

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

**Financial Statements  
June 30, 2017 and 2016**

The report accompanying these financial statements was issued by Spire Group, PC a New Jersey Professional Corporation.

**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 statements of financial position as of June 30, 2017 and 2016, 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, 2017 and 2016, 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  
September 11, 2017

**SOUTH ORANGE PERFORMING ARTS CENTER, INC.****Statements of Financial Position  
June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 300,713	\$ 121,626
Accounts receivable - net	40,371	32,686
Pledges receivable - net	253,180	334,403
Inventory	6,060	7,033
Prepaid expenses and other current assets	40,733	45,255
Art collection	10,000	10,000
Property and equipment - net	<u>84,176</u>	<u>94,647</u>
<b>Total Assets</b>	<u>\$ 735,233</u>	<u>\$ 645,650</u>
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 57,138	\$ 93,953
Deferred revenue	<u>227,069</u>	<u>108,629</u>
<b>Total Liabilities</b>	<u>284,207</u>	<u>202,582</u>
<b>Net Assets</b>		
Unrestricted	161,042	107,998
Temporarily restricted	<u>289,984</u>	<u>335,070</u>
<b>Total Net Assets</b>	<u>451,026</u>	<u>443,068</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 735,233</u>	<u>\$ 645,650</u>

See accompanying notes.

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

**Statements of Activities  
For the Years Ended June 30, 2017 and 2016**

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Revenue and Support</b>						
Individual contributions	\$ 237,992	\$ 104,531	\$ 342,523	\$ 216,093	\$ 246,898	\$ 462,991
Gala and special events	206,894	-	206,894	450	-	450
Corporate contributions	17,144	-	17,144	26,604	-	26,604
Foundation grants	91,406	-	91,406	104,655	-	104,655
Government grants	63,500	-	63,500	48,750	-	48,750
Government contributions and subsidies	291,304	-	291,304	304,690	-	304,690
Donations in kind	334,946	-	334,946	351,735	-	351,735
Performance revenues	924,111	-	924,111	814,893	-	814,893
Ticket processing fees	102,655	-	102,655	83,206	-	83,206
Rental revenue and CAM – Bow Tie Cinemas	244,306	-	244,306	243,989	-	243,989
Mainstage rental	241,216	-	241,216	194,704	-	194,704
Mainstage rental – Seton Hall University	180,000	-	180,000	180,000	-	180,000
Loft rental	125,325	-	125,325	170,217	-	170,217
Concession and merchandise sales	65,686	-	65,686	52,169	-	52,169
Investment and other revenues	721	-	721	1,315	-	1,315
Net assets released from restrictions	149,617	(149,617)	-	110,333	(110,333)	-
<b>Total Revenue and Support</b>	<b>3,276,823</b>	<b>(45,086)</b>	<b>3,231,737</b>	<b>2,903,803</b>	<b>136,565</b>	<b>3,040,368</b>
<b>Expenses</b>						
Program services	2,568,224	-	2,568,224	2,356,968	-	2,356,968
Management and general	368,797	-	368,797	350,892	-	350,892
Fundraising	286,758	-	286,758	178,341	-	178,341
<b>Total Expenses</b>	<b>3,223,779</b>	<b>-</b>	<b>3,223,779</b>	<b>2,886,201</b>	<b>-</b>	<b>2,886,201</b>
<b>Change in Net Assets</b>	<b>53,044</b>	<b>(45,086)</b>	<b>7,958</b>	<b>17,602</b>	<b>136,565</b>	<b>154,167</b>
<b>Net Assets – Beginning of Years</b>	<b>107,998</b>	<b>335,070</b>	<b>443,068</b>	<b>90,396</b>	<b>198,505</b>	<b>288,901</b>
<b>Net Assets – End of Years</b>	<b>\$ 161,042</b>	<b>\$ 289,984</b>	<b>\$ 451,026</b>	<b>\$ 107,998</b>	<b>\$ 335,070</b>	<b>\$ 443,068</b>

See accompanying notes.

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

**Statements of Cash Flows  
For the Years Ended June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 7,958	\$ 154,167
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	18,214	17,057
Value of donated securities	(15,378)	(10,000)
Value of donated fixed assets and art	-	(14,500)
Change in operating assets and liabilities		
Accounts receivable	(7,685)	12,860
Inventory	973	2
Prepaid expenses and other current assets	4,522	713
Pledges receivable	81,223	(144,398)
Accounts payable and accrued expenses	(36,815)	(61,546)
Deferred revenue	118,440	15,944
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>171,452</u>	<u>(29,701)</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of equipment	(7,743)	(2,810)
Proceeds from sale of investments	15,378	10,000
<b>Net Cash Provided by Investing Activities</b>	<u>7,635</u>	<u>7,190</u>
<b>Change in Cash and Cash Equivalents</b>	179,087	(22,511)
<b>Cash and Cash Equivalents - Beginning of Years</b>	<u>121,626</u>	<u>144,137</u>
<b>Cash and Cash Equivalents - End of Years</b>	<u>\$ 300,713</u>	<u>\$ 121,626</u>
<b>Supplementary Information</b>		
<b>Noncash Activities</b>		
Donation in kind by the Township of South Orange Village	\$ 310,890	\$ 310,890
<b>Cash paid for</b>		
Interest	\$ -	\$ -
Taxes	\$ -	\$ -

See accompanying notes.

