PAPER MILL PLAYHOUSE
Financial Statements
June 30, 2021 and 2020
With Independent Auditor's Report

withum
ADVISORY TAX AUDIT

Paper Mill Playhouse
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June 30, 2021 and 2020

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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, 2021 and 2020, 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.

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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, 2021 and 2020, 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.

WithumSmith+Brown, PC

October 18, 2021

Paper Mill Playhouse
Statements of Financial Position
June 30, 2021 and 2020

	2021					2020				
	Without Donor Restrictions					Without Donor Restrictions				
	Undesignated	Board Designated	Total	With Donor Restrictions	Total	Undesignated	Board Designated	Total	With Donor Restrictions	Total
Assets										
Current assets										
Cash and cash equivalents	$ 4,893,295	$ 3,950,605	$ 8,843,900	$ 564,769	$ 9,408,669	$ 6,773,432	$ 2,658,201	$ 9,431,633	$ 666,620	$ 10,098,253
Investments	2,406,811	-	2,406,811	376,020	2,782,831	1,927,505	-	1,927,505	181,855	2,109,360
Inventory	105,016	-	105,016	-	105,016	99,554	-	99,554	-	99,554
Accounts receivable	36,059	-	36,059	-	36,059	16,202	-	16,202	-	16,202
Employee retention credit receivable	1,176,011	-	1,176,011	-	1,176,011	-	-	-	-	-
Unconditional promises to give	569,595	217,500	787,095	75,000	862,095	162,224	-	162,224	50,000	212,224
Prepaid expenses	516,169	-	516,169	-	516,169	88,365	-	88,365	-	88,365
Total current assets	9,702,956	4,168,105	13,871,061	1,015,789	14,886,850	9,067,282	2,658,201	11,725,483	898,475	12,623,958
Restricted investments	201,011	-	201,011	-	201,011	137,671	-	137,671	-	137,671
Investments - endowment	-	-	-	1,146,576	1,146,576	-	-	-	822,835	822,835
Unconditional promises to give, net of current portion	-	-	-	45,351	45,351	-	-	-	84,327	84,327
Property and equipment, at cost, net of accumulated depreciation	3,661,590	-	3,661,590	-	3,661,590	3,873,475	-	3,873,475	-	3,873,475
Deposits	68,438	-	68,438	-	68,438	68,438	-	68,438	-	68,438
Restricted cash	-	-	-	-	-	121,310	-	121,310	-	121,310
Total assets	$ 13,633,995	$ 4,168,105	$ 17,802,100	$ 2,207,716	$ 20,009,816	$ 13,268,176	$ 2,658,201	$ 15,926,377	$ 1,805,637	$ 17,732,014
Liabilities and Net Assets										
Liabilities										
Current liabilities										
Loans payable	$ 23,706	$ -	$ 23,706	$ -	$ 23,706	$ 22,177	$ -	$ 22,177	$ -	$ 22,177
Accounts payable and accrued expenses	288,057	-	288,057	-	288,057	402,863	-	402,863	-	402,863
PPP1 loan payable	2,299,120	-	2,299,120	-	2,299,120	2,299,120	-	2,299,120	-	2,299,120
PPP2 loan payable	829,887	-	829,887	-	829,887	-	-	-	-	-
Salary, payroll taxes and union benefits payable	86,323	-	86,323	-	86,323	199,847	-	199,847	-	199,847
Accrued vacation	110,439	-	110,439	-	110,439	84,387	-	84,387	-	84,387
Advance box office revenue	3,727,298	-	3,727,298	-	3,727,298	4,416,193	-	4,416,193	-	4,416,193
Deferred enhancement revenue	649,212	-	649,212	-	649,212	350,000	-	350,000	-	350,000
Unredeemed gift certificates	109,004	-	109,004	-	109,004	469,777	-	469,777	-	469,777
Deferred tuition	214,450	-	214,450	-	214,450	123,525	-	123,525	-	123,525
Total current liabilities	8,337,496	-	8,337,496	-	8,337,496	8,367,889	-	8,367,889	-	8,367,889
Loans payable, net of current portion	25,349	-	25,349	-	25,349	49,055	-	49,055	-	49,055
Deferred compensation payable	201,011	-	201,011	-	201,011	137,671	-	137,671	-	137,671
Total liabilities	8,563,856	-	8,563,856	-	8,563,856	8,554,615	-	8,554,615	-	8,554,615
Net assets										
Without donor restrictions										
Property and equipment, net	3,661,590	-	3,661,590	-	3,661,590	3,873,475	-	3,873,475	-	3,873,475
Board-designated - cash reserve fund	-	2,658,201	2,658,201	-	2,658,201	-	2,658,201	2,658,201	-	2,658,201
Board-designated - bridge fund	-	1,509,904	1,509,904	-	1,509,904	-	-	-	-	-
Undesignated	1,408,549	-	1,408,549	-	1,408,549	840,086	-	840,086	-	840,086
Total without donor restrictions	5,070,139	4,168,105	9,238,244	-	9,238,244	4,713,561	2,658,201	7,371,762	-	7,371,762
With donor restrictions	-	-	-	2,207,716	2,207,716	-	-	-	1,805,637	1,805,637
Total net assets	5,070,139	4,168,105	9,238,244	2,207,716	11,445,960	4,713,561	2,658,201	7,371,762	1,805,637	9,177,399
Total liabilities and net assets	$ 13,633,995	$ 4,168,105	$ 17,802,100	$ 2,207,716	$ 20,009,816	$ 13,268,176	$ 2,658,201	$ 15,926,377	$ 1,805,637	$ 17,732,014

