JUNE 30, 2017

ROULETTE INTERMEDIUM, INC.
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RICH AND BANDER, LLP
CERTIFIED PUBLIC ACCOUNTANTS

PETER R. RICH, CPA

JONATHAN A. BANDER, CPA

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Roulette Intermedium, Inc.
Brooklyn, NY

We have audited the accompanying financial statements of Roulette Intermedium, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year 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.

Auditors' 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 of 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 Roulette Intermedium, Inc. as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Roulette Intermedium, Inc.'s 2017 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated February 5, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Rich and Bander, LLP

New York, NY
February 14, 2019

ROULETTE INTERMEDIUM, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2018

(With summarized comparative information for the year ended June 30, 2017)

| ASSETS | 2018 | 2017 |
|--|---------------------|---------------------|
| Current assets | | |
| Cash and cash equivalents | \$ 78,787 | \$ 34,630 |
| Promises to give - current | 156,400 | 188,480 |
| Accounts receivable | 2,100 | 2,233 |
| Prepaid expenses | 32,978 | 26,451 |
| Total current assets | 270,265 | 251,794 |
| Property and equipment, net of accumulated depreciation | 1,286,601 | 1,438,102 |
| Other assets | | |
| Promises to give, noncurrent | 70,000 | - |
| Security deposits - noncurrent | 23,200 | 23,200 |
| Total other assets | 93,200 | 23,200 |
| TOTAL ASSETS | \$ 1,650,066 | \$ 1,713,096 |
| LIABILITIES AND NET ASSETS | | |
| Current liabilities | | |
| Accounts payable and accrued expenses | \$ 61,387 | \$ 51,707 |
| Loan payable | 110,000 | 45,000 |
| Deferred revenue | 58,987 | 56,365 |
| Total current liabilities | 230,374 | 153,072 |
| Long-term liabilities | | |
| Line of credit | 310,000 | 380,000 |
| Deferred rent | 288,805 | 283,670 |
| Total long-term liabilities | 598,805 | 663,670 |
| Total liabilities | 829,179 | 816,742 |
| Net assets | | |
| Unrestricted | 590,262 | 718,284 |
| Temporarily restricted | 230,625 | 178,070 |
| Total net assets | 820,887 | 896,354 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 1,650,066 | \$ 1,713,096 |

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

ROULETTE INTERMEDIUM, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018
(With summarized comparative information for the year ended June 30, 2017)

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>2018 Total</u> | <u>2017 Total</u> |
|--|---------------------|-----------------------------------|-----------------------|-----------------------|
| Revenue and support | | | | |
| Grants and contributions | | | | |
| Foundations | \$ 399,830 | \$ 195,000 | \$ 594,830 | \$ 437,075 |
| Government | 160,200 | 7,000 | 167,200 | 172,880 |
| Board members | 148,200 | - | 148,200 | 106,150 |
| Individuals | 28,561 | - | 28,561 | 92,426 |
| Corporations | 532 | - | 532 | 17,757 |
| Total grants and contributions | 737,323 | 202,000 | 939,323 | 826,288 |
| Program service revenue | | | | |
| Rentals, studio and production fees | 593,842 | - | 593,842 | 487,259 |
| Concert income | 164,162 | - | 164,162 | 182,218 |
| Concessions, CD, t-shirt, and guide sales | 41,403 | - | 41,403 | 47,745 |
| Memberships | 16,926 | - | 16,926 | 18,290 |
| Advertising | 8,000 | - | 8,000 | 6,200 |
| Total program service revenue | 824,333 | - | 824,333 | 741,712 |
| Other income | | | | |
| Fiscal administration fees | 2,450 | - | 2,450 | 2,100 |
| Interest and dividend income | 125 | - | 125 | 29 |
| Total other income | 2,575 | - | 2,575 | 2,129 |
| Net assets released from restrictions | 149,445 | (149,445) | - | - |
| | 1,713,676 | 52,555 | 1,766,231 | 1,570,129 |
| Expenses | | | | |
| Program services | 1,542,589 | - | 1,542,589 | 1,545,758 |
| Supporting services | | | | |
| Management and general | 142,509 | - | 142,509 | 240,041 |
| Fundraising | 156,600 | - | 156,600 | 75,535 |
| | 1,841,698 | - | 1,841,698 | 1,861,334 |
| Change in net assets | (128,022) | 52,555 | (75,467) | (291,205) |
| Net assets - beginning of year | 718,284 | 178,070 | 896,354 | 1,187,559 |
| Net assets - end of year | \$ 590,262 | \$ 230,625 | \$ 820,887 | \$ 896,354 |

