PAPER MILL PLAYHOUSE
Financial Statements
June 30, 2020 and 2019
With Independent Auditor's Report

withum
ADVISORY TAX AUDIT

Paper Mill Playhouse
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June 30, 2020 and 2019

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees,
Paper Mill Playhouse:

Report on Financial Statements

We have audited the accompanying financial statements of Paper Mill Playhouse (a not-for-profit corporation) (the "Organization"), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended and the related notes to 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.

Auditor's 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 audits 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 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 Organization'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 Organization'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 Paper Mill Playhouse as of June 30, 2020 and 2019, 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.

Emphasis of Matters

As discussed in Note 1 to the financial statements, in 2019, the Organization adopted new accounting guidance in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958), FASB ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), and FASB ASU 2016-18, Statement of Cash Flows (Topic 230) – *Restricted Cash*. Our conclusion is not modified with respect to these matters.

As discussed in Note 16 to the financial statements, management is currently evaluating the introduction of the COVID-19 virus to the United States and its impact on the industry and has concluded that while it is reasonably possible that the virus could have a negative effect on the Organization's financial condition and results of operations, the specific impact is not readily determinable as of the date of these financial statements. Our opinion is not modified with respect to this matter.

Withum Smith + Brown, PC

November 2, 2020

Paper Mill Playhouse
Statements of Financial Position
June 30, 2020 And 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Assets						
Current assets						
Cash and cash equivalents	$ 9,431,633	$ 666,620	$ 10,098,253	$ 10,988,087	$ 489,548	$ 11,477,635
Investments	1,927,505	181,855	2,109,360	1,829,306	181,855	2,011,161
Inventory	99,554	-	99,554	91,711	-	91,711
Accounts receivable	16,202	-	16,202	50,114	-	50,114
Unconditional promises to give	162,224	50,000	212,224	288,356	220,000	508,356
Prepaid expenses	88,365	-	88,365	289,971	-	289,971
Deferred subscription campaign costs	-	-	-	43,722	-	43,722
Total current assets	11,725,483	898,475	12,623,958	13,581,267	891,403	14,472,670
Restricted cash	121,310	-	121,310	97,113	-	97,113
Restricted investments	137,671	-	137,671	114,620	-	114,620
Investments - endowment	-	822,835	822,835	-	822,835	822,835
Unconditional promises to give, net of current portion	-	84,327	84,327	-	129,678	129,678
Property and equipment, at cost, net of accumulated depreciation	3,873,475	-	3,873,475	3,620,254	-	3,620,254
Deposits	68,438	-	68,438	41,713	-	41,713
Total assets	$ 15,926,377	$ 1,805,637	$ 17,732,014	$ 17,454,967	$ 1,843,916	$ 19,298,883
Liabilities and Net Assets						
Liabilities						
Current liabilities						
Loans payable	$ 22,177	$ -	$ 22,177	$ 20,742	$ -	$ 20,742
Accounts payable and accrued expenses	402,863	-	402,863	526,908	-	526,908
PPP loan payable	2,299,120	-	2,299,120	-	-	-
Salary, payroll taxes and union benefits payable	199,847	-	199,847	274,026	-	274,026
Advance box office revenue	4,416,193	-	4,416,193	5,997,842	-	5,997,842
Deferred enhancement revenue	350,000	-	350,000	1,251,504	-	1,251,504
Unredeemed gift certificates	469,777	-	469,777	132,564	-	132,564
Deferred tuition	123,525	-	123,525	335,765	-	335,765
Total current liabilities	8,283,502	-	8,283,502	8,539,351	-	8,539,351
Loans payable, net of current portion	49,055	-	49,055	71,232	-	71,232
Accrued vacation	84,387	-	84,387	58,919	-	58,919
Deferred compensation payable	137,671	-	137,671	114,620	-	114,620
Total liabilities	8,554,615	-	8,554,615	8,784,122	-	8,784,122
Net assets						
Without donor restrictions						
Property and equipment, net	3,873,475	-	3,873,475	3,620,254	-	3,620,254
Board-designated	2,658,201	-	2,658,201	3,000,000	-	3,000,000
Undesignated	840,086	-	840,086	2,050,591	-	2,050,591
Total without donor restrictions	7,371,762	-	7,371,762	8,670,845	-	8,670,845
With donor restrictions	-	1,805,637	1,805,637	-	1,843,916	1,843,916
Total net assets	7,371,762	1,805,637	9,177,399	8,670,845	1,843,916	10,514,761
Total liabilities and net assets	$ 15,926,377	$ 1,805,637	$ 17,732,014	$ 17,454,967	$ 1,843,916	$ 19,298,883

The Notes to Financial Statements are an integral part of these statements.

