

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

**Financial Statements
June 30, 2016 and 2015**

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 financial statements of South Orange Performing Arts Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016 and 2015, and the related statements of activities, cash flows and functional expenses 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.

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, 2016 and 2015, 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
November 18, 2016

SOUTH ORANGE PERFORMING ARTS CENTER, INC.

**Statements of Financial Position
June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
Assets		
Cash and cash equivalents	\$ 121,626	\$ 144,137
Accounts receivable - net	32,686	45,546
Pledges receivable - net	334,403	190,005
Inventory	7,033	7,035
Prepaid expenses and other current assets	45,255	45,968
Art collection	10,000	-
Property and equipment - net	<u>94,647</u>	<u>104,394</u>
Total Assets	\$ <u>645,650</u>	\$ <u>537,085</u>
Liabilities		
Accounts payable and accrued expenses	\$ 93,953	\$ 155,499
Deferred revenue	<u>108,629</u>	<u>92,685</u>
Total Liabilities	<u>202,582</u>	<u>248,184</u>
Net Assets		
Unrestricted	107,998	90,396
Temporarily restricted	<u>335,070</u>	<u>198,505</u>
Total Net Assets	<u>443,068</u>	<u>288,901</u>
Total Liabilities and Net Assets	\$ <u>645,650</u>	\$ <u>537,085</u>

See accompanying notes.

SOUTH ORANGE PERFORMING ARTS CENTER, INC.

Statements of Activities

For the Years Ended June 30, 2016 and 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue and Support						
Individual contributions	\$ 216,093	\$ 246,898	\$ 462,991	\$ 404,599	\$ 198,505	\$ 603,104
Gala and special events	450	-	450	107,756	-	107,756
Corporate contributions	26,604	-	26,604	27,172	-	27,172
Foundation grants	104,655	-	104,655	102,570	-	102,570
Government grants	48,750	-	48,750	33,320	-	33,320
Government contributions and subsidies	304,690	-	304,690	255,375	-	255,375
Donations in kind	351,735	-	351,735	334,298	-	334,298
Performance revenues	814,893	-	814,893	938,581	-	938,581
Ticket processing fees	83,206	-	83,206	86,525	-	86,525
Rental revenue and CAM – Bow Tie Cinemas	243,989	-	243,989	227,031	-	227,031
Mainstage rental	194,704	-	194,704	113,655	-	113,655
Mainstage rental – Seton Hall University	180,000	-	180,000	204,026	-	204,026
Loft rental	170,217	-	170,217	101,344	-	101,344
Concession and merchandise sales	52,169	-	52,169	55,450	-	55,450
Investment and other revenues	1,315	-	1,315	46,982	-	46,982
Net assets released from restrictions	110,333	(110,333)	-	-	-	-
Total Revenue and Support	2,903,803	136,565	3,040,368	3,038,684	198,505	3,237,189
Expenses						
Program services	2,356,968	-	2,356,968	2,460,638	-	2,460,638
Management and general	350,892	-	350,892	387,295	-	387,295
Fundraising	178,341	-	178,341	170,270	-	170,270
Total Expenses	2,886,201	-	2,886,201	3,018,203	-	3,018,203
Change in Net Assets	17,602	136,565	154,167	20,481	198,505	218,986
Net Assets – Beginning of Years	90,396	198,505	288,901	69,915	-	69,915
Net Assets – End of Years	\$ 107,998	\$ 335,070	\$ 443,068	\$ 90,396	\$ 198,505	\$ 288,901

See accompanying notes.

SOUTH ORANGE PERFORMING ARTS CENTER, INC.

**Statements of Cash Flows
For the Years Ended June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 154,167	\$ 218,986
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	17,057	6,339
Bad debts	-	1,220
Value of donated securities	(10,000)	(105,203)
Value of donated fixed assets and art	(14,500)	-
Change in operating assets and liabilities		
Accounts receivable	12,860	24,660
Inventory	2	(7,035)
Prepaid expenses and other current assets	713	(27,514)
Pledges receivable	(144,398)	(126,345)
Accounts payable and accrued expenses	(58,072)	27,718
Deferred revenue	12,470	46,509
Net Cash (Used) Provided by Operating Activities	<u>(29,701)</u>	<u>59,335</u>
Cash Flows from Investing Activities		
Purchase of equipment	(2,810)	(107,759)
Proceeds from sale of investments	10,000	105,203
Net Cash Provided (Used) by Investing Activities	<u>7,190</u>	<u>(2,556)</u>
Change in Cash and Cash Equivalents	(22,511)	56,779
Cash and Cash Equivalents - Beginning of Years	<u>144,137</u>	<u>87,358</u>
Cash and Cash Equivalents - End of Years	<u>\$ 121,626</u>	<u>\$ 144,137</u>
Supplementary Information		
Noncash Activities		
Donation in kind by the Township of South Orange Village	\$ 310,890	\$ 310,890
Cash paid for		
Interest	\$ -	\$ -
Taxes	\$ -	\$ -

See accompanying notes.

SOUTH ORANGE PERFORMING ARTS CENTER, INC.

