

**SOUTH ORANGE PERFORMING
ARTS CENTER, INC.**

**Financial Statements
June 30, 2015 and 2014**

SOUTH ORANGE PERFORMING ARTS CENTER, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
South Orange Performing Arts Center, Inc.
South Orange, New Jersey

We have audited the accompanying statements of financial position of South Orange Performing Arts Center, Inc. as of June 30, 2015 and 2014, and the related statements of activities, cash flows and functional expenses for the years then ended.

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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' 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 South Orange Performing Arts Center, Inc. as of June 30, 2015 and 2014, 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.

Spire Group, PC

Clark, New Jersey
December 3, 2015

SOUTH ORANGE PERFORMING ARTS CENTER, INC.**Statements of Financial Position
June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Assets		
Cash and cash equivalents	\$ 144,137	\$ 87,358
Accounts receivable - net	45,546	70,206
Pledges receivable - net	190,005	63,660
Inventory	7,035	-
Prepaid expenses and other current assets	45,968	18,454
Property and equipment - net	<u>104,394</u>	<u>3,110</u>
Total Assets	<u>\$ 537,085</u>	<u>\$ 242,788</u>
Liabilities		
Accounts payable and accrued expenses	\$ 173,083	\$ 144,281
Deferred revenue	<u>75,101</u>	<u>28,592</u>
Total Liabilities	<u>248,184</u>	<u>172,873</u>
Net Assets		
Unrestricted	90,396	69,915
Temporarily restricted	<u>198,505</u>	<u>-</u>
Total Net Assets	<u>288,901</u>	<u>69,915</u>
Total Liabilities and Net Assets	<u>\$ 537,085</u>	<u>\$ 242,788</u>

See accompanying notes.

SOUTH ORANGE PERFORMING ARTS CENTER, INC.

**Statements of Activities
For the Years Ended June 30, 2015 and 2014**

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue and Support						
Individual contributions	\$ 404,599	\$ 198,505	\$ 603,104	\$ 333,085	\$ -	\$ 333,085
Gala and special events	107,756	-	107,756	78,826	-	78,826
Corporate contributions	27,172	-	27,172	18,722	-	18,722
Foundation grants	102,570	-	102,570	39,500	-	39,500
Government grants	33,320	-	33,320	65,000	-	65,000
Government contributions and subsidies	255,375	-	255,375	324,018	-	324,018
Donations in kind	334,298	-	334,298	325,485	-	325,485
Performance revenues	938,581	-	938,581	809,350	-	809,350
Ticket processing fees	86,525	-	86,525	94,302	-	94,302
Rental revenue and CAM – Bow Tie Cinemas	227,031	-	227,031	224,214	-	224,214
Mainstage rental	113,655	-	113,655	134,372	-	134,372
Mainstage rental – Seton Hall University	204,026	-	204,026	197,816	-	197,816
Loft rental	101,344	-	101,344	135,183	-	135,183
Concession and merchandise sales	55,450	-	55,450	46,424	-	46,424
Investment and other revenues	46,982	-	46,982	1,286	-	1,286
Total Revenue and Support	3,038,684	198,505	3,237,189	2,827,583	-	2,827,583
Expenses						
Program services	2,460,638	-	2,460,638	2,099,129	-	2,099,129
Management and general	387,295	-	387,295	494,697	-	494,697
Fundraising	170,270	-	170,270	192,976	-	192,976
Total Expenses	3,018,203	-	3,018,203	2,786,802	-	2,786,801
Change in Net Assets	20,481	198,505	218,986	40,781	-	40,781
Net Assets – Beginning of Years	69,915	-	69,915	29,134	-	29,134
Net Assets – End of Years	\$ 90,396	\$ 198,505	\$ 288,901	\$ 69,915	\$ -	\$ 69,915

See accompanying notes.

SOUTH ORANGE PERFORMING ARTS CENTER, INC.

**Statements of Cash Flows
For the Years Ended June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 218,986	\$ 40,781
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	6,339	10,103
Bad debts	1,220	21,498
(Gain) on sale of securities	-	(127)
Value of donated securities	(105,203)	(15,660)
Change in operating assets and liabilities		
Accounts receivable	24,660	(44,039)
Inventory	(7,035)	-
Prepaid expenses and other current assets	(27,514)	288
Pledges receivable	(126,345)	76,790
Accounts payable and accrued expenses	27,718	4,894
Deferred revenue	46,509	(125,120)
Net Cash Provided (Used) by Operating Activities	<u>59,335</u>	<u>(30,592)</u>
Cash Flows from Investing Activities		
Purchase of equipment	(107,759)	(2,649)
Proceeds from sale of investments	105,203	15,787
Net Cash (Used) Provided by Investing Activities	<u>(2,556)</u>	<u>13,138</u>
Net Change in Cash and Cash Equivalents	56,779	(17,454)
Cash and Cash Equivalents - Beginning of Years	<u>87,358</u>	<u>104,812</u>
Cash and Cash Equivalents - End of Years	<u>\$ 144,137</u>	<u>\$ 87,358</u>
Supplementary Information		
Noncash Activities		
Donation in kind by the Township of South Orange Village	\$ 310,890	\$ 310,890
Cash paid for		
Interest	\$ -	\$ 4
Taxes	\$ -	\$ -

See accompanying notes.