Paper Mill Playhouse
Statements of Activities
Years Ended June 30, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating activities						
Public support and other revenue						
Public support						
Government	$ 811,350	$ -	$ 811,350	$ 719,409	$ -	$ 719,409
Foundations	448,500	-	448,500	284,653	310,000	594,653
Corporations	323,815	-	323,815	321,351	-	321,351
Individuals	2,161,606	302,458	2,464,064	759,990	-	759,990
Donated services	3,575	-	3,575	30,224	-	30,224
Fundraising benefits	-	-	-	1,129,833	-	1,129,833
Less: Direct costs of fundraising benefits	-	-	-	(176,469)	-	(176,469)
Net assets released from restrictions						
Foundations	175,000	(175,000)	-	142,650	(142,650)	-
Corporations	75,000	(75,000)	-	75,000	(75,000)	-
Individuals	12,500	(12,500)	-	12,500	(12,500)	-
Government	-	-	-	40,000	(40,000)	-
Total public support	4,011,346	39,958	4,051,304	3,339,141	39,850	3,378,991
Other revenue						
Ticket sales	7,135,191	-	7,135,191	11,233,865	-	11,233,865
Enhancement and co-production income	2,444,594	-	2,444,594	1,747,032	-	1,747,032
Tuition income and miscellaneous education income	699,337	-	699,337	700,883	-	700,883
Service charge and facility income	583,424	-	583,424	917,352	-	917,352
Concession and restaurant income, net of cost of goods sold	582,242	-	582,242	790,339	-	790,339
Investment income, net	255,208	-	255,208	312,321	-	312,321
Royalty income	113,058	-	113,058	211,233	-	211,233
Miscellaneous income	71,833	-	71,833	39,979	-	39,979
Parking lot income	57,371	-	57,371	83,906	-	83,906
Rental income	2,829	-	2,829	112,485	-	112,485
Playbill income	-	-	-	11,051	-	11,051
Total other revenue	11,945,087	-	11,945,087	16,160,446	-	16,160,446
Total public support and other revenue	15,956,433	39,958	15,996,391	19,499,587	39,850	19,539,437
Expenses						
Program services						
Theatrical productions	13,513,797	-	13,513,797	15,697,331	-	15,697,331
Education and outreach	1,645,113	-	1,645,113	1,568,319	-	1,568,319
Total program services	15,158,910	-	15,158,910	17,265,650	-	17,265,650
Supporting services						
Management and general	1,180,474	-	1,180,474	1,007,655	-	1,007,655
Fundraising	1,130,619	-	1,130,619	1,064,159	-	1,064,159
Total supporting services	2,311,093	-	2,311,093	2,071,814	-	2,071,814
Total expenses	17,470,003	-	17,470,003	19,337,464	-	19,337,464
Change in net assets before non-operating activities (carried forward)	(1,513,570) *	39,958	(1,473,612)	162,123 *	39,850	201,973

*Includes depreciation and amortization expense of $396,119 (2020) and $274,129 (2019)

	2020	2019
Change in net assets before non-operating activities and depreciation and amortization expense	$ (1,117,451)	$ 436,252

The Notes to Financial Statements are an integral part of these statements.

Paper Mill Playhouse
Statements of Activities
Years Ended June 30, 2020 And 2019

	2020			2019		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Change in net assets before non-operating activities (brought forward)	$ (1,513,570)	$ 39,958	$ (1,473,612)	$ 162,123	$ 39,850	$ 201,973
Non-operating activities						
Capital contributions						
Individuals	110,000	26,250	136,250	-	1,570,718	1,570,718
Foundations	-	-	-	-	40,000	40,000
Net assets released from restrictions - capital						
Individuals	104,487	(104,487)	-	2,365,345	(2,365,345)	-
Total non-operating activities	214,487	(78,237)	136,250	2,365,345	(754,627)	1,610,718
Change in net assets	(1,299,083)	(38,279)	(1,337,362)	2,527,468	(714,777)	1,812,691
Net assets						
Beginning of year	8,670,845	1,843,916	10,514,761	6,143,377	2,558,693	8,702,070
End of year	$ 7,371,762	$ 1,805,637	$ 9,177,399	$ 8,670,845	$ 1,843,916	$ 10,514,761

The Notes to Financial Statements are an integral part of these statements.

Paper Mill Playhouse
Statement of Functional Expenses
Year Ended June 30, 2020

	Program Services			Supporting Services			
	Theatrical Productions	Education and Outreach	Total	Management and General	Fundraising	Total	Total Expenses
Salaries	$ 5,722,290	$ 790,346	$ 6,512,636	$ 304,272	$ 637,633	$ 941,905	$ 7,454,541
Benefits and payroll taxes	2,060,318	177,172	2,237,490	82,839	161,482	244,321	2,481,811
Artistic fees	1,237,851	7,823	1,245,674	-	-	-	1,245,674
Professional services	185,692	47,285	232,977	128,086	15,405	143,491	376,468
Production costs	1,065,592	6,537	1,072,129	-	-	-	1,072,129
Production costs - cancelled shows	580,312	-	580,312	-	-	-	580,312
Advertising and marketing	1,140,629	50,150	1,190,779	1,990	2,160	4,150	1,194,929
Advertising and marketing - cancelled shows	40,829	-	40,829	-	-	-	40,829
Cancelled subscription campaign	30,680	-	30,680	-	-	-	30,680
Travel and transportation	237,041	26,545	263,586	17,558	717	18,275	281,861
Telephone and postage	20,960	10,961	31,921	17,225	13,744	30,969	62,890
Repairs, maintenance and utilities	304,231	127,571	431,802	76,542	25,514	102,056	533,858
Supplies and materials	9,802	4,479	14,281	12,027	2,827	14,854	29,135
Insurance	177,522	88,761	266,283	155,332	22,190	177,522	443,805
Concession and restaurant cost of goods sold	295,915	-	295,915	-	-	-	295,915
Office expenses (meetings, hospitality and general)	146,513	120,506	267,019	83,203	152,817	236,020	503,039
Computers and software	58,413	29,207	87,620	51,112	17,502	68,614	156,234
Dues and memberships	21,967	10,769	32,736	18,846	2,926	21,772	54,508
Space rental	293,931	49,689	343,620	91,003	7,434	98,437	442,057
Printing and reproduction	-	3,753	3,753	-	24,132	24,132	27,885
Bank charges and credit card processing fees	20,777	12,056	32,833	1,797	12,537	14,334	47,167
Depreciation and amortization	158,447	79,224	237,671	138,642	19,806	158,448	396,119
Bad debt expense	-	2,279	2,279	-	11,793	11,793	14,072
Total expenses	13,809,712	1,645,113	15,454,825	1,180,474	1,130,619	2,311,093	17,765,918
Less: Expenses included with revenues on the statements of activities							
Concession and restaurant cost of goods sold	(295,915)	-	(295,915)	-	-	-	(295,915)
	$ 13,513,797	$ 1,645,113	$ 15,158,910	$ 1,180,474	$ 1,130,619	$ 2,311,093	$ 17,470,003

The Notes to Financial Statements are an integral part of this statement.

