

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

**Financial Statements  
June 30, 2018 and 2017**

**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, 2018 and 2017, 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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Spire Group, PC*

Clark, New Jersey  
October 17, 2018

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

**Statements of Financial Position  
June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 567,886	\$ 300,713
Accounts receivable - net	34,175	40,371
Pledges receivable - net	165,511	253,180
Inventory	7,746	6,060
Prepaid expenses and other current assets	63,463	40,733
Art collection	10,000	10,000
Property and equipment - net	<u>75,226</u>	<u>84,176</u>
<b>Total Assets</b>	<b>\$ <u>924,007</u></b>	<b>\$ <u>735,233</u></b>
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 80,012	\$ 57,138
Deferred revenue	<u>359,126</u>	<u>227,069</u>
<b>Total Liabilities</b>	<u>439,138</u>	<u>284,207</u>
<b>Net Assets</b>		
Unrestricted	239,758	161,042
Temporarily restricted	<u>245,111</u>	<u>289,984</u>
<b>Total Net Assets</b>	<u>484,869</u>	<u>451,026</u>
<b>Total Liabilities and Net Assets</b>	<b>\$ <u>924,007</u></b>	<b>\$ <u>735,233</u></b>

See accompanying notes.

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

**Statements of Activities**

**For the Years Ended June 30, 2018 and 2017**

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Revenue and Support</b>						
Individual contributions	\$ 223,713	\$ 114,828	\$ 338,541	\$ 237,992	\$ 104,531	\$ 342,523
Gala and special events	158,150	-	158,150	206,894	-	206,894
Corporate contributions	1,649	-	1,649	17,144	-	17,144
Foundation grants	218,000	-	218,000	91,406	-	91,406
Government grants	93,000	-	93,000	63,500	-	63,500
Government contributions and subsidies	304,021	-	304,021	291,304	-	291,304
Donations in kind	329,432	-	329,432	334,946	-	334,946
Performance revenues	868,092	-	868,092	924,111	-	924,111
Ticket processing fees	101,726	-	101,726	102,655	-	102,655
Rental revenue and CAM – Bow Tie Cinemas	266,729	-	266,729	244,306	-	244,306
Mainstage rental	291,582	-	291,582	241,216	-	241,216
Mainstage rental – Seton Hall University	180,150	-	180,150	180,000	-	180,000
Loft rental	110,110	-	110,110	125,325	-	125,325
Concession and merchandise sales	51,821	-	51,821	65,686	-	65,686
Investment and other revenues	2,543	-	2,543	721	-	721
Net assets released from restrictions	159,701	(159,701)	-	149,617	(149,617)	-
<b>Total Revenue and Support</b>	<b>3,360,419</b>	<b>(44,873)</b>	<b>3,315,546</b>	<b>3,276,823</b>	<b>(45,086)</b>	<b>3,231,737</b>
<b>Expenses</b>						
Program services	2,572,676	-	2,572,676	2,568,224	-	2,568,224
Management and general	401,265	-	401,265	368,797	-	368,797
Fundraising	307,762	-	307,762	286,758	-	286,758
<b>Total Expenses</b>	<b>3,281,703</b>	<b>-</b>	<b>3,281,703</b>	<b>3,223,779</b>	<b>-</b>	<b>3,223,779</b>
<b>Change in Net Assets</b>	<b>78,716</b>	<b>(44,873)</b>	<b>33,843</b>	<b>53,044</b>	<b>(45,086)</b>	<b>7,958</b>
<b>Net Assets – Beginning 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>
<b>Net Assets – End of Years</b>	<b>\$ 239,758</b>	<b>\$ 245,111</b>	<b>\$ 484,869</b>	<b>\$ 161,042</b>	<b>\$ 289,984</b>	<b>\$ 451,026</b>

See accompanying notes.

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

**Statements of Cash Flows  
For the Years Ended June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 33,843	\$ 7,958
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	20,496	18,214
Value of donated securities	(89,936)	(15,378)
Change in operating assets and liabilities		
Accounts receivable	6,196	(7,685)
Inventory	(1,686)	973
Prepaid expenses and other current assets	(22,730)	4,522
Pledges receivable	87,669	81,223
Accounts payable and accrued expenses	22,873	(36,815)
Deferred revenue	132,058	118,440
<b>Net Cash Provided by Operating Activities</b>	<u>188,783</u>	<u>171,452</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of equipment	(11,546)	(7,743)
Proceeds from sale of investments	89,936	15,378
<b>Net Cash Provided by Investing Activities</b>	<u>78,390</u>	<u>7,635</u>
<b>Cash Flows from Financing Activities</b>		
Proceeds from loan	100,000	-
Payment of loan	(100,000)	-
<b>Net Cash Provided by Financing Activities</b>	<u>-</u>	<u>-</u>
<b>Change in Cash and Cash Equivalents</b>	267,173	179,087
<b>Cash and Cash Equivalents - Beginning of Years</b>	<u>300,713</u>	<u>121,626</u>
<b>Cash and Cash Equivalents - End of Years</b>	<u>\$ 567,886</u>	<u>\$ 300,713</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, 2018 and 2017**