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

Paper Mill Playhouse
Statements of Activities
Years Ended June 30, 2021 and 2020

	2021					2020				
	Without Donor Restrictions					Without Donor Restrictions				
	Undesignated	Board Designated	Total	With Donor Restrictions	Total	Undesignated	Board Designated	Total	With Donor Restrictions	Total
Operating activities										
Public support and other revenue										
Public support										
Government	$ 1,039,252	$ -	$ 1,039,252	$ -	$ 1,039,252	$ 811,350	$ -	$ 811,350	$ -	$ 811,350
Foundations	453,710	-	453,710	-	453,710	448,500	-	448,500	-	448,500
Corporations	240,845	-	240,845	25,000	265,845	323,815	-	323,815	-	323,815
Individuals	831,217	1,509,904	2,341,121	107,008	2,448,129	2,165,181	-	2,165,181	15,000	2,180,181
Fundraising benefits	894,606	-	894,606	-	894,606	-	-	-	-	-
Less: Direct costs of fundraising benefits	(180,589)	-	(180,589)	-	(180,589)	-	-	-	-	-
Spending policy distribution	60,314	-	60,314	-	60,314	30,178	-	30,178	-	30,178
Net assets released from restrictions										
Individuals	15,000	-	15,000	(15,000)	-	12,500	-	12,500	(12,500)	-
Foundations	-	-	-	-	-	175,000	-	175,000	(175,000)	-
Corporations	-	-	-	-	-	75,000	-	75,000	(75,000)	-
Total public support	3,354,355	1,509,904	4,864,259	117,008	4,981,267	4,041,524	-	4,041,524	(247,500)	3,794,024
Other revenue										
Ticket sales	1,385,078	-	1,385,078	-	1,385,078	7,135,191	-	7,135,191	-	7,135,191
Employee retention credit income	960,404	-	960,404	-	960,404	-	-	-	-	-
Tuition income and miscellaneous education income	389,698	-	389,698	-	389,698	699,337	-	699,337	-	699,337
Investment income, net	470,326	-	470,326	-	470,326	225,030	-	225,030	-	225,030
Concession and restaurant income, net of cost of goods sold	182,979	-	182,979	-	182,979	582,242	-	582,242	-	582,242
Rental income	21,873	-	21,873	-	21,873	2,829	-	2,829	-	2,829
Miscellaneous income	16,784	-	16,784	-	16,784	71,833	-	71,833	-	71,833
Service charge and facility income	16,506	-	16,506	-	16,506	583,424	-	583,424	-	583,424
Royalty income	9,223	-	9,223	-	9,223	113,058	-	113,058	-	113,058
Enhancement and co-production income	-	-	-	-	-	2,444,594	-	2,444,594	-	2,444,594
Parking lot income	-	-	-	-	-	57,371	-	57,371	-	57,371
Total other revenue	3,452,871	-	3,452,871	-	3,452,871	11,914,909	-	11,914,909	-	11,914,909
Total public support and other revenue	6,807,226	1,509,904	8,317,130	117,008	8,434,138	15,956,433	-	15,956,433	(247,500)	15,708,933
Expenses										
Program services										
Theatrical productions	3,884,888	-	3,884,888	-	3,884,888	13,513,797	-	13,513,797	-	13,513,797
Education and outreach	1,074,862	-	1,074,862	-	1,074,862	1,645,113	-	1,645,113	-	1,645,113
Total program services	4,959,750	-	4,959,750	-	4,959,750	15,158,910	-	15,158,910	-	15,158,910
Supporting services										
Management and general	777,131	-	777,131	-	777,131	1,180,474	-	1,180,474	-	1,180,474
Fundraising	1,040,117	-	1,040,117	-	1,040,117	1,130,619	-	1,130,619	-	1,130,619
Total supporting services	1,817,248	-	1,817,248	-	1,817,248	2,311,093	-	2,311,093	-	2,311,093
Total expenses	6,776,998	-	6,776,998	-	6,776,998	17,470,003	-	17,470,003	-	17,470,003
Changes in net assets before non-operating activities (carried forward)	30,228 *	1,509,904	1,540,132	117,008	1,657,140	(1,513,570) *	-	(1,513,570)	(247,500)	(1,761,070)