ROULETTE INTERMEDIUM, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018
(With summarized comparative information for the year ended June 30, 2017)

| | <u>Program Services</u> | <u>Management & General</u> | <u>Fundraising</u> | <u>2018 Total</u> | <u>2017 Total</u> |
|--------------------------------|-----------------------------|-------------------------------------|--------------------|-----------------------|-----------------------|
| Wages and salaries | \$ 521,537 | \$ 69,952 | \$ 77,777 | \$ 669,266 | \$ 611,207 |
| Performance and other fees | 342,745 | 3,746 | - | 346,491 | 375,205 |
| Depreciation | 192,153 | - | - | 192,153 | 257,597 |
| Rent expense | 171,585 | 3,538 | 1,769 | 176,892 | 173,593 |
| Repairs and maintenance | 72,292 | 1,491 | 745 | 74,528 | 52,404 |
| Employee benefits | 47,951 | 6,431 | 7,151 | 61,533 | 85,960 |
| Payroll taxes | 46,882 | 6,288 | 6,992 | 60,162 | 57,648 |
| Development | - | - | 59,430 | 59,430 | 41,700 |
| Production | 45,710 | - | - | 45,710 | 41,604 |
| Insurance | 33,203 | 685 | 342 | 34,230 | 30,911 |
| Merchant processing fees | 19,590 | - | - | 19,590 | 26,137 |
| Printing and reproduction | 18,073 | 629 | - | 18,702 | 21,060 |
| Professional fees | - | 16,850 | - | 16,850 | 15,140 |
| Telephone and communications | - | 15,155 | - | 15,155 | 13,755 |
| Marketing and promotion | 10,593 | - | - | 10,593 | 14,442 |
| Office supplies | - | 9,713 | - | 9,713 | 10,147 |
| Utilities | 8,432 | 174 | 87 | 8,693 | 10,300 |
| Equipment rental and purchases | 5,281 | - | - | 5,281 | 5,580 |
| Travel and entertainment | 5,253 | - | - | 5,253 | 8,283 |
| Payroll processing fees | - | 4,273 | - | 4,273 | 3,132 |
| Interest and bank charges | - | 2,492 | - | 2,492 | 2,040 |
| Fundraising expense | - | - | 2,230 | 2,230 | 227 |
| Postage | 1,309 | 154 | 77 | 1,540 | 1,247 |
| Dues and subscriptions | - | 353 | - | 353 | 1,040 |
| Miscellaneous | - | 585 | - | 585 | 975 |
| | <u>\$ 1,542,589</u> | <u>\$ 142,509</u> | <u>\$ 156,600</u> | <u>\$ 1,841,698</u> | <u>\$ 1,861,334</u> |