Paper Mill Playhouse
Statement of Functional Expenses
Year Ended June 30, 2019

	Program Services			Supporting Services			
	Theatrical Productions	Education and Outreach	Total	Management and General	Fundraising	Total	Total Expenses
Salaries	$ 6,516,972	$ 701,532	$ 7,218,504	$ 234,152	$ 665,921	$ 900,073	$ 8,118,577
Benefits and payroll taxes	2,118,994	146,360	2,265,354	51,431	149,493	200,924	2,466,278
Artistic fees	1,630,205	4,409	1,634,614	750	-	750	1,635,364
Professional services	116,937	48,479	165,416	141,834	3,698	145,532	310,948
Production costs	2,249,544	12,625	2,262,169	-	-	-	2,262,169
Advertising and marketing	1,470,592	32,829	1,503,421	-	1,471	1,471	1,504,892
Travel and transportation	319,595	37,527	357,122	7,493	2,666	10,159	367,281
Telephone and postage	22,757	12,659	35,416	17,950	12,724	30,674	66,090
Repairs, maintenance and utilities	356,173	148,937	505,110	89,362	29,787	119,149	624,259
Supplies and materials	17,514	11,114	28,628	7,813	4,619	12,432	41,060
Insurance	180,050	90,025	270,075	157,544	22,506	180,050	450,125
Concession and restaurant cost of goods sold	404,198	-	404,198	-	-	-	404,198
Direct costs of fundraising benefits	-	-	-	-	176,469	176,469	176,469
Indirect benefit expenses	-	-	-	-	38,955	38,955	38,955
Office expenses (meetings, hospitality and general)	175,889	143,971	319,860	69,510	58,179	127,689	447,549
Computers and software	46,926	23,465	70,391	41,060	5,965	47,025	117,416
Dues and memberships	16,257	8,011	24,268	14,020	2,402	16,422	40,690
Space rental	323,471	76,619	400,090	77,553	11,374	88,927	489,017
Printing and reproduction	-	1,149	1,149	-	26,522	26,522	27,671
Bank charges and credit card processing fees	25,803	13,673	39,476	1,238	14,171	15,409	54,885
Depreciation and amortization	109,652	54,826	164,478	95,945	13,706	109,651	274,129
Bad debt expense	-	109	109	-	-	-	109
Total expenses	16,101,529	1,568,319	17,669,848	1,007,655	1,240,628	2,248,283	19,918,131
Less: Expenses included with revenues on the statements of activities							
Concession and restaurant cost of goods sold	(404,198)	-	(404,198)	-	-	-	(404,198)
Direct costs of fundraising benefits	-	-	-	-	(176,469)	(176,469)	(176,469)
	$ 15,697,331	$ 1,568,319	$ 17,265,650	$ 1,007,655	$ 1,064,159	$ 2,071,814	$ 19,337,464

The Notes to Financial Statements are an integral part of this statement.

Paper Mill Playhouse
Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	2020	2019
Operating and non-operating activities		
Change in net assets	$ (1,337,362)	$ 1,812,691
Adjustments to reconcile change in net assets to		
net cash provided by (used in) operating and non-operating activities		
Depreciation and amortization	396,119	274,129
Donated securities	(5,235)	(68,757)
Net gain on deferred compensation investment	(2,719)	(2,298)
Unrealized (gain) loss on investments	4,457	(11,146)
Realized gain on sale of investments	(32,521)	(71,904)
Deferred compensation plan roll-over	-	(107,097)
Donor-designated endowment gifts and grants	(287,458)	-
Reinvested interest	(78,419)	(99,854)
Change in discount for present value of unconditional promises	(4,649)	(10,823)
Bad debt expense	14,072	109
Change in		
Inventory	(7,843)	(16,397)
Accounts receivable	19,840	141,827
Unconditional promises to give	346,132	(9,091)
Prepaid expenses	201,606	(67,984)
Deferred subscription campaign costs	43,722	2,140
Deposits	(26,725)	(15,250)
Accounts payable and accrued expenses	(124,045)	(376,763)
Salary, payroll taxes and union benefits payable	(74,179)	(239,415)
Advance box office revenue	(1,581,649)	220,858
Deferred enhancement revenue	(901,504)	1,251,504
Unredeemed gift certificates	337,213	(23,661)
Deferred tuition	(212,240)	16,769
Accrued vacation	25,468	5,791
Deferred compensation payable	23,051	114,620
Deferred revenue	-	(1,250)
Net cash provided by (used in) operating and non-operating activities	(3,264,868)	2,718,748
Investing activities		
Purchase of property and equipment	(649,340)	(1,836,808)
Proceeds from sale of investments	607,052	899,804
Payment for purchase of investments	(593,533)	(789,903)
Payments toward deferred compensation plan payable	(20,332)	(5,225)
Net cash used in investing activities	(656,153)	(1,732,132)
Financing activities		
Principal payments towards loans	(20,742)	(19,400)
Receipt of donor-designated endowment gifts and grants	287,458	-
PPP loan received	2,299,120	-
Net cash provided by (used in) financing activities	2,565,836	(19,400)
Net change in cash, cash equivalents and restricted cash	(1,355,185)	967,216
Cash, cash equivalents and restricted cash		
Beginning of year	11,574,748	10,607,532
End of year	$ 10,219,563	$ 11,574,748
Supplemental disclosure of cash flow information		
Interest paid on loans	$ 5,535	$ 6,878

The Notes to Financial Statements are an integral part of this statement.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Paper Mill Playhouse (the "Organization") is a not-for-profit corporation located in Essex County, New Jersey. The Organization was established to promote the appreciation of theatre through theatrical productions, provide and support facilities for education and instruction in the art of theatre and to offer seminars, workshops and other programs relating to the art of theatre.

Due to the impacts of the COVID-19 virus, the theatre temporarily closed on March 12, 2020, and has not reopened.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

The Organization's resources are classified and reported as separate classes of net assets based on the existence or absence of donor-imposed restrictions as follows:

Net assets without donor restrictions: Net assets that include expendable resources that are used to carry out the Organization's operations and are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by the Organization or may be limited by contractual agreements with side parties. In addition, net assets without donor restrictions include board designated funds and property and equipment used in operations.