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

**Statements of Functional Expenses  
For the Years Ended June 30, 2017 and 2016**

	2017				2016			
	Program Services	Management and General	Fund Raising	Total	Program Services	Management and General	Fund Raising	Total
Production costs	\$ 994,604	\$ -	\$ -	\$ 994,604	\$ 823,057	\$ -	\$ -	\$ 823,057
Salaries and wages	568,158	189,000	102,750	859,908	556,221	190,000	87,542	833,763
Payroll taxes and benefits	114,041	28,259	16,754	159,054	110,035	30,305	14,171	154,511
Marketing	198,607	-	22,438	221,045	191,546	-	17,757	209,303
Special events	-	-	114,283	114,283	-	-	8,381	8,381
Professional fees	91,915	59,637	12,347	163,899	82,053	62,520	31,600	176,173
Occupancy costs	465,990	3,618	-	469,608	461,145	4,723	-	465,868
Office & technology	72,830	46,077	2,800	121,707	72,613	38,492	227	111,332
Telephone/internet	12,029	12,029	3,917	27,975	11,924	11,924	3,882	27,730
Insurance	30,486	4,833	1,859	37,178	29,426	4,665	1,794	35,885
Miscellaneous	2,261	24,615	9,428	36,304	2,744	7,581	12,816	23,141
Depreciation	17,303	729	182	18,214	16,204	682	171	17,057
<b>Total</b>	<b>\$ 2,568,224</b>	<b>\$ 368,797</b>	<b>\$ 286,758</b>	<b>\$ 3,223,779</b>	<b>\$ 2,356,968</b>	<b>\$ 350,892</b>	<b>\$ 178,341</b>	<b>\$ 2,886,201</b>

See accompanying notes.



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

### **Notes to Financial Statements For the Years Ended June 30, 2017 and 2016**

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#### **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 For the Years Ended June 30, 2017 and 2016**

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#### **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. Pledges from one individual represents more than 63% and 24% at June 30, 2017 and 2016, respectively, of the total pledge receivable balance. The Organization maintains cash balances with various financial institutions. These balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. The balances, at times, may exceed the federally insured limit of \$250,000.

##### **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 of cost or market.

# SOUTH ORANGE PERFORMING ARTS CENTER, INC.

## Notes to Financial Statements For the Years Ended June 30, 2017 and 2016

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### 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 \$169,966 and \$163,348 for the years ended June 30, 2017 and June 30, 2016, 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>2017</u>	<u>2016</u>
Accounts receivable	\$ 40,371	\$ 32,686
Less: Allowance for doubtful accounts	<u>-</u>	<u>-</u>
Net	<u>\$ 40,371</u>	<u>\$ 32,686</u>

## SOUTH ORANGE PERFORMING ARTS CENTER, INC.

### Notes to Financial Statements For the Years Ended June 30, 2017 and 2016

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#### 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, 2017 and 2016 are summarized as follows:

	<u>June 30,</u>	
	<u>2017</u>	<u>2016</u>
Amounts due:		
Up to one year	\$ 123,660	\$ 22,417
One year to five years	134,350	326,133
Less: Unamortized discount	<u>(4,830)</u>	<u>(9,147)</u>
Subtotal	253,180	339,403
Less: Allowance for uncollectible pledges	<u>-</u>	<u>(5,000)</u>
Net	<u>\$ 253,180</u>	<u>\$ 334,403</u>

#### Note 4 - Property and Equipment

Property and equipment consists of the following:

	<u>June 30,</u>	
	<u>2017</u>	<u>2016</u>
Furniture and equipment	\$ 372,306	\$ 364,563
Less: accumulated depreciation	<u>(288,130)</u>	<u>(269,916)</u>
Totals	<u>\$ 84,176</u>	<u>\$ 94,647</u>

Depreciation expense for the years ended June 30, 2017 and 2016 totaled \$18,214 and \$17,057, 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 2017. The Organization's exempt from federal income tax return are no longer subject to examination by federal taxing authorities for years before 2014.

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

### **Notes to Financial Statements For the Years Ended June 30, 2017 and 2016**

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#### **Note 6 - Tax Deferred Benefit 403[B] Plan**

Beginning April 1, 2013, the Organization started to offer all employees who work 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, 2017 and June 30, 2016 totaling \$6,681 and \$7,615, respectively.

#### **Note 7 - Revenue Concentration**

The following represents significant revenue concentrations:

	<u>June 30,</u>	
	<u>2017</u>	<u>2016</u>
Village subsidy	9%	10%
In-Kind rental contribution	10%	10%
One individual donor	-	4%

#### **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, 2017 and June 30, 2016, the Organization collected \$244,306 and \$243,989, respectively, in rents and common area maintenance charges.

For the years ended June 30, 2017 and June 30, 2016, the Organization also collected \$46,025 and \$39,488, 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  
For the Years Ended June 30, 2017 and 2016**

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**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,		
2018	\$	11,190
2019		10,313
2020		<u>10,020</u>
Total	\$	<u><u>31,523</u></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. During the year ended June 30, 2017, the Organization paid off and closed the line of credit that was due to mature on November 1, 2018.

On June 30, 2017 the Organization entered into a \$75,000 revolving line of credit agreement with Investors Bank. The line of credit matures on July 1, 2020. The line of credit bears interest at the prime rate (4.25% at June 30, 2017) plus 1%. There was no balance outstanding at June 30, 2017.

**Note 11 - Subsequent Events**

The Organization has evaluated subsequent events through September 11, 2017, the date these financial statements were available to be issued.