ROULETTE INTERMEDIUM, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018
(With summarized comparative information for the year ended June 30, 2017)

| | <u>2018</u> | <u>2017</u> |
|---|------------------|------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ (75,467) | \$ (291,205) |
| <i>Adjustments to reconcile change in net assets to net cash used in operating activities:</i> | | |
| Depreciation | 192,153 | 257,597 |
| Repayment of loans payable to Fund for the City of New York by New York City Department of Cultural Affairs on behalf of Organization | (77,400) | (72,000) |
| Forgiveness of line of credit and loans payable included in contributions | (115,000) | - |
| (Increase) decrease in operating assets: | | |
| Promises to give | (37,920) | 2,270 |
| Accounts receivable | 133 | 3,277 |
| Prepaid expenses | (6,527) | 5,743 |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable and accrued expenses | 9,680 | 18,678 |
| Deferred revenue | 2,622 | (51,822) |
| Deferred rent | 5,135 | 9,031 |
| Total adjustments | (27,124) | 172,774 |
| Net cash used in operating activities | <u>(102,591)</u> | <u>(118,431)</u> |
| Cash flows from investing activities: | | |
| Purchase of property and equipment | (40,652) | (46,399) |
| Net cash used in investing activities | <u>(40,652)</u> | <u>(46,399)</u> |
| Cash flows from financing activities: | | |
| Proceeds from loans payable - Fund for the City of New York | 77,400 | 72,000 |
| Proceeds from board member loans | 110,000 | 45,000 |
| Proceeds from director loan | 9,000 | - |
| Repayments of director loan | (9,000) | - |
| Proceeds from line of credit | - | 70,000 |
| Net cash provided by financing activities | <u>187,400</u> | <u>187,000</u> |
| Net increase in cash and cash equivalents | 44,157 | 22,170 |
| Cash and cash equivalents, beginning of year | 34,630 | 12,460 |
| Cash and cash equivalents, end of year | <u>\$ 78,787</u> | <u>\$ 34,630</u> |
| Supplemental disclosures of cash flow information: | | |
| Cash paid during the year for: | | |
| Interest | \$ 2,338 | \$ 1,941 |
| Income taxes | \$ - | \$ - |
| Noncash investing and financing activities: | | |
| Repayment of loans payable to Fund for the City of New York by New York City Department of Cultural Affairs on behalf of Organization | \$ 77,400 | \$ 72,000 |
| Conversion of line of credit and loans payable to contribution | \$ 115,000 | \$ - |

ROULETTE INTERMEDIUM, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

1) NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization

Roulette Intermedium, Inc. (the “Organization”) was incorporated on June 27, 1984 under the laws of the State of New York. The Organization’s ongoing purpose has been to provide opportunities for innovative composers, musicians and interdisciplinary collaborators to present their work in accessible, appropriate, and professional concert presentations in New York City. The Organization is committed to presenting work by young and emerging artists as well as established innovators. The Organization’s programs are as follows:

Concert Series of Experimental and Adventurous Music – The Organization presents concerts for artists from an extremely broad range of disciplines and backgrounds. The Organization supports artists long before they are recognized by mainstream funding and commissioning programs, and provides audiences with a consistent survey of contemporary work in a wide variety of modalities.

Commissioning Program – Awards Jerome commissions to emerging composers each year.

Facilities Rentals – offers rental of the new Art Deco theatre to other not-for-profit organizations, arts organizations, community groups, and educational programs in line with the Organization’s mission. The Organization also offers rental options for weddings, benefits, conferences and other commercial events.

Roulette TV – the Organization creates high quality music television programs focusing on one composer’s work for each program and is broadcast weekly. Programs are also sold to museums and schools.

Website Broadcasts – Recordings of the Organization’s concerts which are accessed by listeners all over the world.

The Organization’s programs are supported primarily by fees and services for performances and to performers, and by government, board member, foundation, individual, and corporate contributions.

Financial Statement Presentation

The Organization presents its financial statements under the guidelines of Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 958, *Not-for-Profit Entities*. Under FASB ASC 958, the Organization is required to report 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. In addition, the Organization is required to present a statement of cash flows.

ROULETTE INTERMEDIUM, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2018

1) NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of Accounting

Revenues and expenses are recorded on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

The Organization considers all highly liquid investments, except those held for long-term investment, with maturities of three months or less when purchased to be cash equivalents.

Accounts Receivable

Program revenue earned but not yet received that is expected to be collected within one year is recorded as accounts receivable at net realizable value. The Organization uses the allowance method to determine uncollectible accounts receivable. The allowance is based on prior years' experience and management's analysis of specific accounts receivable.