Net assets with donor restrictions: Net assets subject to donor-imposed restrictions that will be met either by the actions of the Organization or through the passage of time. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been met in the year of receipt. Expirations of restrictions on net assets with donor restrictions are reported as net assets released from restrictions. Also included in this category are net assets subject to donor-imposed restrictions to be maintained permanently by the Organization, including gifts and pledges wherein donors stipulate that the corpus of the gift be held in perpetuity and that only the income may be made available for operations, subject to the Organization's spending policy.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, cash and cash equivalents include time deposits and all highly liquid debt instruments with original maturities of three months or less.

Fair Value Measurements

"Fair Value Measurements and Disclosures" establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. "Fair Value Measurements and Disclosures" defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price" in an orderly transaction between market participants).

In determining fair value, the Organization use various valuation approaches, including market, income and/or cost approaches. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements), and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under "Fair Value Measurements and Disclosures" and the Organization's related types are described below.

Level 1 - Quoted prices of identical instruments in active markets.

Level 2 - Quoted prices of similar instruments in active markets; quoted prices of identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 - Significant inputs to the valuation model are unobservable.

The financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The valuation levels are not necessarily an indication of the risk or liquidity associated with the underlying assets and liabilities. There were no changes in the methodologies from June 30, 2019 to June 30, 2020. There were no transfers between levels for the periods presented.

Investments

Investments in marketable securities are reported at market value in the accompanying statements of financial position. All investments are stated at their fair value. Unrealized gains and losses are included in change in net assets in the accompanying statements of activities. Investments received by gift are initially recorded at fair value at the date of receipt. Fair values for stocks, mutual funds, bonds and U.S. government securities are based on quoted market prices. Alternative investments are stated at fair value in the financial statements at the net asset value based on estimates provided by the management of the funds. The alternative investments are nonmarketable and the funds' management values the assets based upon the net asset value multiplied by the number of shares held.

The fair values assigned to these assets do not necessarily represent amounts that might be realized upon their ultimate disposition. The amount of gain or loss associated with these investments is reflected in the accompanying financial statements. Gains and losses on sales of investments are determined using the average cost method.

Inventory

Inventory consists of concessions and merchandise held for sale during performances. Inventory is stated at net realizable value.

The Organization also maintains scenery and costume inventories of past productions. The Organization is unable to determine future use of the scenery and costumes and therefore they are expensed over the run of the public performances of the original show.

Property and Equipment

Property and equipment acquired are recorded at cost. It is the Organization's policy to capitalize expenditures for these items in excess of $1,000. Lesser amounts are expensed. Building, equipment and furniture and fixtures are being depreciated over the useful life of the related asset using the straight-line method, with a half of a year's depreciation recognized in the years of acquisition and disposal. Leasehold improvements are amortized over the shorter of the useful life or periods including options, if any, specified in the related lease agreements.

Production Costs

Production costs are capitalized at cost and are amortized over the performances of the theatrical production. For the years ended June 30, 2020 and 2019, all productions closed by June 30, 2020 and 2019, therefore, all production costs were expensed within the fiscal year.

Advertising Costs
Advertising costs are charged to operations at the time the advertising occurs, except for direct response marketing and other expenses incurred related to the subsequent season's performances that are deferred and recognized in the season when the related revenue is recognized. Advertising expense for the years ended June 30, 2020 and 2019 was $580,867 and $780,393, respectively, which is included in advertising and marketing expense in the statements of functional expenses.

Estimates
The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Significant estimates used in the preparation of these financial statements include depreciation and amortization, fair value of investments and present value discount of unconditional promises to give. Actual results could differ from those estimates.

Tax Status and Uncertain Tax Positions
The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation. The Organization is obligated for unrelated business income tax on net income from playbill advertising. The Organization has incurred net losses from this activity; therefore, there is no tax liability on this unrelated business activity. As of June 30, 2020 and 2019, the Organization had approximately $335,000 and $314,000, respectively, in net operating losses carried forward. The carried forward losses have been fully reserved for since management is unable to determine the actual utilization of these losses.

The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. There are no income tax related penalties and interest included in these financial statements.

New Accounting Pronouncements Adopted in Current Year
The FASB has issued ASU No. 2016-18, *Restricted Cash*. ASU 2016-18 requires that a statement of cash flows explains the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. During 2019, the Organization adopted this guidance, which has been applied on a retrospective basis. The adoption of ASU 2016-18 did not have a significant impact on the Organization's results of activities, financial position, or cash flows.

The Financial Accounting Standards Board ("FASB") issued new guidance that created Topic 606, Revenue from Contracts with Customers ("ASC 606"), in the Accounting Standards Codification ("ASC"). ASC 606 supersedes the prior revenue recognition requirements (codified as ASC 605, Revenue Recognition). ASC 606 established a core principle that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. In doing so, companies need to use more judgment and make more estimates than under prior guidance. Judgments include identifying performance obligations in the contract, estimating the amount of consideration to include in the transaction price, and allocating the transaction price to each performance obligation. The new guidance also added Subtopic 340-40, Other Assets and Deferred Costs – Contracts with Customers, which requires the deferral of incremental costs (primarily commissions) of obtaining a contract with a customer. All references to the "new guidance" include ASC 606 and/or ASC 340-40.

The Organization adopted the requirements of the new guidance as of July 1, 2019, utilizing the modified retrospective method of transition. No adjustment to retained earnings as of July 1, 2019 was necessary. The Organization applied the new guidance using the practical expedient provided in ASC 606 that allows the guidance to be applied only to contracts that were not complete as of July 1, 2019. Adoption of the new guidance resulted in minimal changes to the Organization's accounting policies for revenue recognition, trade and other receivables and contract liabilities.