SOUTH ORANGE PERFORMING ARTS CENTER, INC.

**Statements of Functional Expenses
For the Years Ended June 30, 2015 and 2014**

	2015				2014			
	Program Services	Management and General	Fund Raising	Total	Program Services	Management and General	Fund Raising	Total
Production costs	\$ 963,957	\$ -	\$ -	\$ 963,957	\$ 807,607	\$ -	\$ -	\$ 807,607
Salaries and wages	527,885	189,000	66,071	782,956	355,834	299,671	84,447	739,952
Payroll taxes and benefits	88,071	28,176	15,846	132,093	68,899	32,052	16,337	117,288
Marketing	217,027	-	5,211	222,238	199,460	-	-	199,460
Special events	-	-	70,809	70,809	-	-	63,556	63,556
Professional fees	81,975	109,120	1,080	192,175	65,800	88,470	1,935	156,205
Occupancy costs	447,566	2,404	-	449,970	432,411	10,419	-	442,830
Office & technology	80,290	32,398	369	113,057	88,708	25,348	6,574	120,630
Telephone/internet	13,721	13,721	4,468	31,910	12,453	12,453	4,054	28,960
Insurance	25,133	3,985	1,533	30,651	17,785	2,820	1,084	21,689
Miscellaneous	8,991	8,237	4,820	22,048	40,574	23,056	14,888	78,518
Interest	-	-	-	-	-	4	-	4
Depreciation	6,022	254	63	6,339	9,598	404	101	10,103
Total	\$ 2,460,638	\$ 387,295	\$ 170,270	\$ 3,018,203	\$ 2,099,129	\$ 494,697	\$ 192,976	\$ 2,786,802

See accompanying notes.

SOUTH ORANGE PERFORMING ARTS CENTER, INC.

Notes to Financial Statements June 30, 2015 and 2014

Note 1 - Nature of the Organization and Summary of Significant Accounting Policies

Nature of the Organization

South Orange Performing Arts Center, Inc. (the "Organization") is a not-for-profit organization incorporated under the law of the State of New Jersey.

The South Orange Performing Arts Center, in its intimate venue, connects audiences to artists through performances, partnerships and arts education activities that reflect the diversity of the region. The Center is committed to presenting superb cultural programming, the highest standards of financial and managerial excellence, and broad accessibility to the public. At the core of its mission, are the organization's goals to be a regional center for the performing and visual arts, and a catalyst for the economic vitality and growth of the Township of South Orange Village.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Classification of Net Assets

Unrestricted net assets represent the portion of the Organization's net assets that are available for its general operations.

Temporarily restricted net assets have donor imposed restriction that permit the Organization to use up or expend the donated assets as specified and the restriction is satisfied either by the passage of time or by actions of the Organization.

Permanently restricted net assets have donor imposed restrictions that neither expire by passage of time nor can be fulfilled by actions of the Organization. The Organization has no permanently restricted net assets.

Support and Revenue

Revenues are recognized as amounts are earned and are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Donor restrictions satisfied in the same year as received are reported as unrestricted revenues. Expenses are reported as decreases in unrestricted net assets. Gains and losses on assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations or temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Contributions

The Organization reports gifts as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Estimates and Uncertainties

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

SOUTH ORANGE PERFORMING ARTS CENTER, INC.

Notes to Financial Statements June 30, 2015 and 2014

Note 1 - Nature of the Organization and Summary of Significant Accounting Policies (Continued)

Concentration of Credit Risk

Financial instruments which potentially subject the Organization to significant credit risk consist principally of cash and cash equivalents. The Organization maintains cash deposits with various financial institutions, which limits exposure to any one institution.

Cash Equivalents

Cash equivalents include money market funds and all other highly liquid short-term investments purchased with maturities of three months or less.

Accounts Receivable

Accounts receivable are recorded at cost. On a periodic basis, the Organization evaluates its accounts receivable to determine if any portion is uncollectible. Based upon prior collections history, management determines when and allowance for doubtful accounts is necessary.

Promises to Give and Related Pledges Receivable

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

Inventory

Inventory consists mainly of merchandise and liquor that is available for purchase. Inventory is valued using the first-in, first-out method at the lower cost of cost or market.

Property and Equipment

Property and equipment are stated at cost if purchased, fair value if donated. Depreciation is computed when assets are placed in service, primarily on the straight-line method, over the following useful lives:

Furniture and office equipment	5 – 7 years
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Long-Lived Assets

Long-lived tangible assets subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceed their fair value as determined by an estimate of undiscounted future cash flow.

Losses on assets held for disposal are recognized when management has approved and committed to a plan to dispose of the assets, and the assets are available for disposal.