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded as promises to give at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The Organization uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Property and Equipment

Property and equipment are recorded at cost or, if donated, the fair market value at the date of donation. The Organization's policy is to capitalize expenditures for these items in excess of \$1,000. Lesser amounts are expensed. Depreciation for property and equipment is provided using the straight-line method for financial reporting purposes at rates based on the following estimated useful lives:

| | <u>Years</u> |
|-----------------------|--------------|
| Building improvements | Lease term |
| Performance equipment | 5 |
| Piano | 25 |
| Office equipment | 5 |

Upon sale or retirement, the cost and related accumulated depreciation are eliminated from the respective accounts, and the resulting gain or loss is reported. Expenditures for major renewals and improvements that extend the useful lives of the property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

ROULETTE INTERMEDIUM, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2018

1) NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Property and Equipment (cont'd)

Donations of property and equipment are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Agency Transactions

As a fiscal agent, the Organization agrees to pass assets (cash) received from donors to an entity or individual specified by those donors. The Organization has little or no discretion in determining the use of assets transferred to them. A processing fee of 5-8% is charged to selected beneficiaries for each agency transaction. The Organization's policy is to recognize the cash received and an offsetting liability, "Due to Fiscally Sponsored Projects", until the funds are fully distributed to the ultimate beneficiary, at which time the liability is removed from the Organization's books and the processing fee is recorded as revenue.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. Support that is not restricted by the donor is reported as an increase in unrestricted net assets. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (this is when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restricted contributions whose restrictions are met in the reporting period are recorded as unrestricted contributions.

Foundation and other grant awards received for specific purposes are recognized as support to the extent of the related expenses incurred in compliance with the specific restrictions, if any. The unexpended funds are reported as temporarily restricted net assets.

Memberships are sold for one year periods from the date of purchase. Advance payments for memberships and facilities rental are recorded as deferred revenue.

ROULETTE INTERMEDIUM, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2018

1) NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Contributed Services

A number of volunteers have donated significant amounts of their time to the Organization in connection with its programs. In addition, directors and officers have made a significant contribution of their time to develop the Organization and its programs. These donated services are not reflected in the financial statements since they do not meet the criteria for recognition as contributed services.

Accounting for Leases

The Organization follows *FASB Technical Bulletin 85-3* to account for its operating lease with rent abatements and scheduled rent increases. Rent expense is recognized on a straight-line basis over the lease term.

Functional Allocation of Expenses

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

Comparative Data

The amounts shown for the year ended June 30, 2017 in the accompanying financial statements are included to provide a basis for comparison with 2018 and present summarized totals only. Accordingly, the 2017 totals are not intended to present all information necessary for a fair presentation in conformity with accounting principles generally accepted in the United States of America. Such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. It is also exempt from state income taxes. However, any unrelated business income may be subject to taxation. Currently, the Organization has no obligation for any unrelated business income tax.

The Organization's Form 990, *Return of Organizations Exempt from Income Tax*, for the years ended June 30, 2017, 2016, and 2015 are subject to examination by the Internal Revenue Service ("IRS"), generally for three years after they were filed.

The Organization has evaluated its current tax positions and has concluded that as of June 30, 2018, the Organization does not have any significant uncertain tax positions for which a reserve would be necessary.

ROULETTE INTERMEDIUM, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2018

1) NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Sales Taxes

The State of New York and counties within the State impose a Sales Tax on all of the Company's sales to non-exempt customers. The Company collects that sales tax and remits the entire amount to the State. The Company's accounting policy is to exclude the tax collected and remitted to the State from revenue and expense.