In June 2018, FASB issued ASU 2018-08, *Not-for-Profit Entities* (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 was issued to improve and clarify existing guidance on revenue recognition of grants and contracts by not-for-profit organizations ("NFPs") because there was diversity in practice among NFPs with characterizing grants and similar contracts with government agencies and others as reciprocal transactions (exchanges) or nonreciprocal transactions (contributions) and distinguishing between conditional and unconditional contributions. This ASU also provides guidance to help determine whether a contribution is conditional or unconditional, and better distinguish a donor-imposed condition from a donor-imposed restriction. ASU 2018-08 was adopted using the modified prospective basis. Accordingly, there is effect no effect on net assets in connection with the implementation of ASU 2018-08.

Revenue and Support Recognition

Contributions and Promises to Give

Grants and contributions are recognized when cash is received or when the donor makes a promise to give to the Organization that is, in substance, unconditional. Grants and contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions and grants are recognized. All other donor-restricted grants and contributions are reported as increases in net assets with donor restrictions. When a restriction expires, donor restricted net assets are reclassified to net assets without donor restrictions. 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.

Revenue from Contracts with Customers

The Organization accounts for ticket sales, enhancement and co-production income, service charge and facility income, parking lot income, concession and restaurant income, tuition income, playbill income, and royalty income as exchange transactions in the statements of activities and changes in net assets. Revenue from contracts with customers are treated as revenues without donor restrictions. Funds received in advance from customers for services that have not been performed have been recorded as contract liabilities (advance box office revenue, deferred enhancement revenue, unredeemed gift certificates and deferred tuition) in the statement of financial position.

Fundraising Benefit

Fundraising benefit revenue comprises an exchange element, based on the benefits received, and a contribution element for the difference and is treated as revenue without donor restrictions. The Organization does not have any significant financing components as payment is received at or shortly after the point of sale. The contribution portion is recognized as a conditional contribution when received and reported as a refundable advance on the statement of financial position, and is recognized as revenue when the condition is met, which is when the event takes place. For the exchange portion, funds received in advance of the event date are recorded as contract liabilities in the statement of financial position. Revenue from the exchange portion is recognized at a point in time, at the date of the event held.

Other revenues are obtained from rental income and investment income. These revenues are used to offset program, management and general and fundraising expenses. Revenue from these sources are recognized when earned. Certain investment income has been classified as with donor restrictions based on donor stipulations.

In determining the appropriate amount of revenue to be recognized as it fulfills its obligations under its agreements, the Organization performs the following steps (i) identify contracts with customers; (ii) Identify performance obligations; (iii) determine the transaction price; (iv) allocation of the transaction price to the performance obligations; and (v) recognition of revenue when (or as) the Organization satisfies each performance obligation.

The following summarizes the Organization's performance obligations:

Ticket Sales
Ticket sales represents the sums actually paid for individual tickets of admission to a production of the Organization including handling and other fees. Tickets and the related fees are non-refundable at the time of receipt, unless a performance is cancelled. The Organization estimates the number of cancellations and records a reserve if deemed material. The Organization allows for exchanges under certain circumstances for tickets of equal or lesser value. The total yearly adjustment for exchanged tickets is immaterial to the Organization. Tickets purchased in advance are recorded as contract liabilities by the Organization. Advanced ticket sales are recorded as revenue when the performance related to the ticket sale is complete. Admission is recognized at a specific point in time, which is when the performance related to the ticket is complete.

Enhancement Income and Co-production Income
Enhancement income represents income received for the Organization's participation in the development of a commercial Broadway production. The Organization receives a fixed amount of income as a reimbursement for production costs spent to develop the production. Payments received in advance for enhancement expenses are recorded as contract liabilities by the Organization. Advanced enhancement payments are recorded as revenue when production expenses are spent. Enhancement income is recognized over a period of time, as the expenses for the production are being spent.

Service Charge and Facility Income
Service charge and facility represents income received as an additional charge at the time of sale when purchasing a ticket. These charges are used for facility upkeep, processing and/or printing the individual ticket of admission to a production of the Organization. These fees are non-refundable at the time of receipt. Service charge and facility income is recognized at a specific point in time, which is the sale of the individual ticket.

Concession and Restaurant Income
Concession and restaurant income is received for the sale of food, beverages and licensed merchandise during the performances of the Organization and at the restaurant outside of the Organization's theatre. Concession and restaurant inventory is purchased from third party vendors. The Organization acts as an agent for the goods being sold, therefore, income is recorded net of costs of goods sold. Concession and restaurant income is non-refundable at the time of receipt. Concession and restaurant income is recognized at a specific point in time when the related sales take place.

Tuition Income and Miscellaneous Education Income
Tuition and education income represents income received for customer participation in education programs. Fees for tuition services are set by the Organization and are set forth in the agreements with customers. Fees for tuition will vary based on program selection. The Organization offers discounts and scholarships, which are immaterial in nature. Payments received in advance for education programs are recorded as contract liabilities by the Organization. Advanced education payments are recorded as revenue when the education program is complete. Tuition is refundable under certain circumstances, such as cancellation of the program. The total yearly adjustment for refunded tuition is immaterial to the Organization. Tuition and education income is recognized over a period of time, which is the length of the education program.

Other Exchange Transactions
Parking lot income, playbill income and royalty income are recognized at a point in time, which is in the period the performance takes place.

The following table disaggregates the Organization's revenue based on the timing of satisfaction of performance obligations at a point in time or over time, for the years ended June 30:

	2020	2019
Performance obligations satisfied at a point in time	$ 8,471,286	$ 13,247,746
Performance obligations satisfied over a period of time	3,143,931	2,447,915
	$ 11,615,217	$ 15,695,661

The timing of revenue recognition, billings and cash collections results in contract liabilities, which are shown as deferred revenue on the statements of financial position. Contract liabilities for the years ended June 30, 2020 and 2019 were $5,359,495 and $7,717,675, respectively.

Reclassification
Certain amounts for the year ended June 30, 2019 financial statements have been reclassified for comparative purposes to conform to the presentation of the year ended June 30, 2020 financial statements.