*Includes depreciation and amortization expense of $392,120 (2021) and $396,119 (2020)

	2021	2020
Changes in net assets before non-operating activities and depreciation and amortization expense	$ 422,348	$ (1,117,451)

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

Paper Mill Playhouse
Statements of Activities
Years Ended June 30, 2021 and 2020

	2021					2020				
	Without Donor Restrictions					Without Donor Restrictions				
	Without Donor Restrictions	Board Designated	Total	With Donor Restrictions	Total	Without Donor Restrictions	Board Designated	Total	With Donor Restrictions	Total
Changes in net assets before non-operating activities (brought forward)	$ 30,228	$ 1,509,904	$ 1,540,132	$ 117,008	$ 1,657,140	$ (1,513,570)	$ -	$ (1,513,570)	$ (247,500)	$ (1,761,070)
Non-operating activities										
Capital contributions										
Individuals	85,743	-	85,743	72,114	157,857	110,000	-	110,000	313,708	423,708
Employee retention credit income	215,607	-	215,607	-	215,607	-	-	-	-	-
Investment income, net	-	-	-	298,271	298,271	-	-	-	30,178	30,178
Spending policy distribution	-	-	-	(60,314)	(60,314)	-	-	-	(30,178)	(30,178)
Transfer to cover capital costs	-	-	-	-	-	341,799	(341,799)	-	-	-
Net assets released from restrictions - capital										
Individuals	25,000	-	25,000	(25,000)	-	104,487	-	104,487	(104,487)	-
Total non-operating activities	326,350	-	326,350	285,071	611,421	556,286	(341,799)	214,487	209,221	423,708
Changes in net assets	356,578	1,509,904	1,866,482	402,079	2,268,561	(957,284)	(341,799)	(1,299,083)	(38,279)	(1,337,362)
Net assets										
Beginning of year	4,713,561	2,658,201	7,371,762	1,805,637	9,177,399	5,670,845	3,000,000	8,670,845	1,843,916	10,514,761
End of year	$ 5,070,139	$ 4,168,105	$ 9,238,244	$ 2,207,716	$ 11,445,960	$ 4,713,561	$ 2,658,201	$ 7,371,762	$ 1,805,637	$ 9,177,399

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

Paper Mill Playhouse
Statement of Functional Expenses
Year Ended June 30, 2021

	Program Services			Supporting Services			
	Theatrical Productions	Education and Outreach	Total	Management and General	Fundraising	Total	Total Expenses
Salaries	$ 1,900,802	$ 540,692	$ 2,441,494	$ 260,898	$ 487,853	$ 748,751	$ 3,190,245
Benefits and payroll taxes	541,945	132,760	674,705	58,911	148,843	207,754	882,459
Artistic fees	179,094	26,725	205,819	-	-	-	205,819
Professional services	14,744	7,066	21,810	98,396	12,467	110,863	132,673
Production costs	173,863	165	174,028	-	-	-	174,028
Advertising and marketing	169,128	110	169,238	-	-	-	169,238
Travel and transportation	52,892	169	53,061	944	42	986	54,047
Telephone and postage	14,615	7,382	21,997	15,916	8,138	24,054	46,051
Repairs, maintenance and utilities	213,157	86,710	299,867	52,026	17,342	69,368	369,235
Supplies and materials	3,066	1,445	4,511	2,529	1,402	3,931	8,442
Insurance	136,626	68,313	204,939	119,547	17,078	136,625	341,564
Concession and restaurant cost of goods sold	79,638	-	79,638	-	-	-	79,638
Fundraising benefits expenses	-	-	-	180,589	-	180,589	180,589
Office expenses (meetings, hospitality and general)	48,566	25,596	74,162	38,736	154,582	193,318	267,480
Computers and software	49,072	24,536	73,608	42,938	16,762	59,700	133,308
Dues and memberships	18,532	9,225	27,757	15,888	2,623	18,511	46,268
Space rental	201,231	52,515	253,746	49,909	11,303	61,212	314,958
Printing and reproduction	-	-	-	-	12,666	12,666	12,666
Bank charges and credit card processing fees	10,707	13,029	23,736	887	11,774	12,661	36,397
Depreciation and amortization	156,848	78,424	235,272	19,606	137,242	156,848	392,120
Total expenses	3,964,526	1,074,862	5,039,388	957,720	1,040,117	1,997,837	7,037,225
Less: Expenses included with revenues on the statements of activities							
Concession and restaurant cost of goods sold	(79,638)	-	(79,638)	-	-	-	(79,638)
Direct costs of fundraising benefits	-	-	-	(180,589)	-	(180,589)	(180,589)
	$ 3,884,888	$ 1,074,862	$ 4,959,750	$ 777,131	$ 1,040,117	$ 1,817,248	$ 6,776,998