Advertising Costs

Advertising costs are expensed as incurred. For the year ended June 30, 2018, advertising expense amounted to \$2,100 and is included in marketing and promotion expense.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued an accounting standard update which affects the revenue recognition of entities that enter into either (1) certain contracts to transfer goods or services to customers or (2) certain contracts for the transfer of nonfinancial assets. The update indicates an entity should recognize revenue in an amount that reflects the consideration the entity expects to be entitled to in exchange for the goods or services transferred by the entity. The update is to be applied to the beginning of the year of implementation or retrospectively and is effective for annual periods beginning after December 15, 2018 and in interim periods in annual periods beginning after December 15, 2019. Early application is permitted but no earlier than annual reporting periods beginning after December 31, 2016. The Organization is currently evaluating the effect the update will have on its financial statements.

In August 2016, the FASB issued an accounting standard update which affects the presentation of financial statements of not-for-profit entities. Among other changes, the update reduces the number of net asset classifications from three to two categories: (1) assets with donor restrictions and (2) those without donor restrictions, expands disclosure requirements for net assets with donor restrictions or board designations, and includes several new reporting requirements related to expenses. The update is to be applied to the beginning of the year of implementation or retrospectively and is effective for annual periods beginning after December 31, 2017 and in interim periods in annual periods beginning after December 31, 2018. Early application is permitted. The Organization is currently evaluating the effect the update will have on its financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management of the Organization to use estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

ROULETTE INTERMEDIUM, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2018

1) NATURE OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Date of Management's Review

Management has evaluated subsequent events through February 14, 2019, which is the date the financial statements were available to be issued.

2) FAIR VALUE MEASUREMENTS

The Organization has a number of financial instruments, none of which are held for trading purposes. The Organization estimates that the fair value of all financial instruments at June 30, 2018, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position. The estimated fair value amounts have been determined by the Organization using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and accordingly, the estimates are not necessarily indicative of the amounts that the Organization could realize in a current market exchange.

3) PROMISES TO GIVE

Promises to give at June 30, 2018 consists of the following:

| | <u>Unrestricted</u> | <u>Future Programs and Periods</u> | <u>Total</u> |
|--|---------------------|--|-------------------|
| Jerome Foundation | \$ - | \$ 140,000 | \$ 140,000 |
| The New York Community Trust | - | 50,000 | 50,000 |
| New York City Department of Cultural Affairs | 25,400 | - | 25,400 |
| New York State Council on the Arts | - | 7,000 | 7,000 |
| New Music USA | 3,000 | - | 3,000 |
| Individual | 1,000 | - | 1,000 |
| | <u>\$ 29,400</u> | <u>\$ 197,000</u> | <u>\$ 226,400</u> |

Amounts expected to be collected in:

| | |
|--------------------|-------------------|
| Less than one year | \$ 156,400 |
| One to five years | 70,000 |
| | <u>\$ 226,400</u> |

The discount on promises to give expected to be collected after more than one year was deemed immaterial by management and thus no discount was recorded.

4) AGENCY TRANSACTIONS

During the year ended June 30, 2018, the Organization transferred \$32,550 to Sally Silvers, a fiscally sponsored entity. No amounts were due at year-end.

ROULETTE INTERMEDIUM, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2018

5) PROPERTY AND EQUIPMENT

The following is a summary of property and equipment less accumulated depreciation as of June 30, 2018. Depreciation expense for the year then ended was \$192,153.

| | |
|--------------------------------|---------------------|
| Building improvements | \$ 1,507,145 |
| Performance equipment | 1,030,412 |
| Piano | 117,660 |
| Office equipment | <u>38,458</u> |
| | 2,693,675 |
| Less: accumulated depreciation | <u>1,407,074</u> |
| | <u>\$ 1,286,601</u> |

6) LOANS – FUND FOR THE CITY OF NEW YORK

During the year ended June 30, 2018, the Organization received a \$77,400 interest-free short-term bridge loan from the Fund for the City of New York (the “Fund”). Prior to year-end, the loan was repaid to the Fund by the New York City Department of Cultural Affairs.