2. RESTRICTION ON NET ASSETS

Net Assets Without Donor Restrictions
Board-Designated Net Assets
The Board created a $3,000,000 cash reserve fund that can be used for a broad array of purposes subject to Board approval. During the year ended June 30, 2020, $341,799 was released from board-designated net assets for the renovation of the new Paper Mill Studio in downtown Millburn.

Net Assets With Donor Restrictions

The following net assets are restricted for the following purposes as of June 30:

	2020	2019
Grants and contributions (subject to expenditure for specific purpose)		
Future periods and programs		
Capital projects	$ 401,664	$ 484,550
Future programs and periods	309,353	556,853
	711,017	1,041,403
Less: Discount to present value	(15,673)	(20,322)
	695,344	1,021,081
Donor-designated endowments (to be held in perpetuity)		
Donor Directed Use of Investment Income for general use		
Robert Wood Johnson Foundation	750,000	750,000
Klaus P. Kuschel	72,835	72,835
Donor Directed Use of Investment Income for specific use		
Harry and Ruth Kalish Gallery Fund	287,458	-
	1,110,293	822,835
	$ 1,805,637	$ 1,843,916

Donor-designated endowments are net assets restricted by the donor in perpetuity. The Organization's endowment consists of three funds, two of which are donor restricted endowment funds established for general use, the investment income from which is without donor restriction. The third fund was established in January 2020 for specific a purpose, investment income from which is restricted by the donor. The endowment allows a yearly 5% distribution is to be made from the investment income first and then from the principal, which is to be spent to support the costs of one art exhibition each season. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations and decrements to the permanent endowment made in accordance with the direction of the applicable donor gift instrument.

The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following facts in making a determination to appropriate or accumulate donor-restricted endowment funds:

a. The duration and preservation of the fund;
b. The purposes of the Organization and the donor-restricted endowment fund;

c. General economic conditions;
d. The possible effect of inflation and deflation;
e. The expected total return from income and the appreciation of investments;
f. Other resources of the Organization; and
g. The investment policy of the Organization.

Return Objectives and Risk Parameters
The Organization has adopted an investment policy for endowment assets with the primary goal of maintaining the original value of the endowment principal, while providing funding to programs supported by its endowment. Under this policy, the endowment assets are invested in a manner that is intended to produce income and preserve principal while assuming a very low level of investment risk.

3. FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of June 30, 2020 and 2019, financial assets and liquidity resources available within one year for general expenditures, such as operating expenses, scheduled principal payments on debt, and capital construction costs not financed with debt, were as follows:

	2020	2019
Financial assets		
Cash and cash equivalents	$ 9,431,633	$ 10,988,087
Investments	1,927,505	1,829,306
Accounts receivable	16,202	50,114
Unconditional promises to give	162,224	288,356
Amounts restricted by board	(2,658,201)	(3,000,000)
Total financial assets and liquidity resources available within one year	$ 8,879,363	$ 10,155,863

The Organization's cash flows are substantially supported by the productions at the theatre. The Organization produces and performs at the theatre and generates cash flow through ticket sales and concessions. The Organization receives the advance ticket sales for the productions at the theatre. Due to the impacts of COVID-19, the Organization is currently not receiving cash flows from productions at the theatre.

The Organization generates revenue through education programs for children and other aspiring performers, enhancement agreements with producers and royalties from past productions. In addition, the Organization has fundraising campaigns to fund operations and other projects. The Organization's endowment funds consist of donor-restricted endowments. The Organization's board-designated net assets can be used for general operating expenses upon approval by the Board of Trustees.

4. CONCENTRATION OF CREDIT RISK AND RESTRICTED CASH

The Organization maintains its cash and cash equivalents balances in two financial institutions. Certain balances are insured by the Federal Deposit Insurance Corporation up to $250,000 per institution. At June 30, 2020, the Organization's uninsured cash and cash equivalents balances totaled $9,845,754. The Organization has not experienced any losses in these accounts and does not believe they are exposed to any significant credit risk on cash and cash equivalents.

Investment accounts are insured by the Securities Investor Protection Corporation ("SIPC") up to $500,000 per customer. The SIPC does not protect investors from market risk. At June 30, 2020, the Organization's investment balances exceed the SIPC limit by $2,218,286.

The Organization has obtained a letter of credit in the amount of $121,012 as a part of an obligation to post a bond under a collective bargaining agreement with Actors' Equity Association. The bond currently expires in July 2021.

5. CASH, CASH EQUIVALENTS AND INVESTMENTS

Fair Value of Financial Instruments

The fair value and carrying amount of the Organization's cash and short-term investments as of June 30, 2020 and 2019 was $10,098,253 and $11,477,635, respectively. Cash and short-term investments carrying amount approximates fair value because of the short maturities of those investments.

Fair Values Measured on Recurring Basis

Fair value of assets measured on a recurring basis at June 30, 2020 and 2019 consist of fixed and equity mutual funds and stocks. Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

Investments consist of the following as of June 30, 2020:

	Fair Value		Cost
	Level 1	Total	Total
Equity mutual funds	$ 1,580,757	$ 1,580,757	$ 1,335,293
Fixed income mutual funds	1,355,302	1,355,302	1,294,873
Stocks	133,807	133,807	101,622
	$ 3,069,866	$ 3,069,866	$ 2,731,788

Investments consist of the following as of June 30, 2019:

	Fair Value		Cost
	Level 1	Total	Total
Equity mutual funds	$ 1,516,106	$ 1,516,106	$ 1,268,664
Fixed income mutual funds	1,310,401	1,310,401	1,224,752
Stocks	122,109	122,109	112,665
	$ 2,948,616	$ 2,948,616	$ 2,606,081

Investment income consists of the following for the years ended June 30:

	2020	2019
Interest and dividend income	$ 251,421	$ 251,916
Realized gain on sale of investments	32,521	71,904
Unrealized gain (loss) on investments	(4,457)	11,146
Investment management fees	(24,277)	(22,645)
Total investment income	$ 255,208	$ 312,321

6. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are initially recorded at fair value. When estimating fair value of unconditional promises to give, the relationship with the donor, the donor's past history of making timely payments, and the donor's overall creditworthiness are considered and incorporated into present value techniques. The interest element resulting from amortization of the discount for the time value of money, computed using the effective interest rate method, is reported as contributed revenue. Unconditional promises to give to be received after one year are discounted at a rate of 5%. In subsequent years, amortization of the discount is included in contribution revenue in the statement of activities. Uncollectible promises are expected to be insignificant.