Functional Allocation of Expenses

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

SOUTH ORANGE PERFORMING ARTS CENTER, INC.

Notes to Financial Statements June 30, 2015 and 2014

Note 1 - Nature of the Organization and Summary of Significant Accounting Policies (Continued)

Government Grants

Government grants, which are awarded by agencies of municipal governments for specified program activities, generally provide for reimbursement to the Organization for both direct and indirect expenses. Such reimbursements are subject to subsequent reviews and renegotiations by the respective government agencies, and any changes in the amount of the reimbursements are recorded in the period when finally determined.

Advertising

The Organization's policy is to expense advertising costs as incurred, which totaled \$181,963 and \$188,799 for the years ended June 30, 2015 and June 30, 2014, respectively.

Reclassification

Certain amounts previously reported have been reclassified to conform to current year presentation.

Note 2 – Accounts Receivable

Accounts receivable consists of the following:

	<u>June 30,</u>	
	<u>2015</u>	<u>2014</u>
Accounts receivable	\$ 45,546	\$ 71,426
Less: Allowance for doubtful accounts	<u>-</u>	<u>(1,220)</u>
Net	<u>\$ 45,546</u>	<u>\$ 70,206</u>

Note 3 - Pledges Receivable

The Organization received unconditional promises to give with payments due in future periods. Unconditional promises to give due in more than one year are reflected at the present value of estimated future cash flows utilizing a 1% discount rate.

Promises to give at June 30, 2015 and 2014 are summarized as follows:

	<u>June 30,</u>	
	<u>2015</u>	<u>2014</u>
Amounts due:		
Up to one year	\$ 73,000	\$ 63,660
One year to five years	120,000	-
Less: Unamortized discount	<u>(2,995)</u>	<u>-</u>
Subtotal	190,005	63,660
Less: Allowance for uncollectible pledges	<u>-</u>	<u>-</u>
Net	<u>\$ 190,005</u>	<u>\$ 63,660</u>

SOUTH ORANGE PERFORMING ARTS CENTER, INC.

Notes to Financial Statements June 30, 2015 and 2014

Note 4 - Property and Equipment

Property and equipment consists of the following:

	<u>June 30,</u>	
	<u>2015</u>	<u>2014</u>
Furniture and equipment	\$ 357,254	\$ 249,630
Less: accumulated depreciation	<u>(252,859)</u>	<u>(246,520)</u>
Totals	<u>\$ 104,395</u>	<u>\$ 3,110</u>

Depreciation expense for the years ended June 30, 2015 and 2014 totaled \$6,339 and \$10,103, respectively.

Note 5 - Income Taxes

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision or liability for income taxes has been recorded in the financial statements.

The Organization accounts for uncertainty in income taxes using a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold is met. Management determined there were no tax uncertainties that met the recognition threshold in 2015. The Organization's exempt from federal income tax return are no longer subject to examination by federal taxing authorities for years before 2012.

Note 6 - Tax Deferred Benefit 403[B] Plan

Beginning April 1, 2013, the Organization is offering all employees working 1,000 or more hours per year participation in a 403[B] plan. Discretionary matching contributions are allowed up to 1% of employee's elective deferrals and vest immediately. Contributions have been made to the plan for the years ended June 30, 2015 and June 30, 2014 totaling \$2,014 and \$732, respectively.

Note 7 - Revenue Concentration

The following represents significant revenue concentrations:

	<u>June 30,</u>	
	<u>2015</u>	<u>2014</u>
Village subsidy	8%	11%
In-Kind rental contribution	10%	11%
Bow-Tie facility fees	7%	10%
One individual donor	10%	4%

SOUTH ORANGE PERFORMING ARTS CENTER, INC.

Notes to Financial Statements June 30, 2015 and 2014

Note 8 - Operating Lease Agreement

On July 21, 2005, the Organization entered into a five year operating lease with the CCG Holdings, Inc. d.b.a Bow Tie Cinema for the rental of a portion of the theater facility.

In the first year of the agreement, payments under the lease consisted of fixed annual rents of \$176,068 plus common area maintenance payments of \$18,000 per annum. These amounts were to be adjusted annually based upon the Consumer Price Index. Two (2) five year options to extend the lease were available to the lessee. The lease was subsequently transferred to Bow Tie Cinemas, LLC.

For the years ended June 30, 2015 and June 30, 2014, the Organization collected \$227,031 and \$224,214, respectively, in rents and common area maintenance charges

For the years ended June 30, 2015 and June 30, 2014, the Organization also collected \$54,304 and \$68,546, respectively, from Bow Tie for shared utilities.

Note 9 - Commitment and Contingency

The Township negotiated a new triple net lease with the Organization, the term of which is fifty years, and expires June 30, 2063. The base rent is \$1.00 per year. Commencing July 1, 2018, the Organization shall pay to the Township additional rents equal to the rents collected by the Organization from the Bow Tie Lease.

Note 10 - Subsequent Events

The Organization has evaluated subsequent events through December 3, 2015, the date these financial statements were available to be issued.