7) RELATED PARTY TRANSACTIONS

Loan Payable – Board Member

During the year ended June 30, 2018, the Organization received short-term cash flow loans totaling \$110,000 from one of the Organization’s board members. The loans are interest-free. Subsequent to year-end, the loans were forgiven and converted into contributions to the Organization.

Line of Credit – mediaThefoundation Inc.

At June 30, 2018, the Organization is obligated for an outstanding balance of \$310,000 on an interest-free line of credit agreement with mediaThefoundation Inc. (the “Media”), a private foundation supervised and managed by one of the Organization’s board members. The balance is due and payable over five equal annual installments beginning June 30, 2020, unless extended by Media. Subsequent to year-end, Media forgave \$100,000 of the line of credit and converted it into contributions to the Organization.

Loan Payable and Rental of Space - Director

During the year ended June 30, 2018, the Organization received a \$9,000 interest-free short-term cash flow loan from its Director, James Staley. The loan was repaid by the Organization at year-end.

The Organization also rents office, storage and studio space from its Director. Rent paid for the year ended June 30, 2018 was \$12,000.

ROULETTE INTERMEDIUM, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2018

8) EQUIPMENT FUNDING AGREEMENT – CITY OF NEW YORK

The City of New York (the “City”) has appropriated capital funds relating to the acquisition and installation of equipment for the Organization’s performance space located in Brooklyn, New York. The City’s investment of capital funding obligates the recipient organization to operate the facility and/or maintain equipment for the respective bonding term as a non-profit entity, open to and used and maintained for the benefit of the people of the City of New York for cultural, education or artistic uses and/or related purposes approved by the City. The Organization has granted a first lien to the City on all equipment, furniture and fixtures, or other collateral, to be purchase, paid for or financed, by reimbursement or otherwise, by the City of New York pursuant to the equipment funding agreement.

9) NET ASSETS RELEASED FROM RESTRICTIONS

The amounts released from restrictions during the year ended June 30, 2018 are for the following:

| | |
|--|-------------------|
| Satisfaction of time/purpose restrictions: | |
| Programs for emerging composers for fiscal year 2018 | \$ 70,000 |
| Capital project | 46,375 |
| DanceRoulette program | 20,000 |
| Interpretation concert series | <u>13,070</u> |
| Total | <u>\$ 149,445</u> |

10) TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2018 are available for the following:

| | |
|---|-------------------|
| Artist Commissions and Residencies for fiscal years 2019 and 2020 | \$ 140,000 |
| Fellowships for experimental composers for fiscal year 2019 | 50,000 |
| Capital project | 28,625 |
| Roulette concert series | 7,000 |
| Purchase of equipment | <u>5,000</u> |
| Total | <u>\$ 230,625</u> |

11) FUNCTIONALIZED EXPENSES

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include wages and salaries, employee benefits, payroll taxes, and postage, which are allocated on the basis of estimates of time and effort, as well as rent expense, insurance, repairs and maintenance, and utilities, which are allocated on a square footage basis.

ROULETTE INTERMEDIUM, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)
JUNE 30, 2018

12) CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash balances at a major financial institution. The balances, at times, may exceed federally insured limits. As of June 30, 2018, there were no uninsured balances. The Organization has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk regarding its cash balances.

13) LEASE COMMITMENTS

The Organization leases its office and performance space under the terms of a non-cancelable operating lease which expires on August 31, 2030. Rent expense for the year ended June 30, 2018 was \$176,892.

Future minimum lease payments under the non-cancelable lease are as follows:

| | |
|----------------------|---------------------|
| Year ending June 30, | |
| 2019 | 163,751 |
| 2020 | 167,845 |
| 2021 | 172,041 |
| 2022 | 176,342 |
| 2023 | 180,751 |
| Thereafter | <u>1,434,265</u> |
| Total | <u>\$ 2,294,995</u> |

For financial reporting purposes, the Organization recognizes \$13,741 per month based on the total rent abatements to be received and rent increases effective during the lease term. As a result, the Organization had a deferred rent liability totaling \$288,805 at year-end.