Unconditional promises to give consist of the following as of June 30, 2020:

	Less than One Year	Over One Year	Total
Without donor restrictions	$ 162,224	$ -	$ 162,224
With donor restrictions	50,000	100,000	150,000
	212,224	100,000	312,224
Less: Discount for present value	-	(15,673)	(15,673)
	$ 212,224	$ 84,327	$ 296,551

Unconditional promises to give consist of the following as of June 30, 2019:

	Less than One Year	Over One Year	Total
Without donor restrictions	$ 288,356	$ -	$ 288,356
With donor restrictions	220,000	150,000	370,000
	508,356	150,000	658,356
Less: Discount for present value	-	(20,322)	(20,322)
	$ 508,356	$ 129,678	$ 638,034

7. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	Life/Years	2020	2019
Building and improvements	20-39	$ 4,119,357	$ 3,600,193
Equipment	5-10	5,115,378	5,010,283
Furniture and fixtures	5	828,754	803,673
		10,063,489	9,414,149
Less: Accumulated depreciation		(6,190,014)	(5,793,895)
		$ 3,873,475	$ 3,620,254

Depreciation expense for the years ended June 30, 2020 and 2019 was $396,119 and $274,129, respectively.

8. LOANS PAYABLE

Loans payable consists of the following as of June 30:

	2020	2019
Loans payable to a bank due in equal monthly installments of $2,190 including interest of 6.7036% per annum through June 2023, secured by certain transportation equipment	$ 71,232	$ 91,974
	71,232	91,974
Less: Current portion	(22,177)	(20,742)
	$ 49,055	$ 71,232

Loans payable are due as follows as of June 30, 2020:

Due during the year ending June 30, 2021	$ 22,177
" " " " June 30, 2022	23,708
" " " " June 30, 2023	25,347
	$ 71,232

9. STATEMENT OF CASH FLOWS

The following comprises the cash, cash equivalents and restricted cash reported within the statement of financial position that sum to the total reported in the statements of cash flows for the years ended June 30, 2020 and 2019, respectively:

	2020	2019
Cash and cash equivalents	$ 10,098,253	$ 11,477,635
Restricted cash	121,310	97,113
	$ 10,219,563	$ 11,574,748

10. COMMITMENTS AND CONTINGENCIES

a) Government supported programs are subject to audit by the granting agency.

b) The Organization has received $40,000 in gift annuities. Grantors are paid annually over joint lives as a result of the gifts. The State of New Jersey requires that the Organization reserves $100,000 plus the earnings to guarantee payment on any gift annuities that the Organization may receive. These reserves are reflected within investments as of June 30, 2020 and 2019. The Organization paid $1,980 to the gift annuitants for each of the years ended June 30, 2020 and 2019.

c) The Organization contributes to five multiemployer pension plans under collective bargaining agreements covering union-represented employees, entirely in the entertainment industry. The vast majority of employers participating in these multiemployer plans are primarily engaged in the entertainment industry. These plans generally provide retirement benefits to vested participants based on their service to contributing employers, of which the Organization is one. In general, these plans are managed by a Board of Trustees with the unions appointing certain trustees and contributing employers of the plan appointing certain members. The Organization does not participate in any plan where it considers its contributions to be individually significant to the overall plan.

Based on information available to the Organization, the vast majority of the multiemployer plans to which it contributes are adequately funded under the applicable provisions of the Pension Protection Act enacted in 2006 (“PPA”). Only two funds are in either "critical" or "endangered" status as those terms are defined in the PPA. The PPA requires all underfunded pension plans to improve their funding ratios within prescribed intervals based on their level of underfunding. Until the plan trustees develop the funding improvement plans or rehabilitation plans as required by the PPA, the Organization is unable to determine the amount of assessments the Organization may be subject to, if any.

Under applicable law upon its ceasing to make contributions to, or other “withdrawal” from an underfunded multiemployer pension plan, the affected funds could seek contributions from the Organization for the Organization’s proportionate share of the plan's unfunded vested liabilities. The Organization believes that under such circumstances, if a Fund were to seek to assess such contribution obligation upon the Organization’s alleged “withdrawal,” the Organization would have significant defenses against such assessment under applicable law. The Organization cannot determine at this time the impact that any alleged withdrawal from the affected plans may have on the financial position, results of operations or cash flows.

Approximately 53% of the Organization's employees are participants in multiemployer plans for the years ended June 30, 2020 and 2019, respectively. Pension and welfare expense for multiemployer plans was $1,075,611 and $1,124,041 for the years ended June 30, 2020 and 2019, respectively.

d) The Organization has a lease with the Township of Millburn for an initial term of thirty-five years, with four successive ten year renewal options by the Organization for an additional forty years. The Organization is responsible for all costs of maintaining the property including utilities and capital expenditures. Effective August 1, 2010, the Organization began paying rent to the Township equal to .5% of the preceding year's annual operating income (defined as the "base rent formula"). The lease provides for annual increases of the base rent formula in fiscal years 2012 to .6% of the preceding year's annual operating income, increasing to .85% for 2013 and then 1% thereafter. During the year ended June 30, 2020, rent was abated for 3 months due to the impacts of COVID-19.