	2018				2017			
	Program Services	Management and General	Fund Raising	Total	Program Services	Management and General	Fund Raising	Total
Production costs	\$ 921,317	\$ -	\$ -	\$ 921,317	\$ 994,604	\$ -	\$ -	\$ 994,604
Salaries and wages	632,401	222,792	119,362	974,555	568,158	189,000	102,750	859,908
Payroll taxes and benefits	124,284	23,147	18,437	165,868	114,041	28,259	16,754	159,054
Marketing	180,467	-	23,798	204,265	198,607	-	22,438	221,045
Special events	-	-	67,921	67,921	-	-	114,283	114,283
Professional fees	117,877	59,368	39,018	216,263	91,915	59,637	12,347	163,899
Occupancy costs	455,672	2,641	-	458,313	465,990	3,618	-	469,608
Office & technology	75,676	51,264	4,860	131,800	72,830	46,077	2,800	121,707
Telephone/internet	9,884	9,884	3,218	22,986	12,029	12,029	3,917	27,975
Insurance	33,709	5,344	2,055	41,108	30,486	4,833	1,859	37,178
Miscellaneous	1,918	26,005	28,888	56,811	2,261	24,615	9,428	36,304
Depreciation	19,471	820	205	20,496	17,303	729	182	18,214
<b>Total</b>	<b>\$ 2,572,676</b>	<b>\$ 401,265</b>	<b>\$ 307,762</b>	<b>\$ 3,281,703</b>	<b>\$ 2,568,224</b>	<b>\$ 368,797</b>	<b>\$ 286,758</b>	<b>\$ 3,223,779</b>

See accompanying notes.



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

### **Notes to Financial Statements For the Years Ended June 30, 2018 and 2017**

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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 Organization 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 restrictions 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 that 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, 2018 and 2017**

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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 66% and 63% at June 30, 2018 and 2017 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 an 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, 2018 and 2017

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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
Fixtures	10 years

#### 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 \$156,075 and \$169,966 for the years ended June 30, 2018 and June 30, 2017, 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>2018</u>	<u>2017</u>
Accounts receivable	\$ <u>34,175</u>	\$ <u>40,371</u>

No allowance for uncollectible accounts was deemed necessary for the years ended June 30, 2018 and June 30, 2017.

## SOUTH ORANGE PERFORMING ARTS CENTER, INC.

### Notes to Financial Statements For the Years Ended June 30, 2018 and 2017

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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, which management believes approximates the rate at which the donor could otherwise borrow on similar terms.

Promises to give at June 30, 2018 and 2017 are summarized as follows:

	<u>June 30,</u>	
	<u>2018</u>	<u>2017</u>
Amounts due:		
Up to one year	\$ 108,800	\$ 123,660
One year to five years	58,420	134,350
Less: Unamortized discount	<u>(1,709)</u>	<u>(4,830)</u>
Net	<u>\$ 165,511</u>	<u>\$ 253,180</u>

#### Note 4 - Property and Equipment

Property and equipment consists of the following:

	<u>June 30,</u>	
	<u>2018</u>	<u>2017</u>
Furniture and equipment	\$ 383,852	\$ 372,306
Less: accumulated depreciation	<u>(308,626)</u>	<u>(288,130)</u>
Totals	<u>\$ 75,226</u>	<u>\$ 84,176</u>

Depreciation expense for the years ended June 30, 2018 and 2017 totaled \$20,496 and \$18,214, 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 2018. The Organization is exempt from federal income taxes. The Organization's tax returns are no longer subject to examination by federal taxing authorities for years before 2015.

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

### **Notes to Financial Statements For the Years Ended June 30, 2018 and 2017**

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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 salary and vest immediately. Contributions have been made to the plan for the years ended June 30, 2018 and June 30, 2017 totaling \$5,905 and \$6,681, respectively.

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

The following represents significant revenue concentrations:

	<u>June 30,</u>	
	<u>2018</u>	<u>2017</u>
Village subsidy	9%	9%
In-Kind rental contribution	10%	10%

#### **Note 8 - Operating Lease Agreement**

Under the terms of its lease agreement with the Township, the Organization is permitted to sublease a portion of its premises consisting of five movie theatres and a portion of the lobby (the "Sublease Premises"). The lease agreement specifies that the Organization retains related sublease proceeds ("the Proceeds") until July 1, 2018. During the year ended June 30, 2018, the Organization negotiated an indefinite extension of its rights to retain the Proceeds, subject to review once every ten years.

The Organization subleases the Sublease Premises to Bow Tie Cinemas, LLC ("Bow Tie") under a July 21, 2005 ten-year agreement (the "Sublease"), subject to two five-year renewal options. In November 2016, Bow Tie exercised the first renewal option.

Payments under the Sublease consist of fixed annual rents of \$176,068 plus common area maintenance payments of \$18,000 per annum, subject to annual adjustments based upon the Consumer Price Index ("CPI"). The terms of the Sublease also includes payments amounting to 10% of annual Bow Tie box office revenue in excess of \$830,000, as adjusted by CPI.

For the years ended June 30, 2018 and June 30, 2017, the Organization collected \$266,729 and \$244,306, respectively, in rents and common area maintenance charges.

For the years ended June 30, 2018 and June 30, 2017, the Organization also collected \$48,602 and \$46,025 respectively, from Bow Tie for shared utilities.

#### **Note 9 - Commitments and Contingencies**

On July 26, 2013, the Organization negotiated a new triple net lease with the Township, the term of which is fifty years, and expires June 30, 2063. The base rent is \$1.00 per year. Commencing July 1, 2028, the Organization will pay to the Township additional rents equal to the rents collected by the Organization from the Bow Tie Cinemas, LLC lease.

For the years ended June 30, 2018 and 2017, the Organization has recorded \$310,890 per year of in kind rental revenue and the related occupancy expense. The rent is recorded based upon an agreement between the Organization and the Village dated June 26, 2013. Rental costs are estimated at \$14.39 per square foot.

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

### **Notes to Financial Statements For the Years Ended June 30, 2018 and 2017**

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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,		
2019	\$	10,313
2020		<u>10,202</u>
Total	\$	<u><u>20,515</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 (5.00% at June 30, 2018) plus 1%. There was no balance outstanding at June 30, 2018 and 2017.

#### **Note 11 - Subsequent Events**

The Organization has evaluated subsequent events through October 17, 2018, the date these financial statements were available to be issued.