**Statements of Functional Expenses
For the Years Ended June 30, 2016 and 2015**

	2016				2015			
	Program Services	Management and General	Fund Raising	Total	Program Services	Management and General	Fund Raising	Total
Production costs	\$ 823,057	\$ -	\$ -	\$ 823,057	\$ 963,957	\$ -	\$ -	\$ 963,957
Salaries and wages	556,221	190,000	87,542	833,763	527,885	189,000	66,071	782,956
Payroll taxes and benefits	110,035	30,305	14,171	154,511	88,071	28,176	15,846	132,093
Marketing	191,546	-	17,757	209,303	217,027	-	5,211	222,238
Special events	-	-	8,381	8,381	-	-	70,809	70,809
Professional fees	82,053	62,520	31,600	176,173	81,975	109,120	1,080	192,175
Occupancy costs	461,145	4,723	-	465,868	447,566	2,404	-	449,970
Office & technology	72,613	38,492	227	111,332	80,290	32,398	369	113,057
Telephone/internet	11,924	11,924	3,882	27,730	13,721	13,721	4,468	31,910
Insurance	29,426	4,665	1,794	35,885	25,133	3,985	1,533	30,651
Miscellaneous	2,744	7,581	12,816	23,141	8,991	8,237	4,820	22,048
Depreciation	16,204	682	171	17,057	6,022	254	63	6,339
Total	\$ 2,356,968	\$ 350,892	\$ 178,341	\$ 2,886,201	\$ 2,460,638	\$ 387,295	\$ 170,270	\$ 3,018,203

See accompanying notes.

SOUTH ORANGE PERFORMING ARTS CENTER, INC.

Notes to Financial Statements June 30, 2016 and 2015

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.

SOUTH ORANGE PERFORMING ARTS CENTER, INC.

Notes to Financial Statements June 30, 2016 and 2015

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

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.

Concentration of Credit Risk

Financial instruments which potentially subject the Organization to significant credit risk consist principally of pledge receivables, and cash equivalents. A pledge from one individual represents more than 24% of the total pledge receivable balance. 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.

Art Collection

Accessions are capitalized at cost if purchased and at appraised or fair value at the date of accession if received by donation.

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.

SOUTH ORANGE PERFORMING ARTS CENTER, INC.

Notes to Financial Statements June 30, 2016 and 2015

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

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.

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 \$163,348 and \$181,963 for the years ended June 30, 2016 and June 30, 2015, 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>2016</u>	<u>2015</u>
Accounts receivable	\$ 32,686	\$ 45,546
Less: Allowance for doubtful accounts	<u>-</u>	<u>-</u>
Net	<u>\$ 32,686</u>	<u>\$ 45,546</u>

SOUTH ORANGE PERFORMING ARTS CENTER, INC.

Notes to Financial Statements June 30, 2016 and 2015

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, 2016 and 2015 are summarized as follows:

	<u>June 30,</u>	
	<u>2016</u>	<u>2015</u>
Amounts due:		
Up to one year	\$ 22,417	\$ 73,000
One year to five years	326,133	120,000
Less: Unamortized discount	<u>(9,147)</u>	<u>(2,995)</u>
Subtotal	339,403	190,005
Less: Allowance for uncollectible pledges	<u>(5,000)</u>	<u>-</u>
Net	<u>\$ 334,403</u>	<u>\$ 190,005</u>

Note 4 - Property and Equipment

Property and equipment consists of the following:

	<u>June 30,</u>	
	<u>2016</u>	<u>2015</u>
Furniture and equipment	\$ 364,563	\$ 357,253
Less: accumulated depreciation	<u>(269,916)</u>	<u>(252,859)</u>
Totals	<u>\$ 94,647</u>	<u>\$ 104,394</u>

Depreciation expense for the years ended June 30, 2016 and 2015 totaled \$17,057 and \$6,339, 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 2016. The Organization's exempt from federal income tax return are no longer subject to examination by federal taxing authorities for years before 2013.

SOUTH ORANGE PERFORMING ARTS CENTER, INC.

Notes to Financial Statements June 30, 2016 and 2015

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, 2016 and June 30, 2015 totaling \$7,615 and \$2,014, respectively.

Note 7 - Revenue Concentration

The following represents significant revenue concentrations:

	<u>June 30,</u>	
	<u>2016</u>	<u>2015</u>
Village subsidy	10%	8%
In-Kind rental contribution	10%	10%
One individual donor	4%	10%

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, 2016 and June 30, 2015, the Organization collected \$227,031 and \$224,214, respectively, in rents and common area maintenance charges.

For the years ended June 30, 2016 and June 30, 2015, the Organization also collected \$54,304 and \$68,546, respectively, from Bow Tie for shared utilities.

Note 9 - Commitments and Contingencies

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 will pay to the Township additional rents equal to the rents collected by the Organization from the Bow Tie Lease.

SOUTH ORANGE PERFORMING ARTS CENTER, INC.

**Notes to Financial Statements
June 30, 2016 and 2015**

Note 9 - Commitments and Contingencies (Continued)

The Organization leases copier equipment under various operating lease agreements. Aggregate future minimum lease payments under the agreement are as follows:

Year ending June 30,		
2017	\$	11,190
2018		11,190
2019		10,313
2020		<u>10,020</u>
Total	\$	<u>42,713</u>

Note 10 - Line of Credit

On November 5, 2015 the Organization entered into a \$50,000 revolving line of credit agreement with Investors Bank. The line of credit matures on November 1, 2018. The line of credit bears interest at the prime rate (3.50% at June 30, 2016) plus 1%. There was no balance outstanding at June 30, 2016.

Note 11 - Subsequent Events

The Organization has evaluated subsequent events through November 18, 2016, the date these financial statements were available to be issued.