Rent expense for the years ended June 30, 2020 and 2019 was $148,500 and $217,146, respectively. The lease provides that the rent calculation will be the greater of the base rent formula or a minimum floor of the following:

For the year ending June 30, 2021	$	204,000
“ “ “ “ June 30, 2022		210,000
“ “ “ “ June 30, 2023		216,000
“ “ “ “ June 30, 2024		222,000
“ “ “ “ June 30, 2025		228,000
For the fifty-eight years ending June 30, 2083		17,188,000
	$	18,268,000

In June 2011, the Organization entered into an operating lease for the property located in New York to be used as costume shop. The lease currently expires June 30, 2025. Rent expense for the years ended June 30, 2020 and 2019 was $78,095 and $75,820, respectively. The lease provides for minimum annual rental payments as of June 30, 2020 as follows:

For the year ending June 30, 2021	$	84,897
“ “ “ “ June 30, 2022		87,444
“ “ “ “ June 30, 2023		96,758
“ “ “ “ June 30, 2024		99,660
“ “ “ “ June 30, 2025		102,650
	$	471,409

In September 2018, the Organization entered into an operating lease for the property located in New Jersey to be used as warehouse space. The lease currently expires September 30, 2028. Rent expense for the years ended June 30, 2020 and 2019 was $88,350 and $65,250, respectively. The lease provides for minimum annual rental payments as of June 30, 2020 as follows:

For the year ending June 30, 2021	$	90,150
“ “ “ “ June 30, 2022		91,950
“ “ “ “ June 30, 2023		93,750
“ “ “ “ June 30, 2024		95,550
“ “ “ “ June 30, 2025		97,350
For the three years and three months ending September 30, 2028		328,650
	$	797,400

In September 2019, the Organization entered into an operating lease for property located in New Jersey to be used for educational purposes and general office use. The lease currently expires December 31, 2024. Rent expense for the year ended June 30, 2020 was $33,750. The lease provides for minimum annual rental payments as of June 30, 2020 as follows:

For the year ending June 30, 2021	$ 67,500
" " " " June 30, 2022	68,175
" " " " June 30, 2023	69,539
" " " " June 30, 2024	70,929
For the six months ending December 31, 2024	35,816
	$ 311,959

e) The Organization has entered into various contracts with playwrights in order to develop, produce, and present plays on the stage in the presence of an audience. The Organization is obligated to pay royalties to authors and/or composers for productions that they have produced. If a play produced by the Organization generates royalties to the author and/or composer, then the Organization will generally be entitled to a certain percentage of the net proceeds received by the author and/or composer.

f) The Organization has a three year contract with a valet parking services company which manages its parking lot that expires September 30, 2022. The Organization receives 40% of the gross revenue less New Jersey State sales tax. Due to the impacts of COVID-19, the Organization's theatre and parking lot is closed and parking lot income is not being collected. Parking lot income for the years ended June 30, 2020 and 2019 was $57,371 and $83,906, respectively.

g) The Organization has an employment agreement which extends through January 31, 2024. The aggregated commitment under this agreement is approximately $1,292,740 at June 30, 2020.

11. CONCENTRATION OF CONTRIBUTIONS

New Jersey State Council on the Arts has contributed approximately 19% and 14% of the total public support for the years ended June 30, 2020 and 2019, respectively.

12. EMPLOYEE BENEFIT PLANS

The Organization has a 403(b) salary deferral plan covering substantially all employees. Under the plan, the Organization is able to make a contribution to the employee plan on a discretionary basis. The Board of Trustees elected to suspend employer contributions to the plan effective August 1, 2006.

In 2019, the Organization opened a 457(b) deferred compensation plan for a key employee. As of June 30, 2019, one employee was under the plan. Under the plan, the Organization may make a contribution to the employee plan on a discretionary basis. As of June 30, 2020 and 2019, the balance of the deferred compensation payable is $137,671 and $114,620, respectively. The June 30, 2019 balance of $114,620 represents roll-over from a past employer and employee's contributions to the plan.

13. DONATED SERVICES

The Organization received donated professional services during the years ended June 30, 2020 and 2019 in support of its program and operations. The fair market value has been recorded in the accompanying financial statements.

14. NEW ACCOUNTING PRONOUNCEMENTS ISSUED NOT YET EFFECTIVE

In February 2016, FASB issued ASU 2016-02, Leases (Topic 842), which requires the recognition of a “right to use” asset and a lease liability, initially measured at the present value of the lease payments, on the balance sheet for all of the Organization’s lease obligations. This ASU is effective for years beginning after December 15, 2021 (fiscal year 2023) and interim periods with fiscal years beginning after December 15, 2022. The Organization is currently evaluating the effect that this pronouncement will have on its financial statements and related disclosures.

15. FUNCTIONAL ALLOCATION OF EXPENSES

The cost of providing the various programs and the supporting services has been summarized on a functional basis in the statements of activities. Costs have been allocated among the programs and supporting services based on analysis of personnel time and utilization of related activities. Management and general expense include those expenses that are not directly identifiable with any specific function but provide for the overall support and direction of the Organization. The expenses that are allocated include space rental, depreciation and amortization, which are allocated on a square footage basis, as well as salaries, benefits, payroll taxes, office expense, insurance, professional fees, artistic fees, travel, repairs, maintenance and utilities, supplies and materials, computers and software, dues and memberships, printing and reproduction, bank charges and credit card processing fees, which are allocated on the basis of estimates of time and effort.

16. EMPHASIS OF A MATTER

Management is currently evaluating the introduction of the COVID-19 virus to the United States and its impact on the theatrical industry and has concluded that that while it is reasonably possible that the virus could have a negative effect on the Organization’s financial condition and results of operations, the specific impact is not readily determinable as of the date of these financial statements.

On April 17, 2020, the Organization was approved for the Paycheck Protection Program (“PPP”) loan in amount of $2,299,120. Per the loan agreement, the Organization has a twenty-four week deferral period starting on April 21, 2020. After the deferral period, payments on the loan agreement will commence and are due monthly with a fixed interest rate of 1.00%. The loan agreement contains forgiveness provision.

17. EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through November 2, 2020, the date the financial statements were available to be issued. Management has determined that there are no subsequent events that require adjustment to or disclosure in these financial statements.