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

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
Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	2021	2020
Operating and non-operating activities		
Changes in net assets	$ 2,268,561	$ (1,337,362)
Adjustments to reconcile changes in net assets to net cash used in operating and non-operating activities		
Depreciation and amortization	392,120	396,119
Donated securities	(63,089)	(5,235)
Net gain on deferred compensation investment	(46,840)	(2,719)
Unrealized (gain) loss on investments	(304,127)	4,457
Realized gain on sale of investments	(350,198)	(32,521)
Reinvested interest	(82,487)	(78,419)
Donor-designated endowment gifts and grants	(55,000)	(287,458)
Change in discount for present value of unconditional promises	(11,024)	(4,649)
Bad debt expense	-	14,072
Change in assets and liabilities		
Inventory	(5,462)	(7,843)
Accounts receivable	(19,857)	19,840
Employee retention credit receivable	(1,176,011)	-
Unconditional promises to give	(599,871)	346,132
Prepaid expenses	(427,804)	201,606
Deferred subscription campaign costs	-	43,722
Deposits	-	(26,725)
Accounts payable and accrued expenses	(114,806)	(124,045)
Salary, payroll taxes and union benefits payable	(113,524)	(74,179)
Accrued vacation	26,052	25,468
Advance box office revenue	(688,895)	(1,581,649)
Deferred enhancement revenue	299,212	(901,504)
Unredeemed gift certificates	(360,773)	337,213
Deferred tuition	90,925	(212,240)
Deferred compensation payable	63,340	23,051
Net cash used in operating and non-operating activities	(1,279,558)	(3,264,868)
Investing activities		
Purchase of property and equipment	(180,235)	(649,340)
Proceeds from sale of investments	1,839,606	607,052
Payment for purchase of investments	(2,036,915)	(593,533)
Payments toward deferred compensation plan payable	(16,500)	(20,332)
Net cash used in investing activities	(394,044)	(656,153)
Financing activities		
Principal payments towards loans	(22,179)	(20,742)
Receipt of donor-designated endowment gifts and grants	55,000	287,458
PPP2/PPP1 loans received	829,887	2,299,120
Net cash provided by financing activities	862,708	2,565,836
Net changes in cash, cash equivalents and restricted cash	(810,894)	(1,355,185)
Cash, cash equivalents and restricted cash		
Beginning of year	10,219,563	11,574,748
End of year	$ 9,408,669	$ 10,219,563
Supplemental disclosure of cash flow information		
Interest paid on loans	$ 3,128	$ 5,535

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

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 impact of the COVID-19 virus, the Organization had no theatrical productions inside the theatre or performance space during the year ended June 30, 2021. The Organization had both virtual and outdoor performances during the year ended June 30, 2021. The Organization is scheduled to have its first theatrical performance inside the theatre on October 13, 2021.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and conform to the accounting principles generally accepted in the United States of America ("U.S. GAAP"), 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.

The Organization includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities. This measure of operations provides a presentation that depicts the matter in which Organization manages its financial activities. Capital contributions and grants and other nonrecurring charges and expenses not chargeable to grants and contracts are recognized as non-operating activities.

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, 2020 to June 30, 2021.

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 mutual funds are based on quoted market prices.

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
Concessions and merchandise inventory is stated at the lower of cost or net realizable value. Concessions and merchandise income is recognized once the sale takes place. The Organization also maintains certain 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. The Organization may also hold unsold auction items at any point during the year. These items are not valued for financial statement purposes as the fair value is unknown.

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. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restriction. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expiration of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Production Costs

Production costs are capitalized at cost and are amortized over the performances of the theatrical production. For the years ended June 30, 2021 and 2020, all productions closed by June 30, 2021 and 2020, 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, 2021 and 2020 was $112,933 and $580,867, 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, 2021 and 2020, the Organization had approximately $335,000 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.

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. No allowances were deemed necessary at June 30, 2021 and 2020, respectively.

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 and miscellaneous education income, and royalty income as exchange transactions in the statements of activities. 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 statements 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 statements 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 statements of financial position. Revenue from the exchange portion is recognized at a point in time, at the date the event is 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 and co-production 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 and co-production income is recognized at a point in time, which is when the related production begins.

Service Charge and Facility Income
Service charge and facility income 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 and royalty income are recognized at a point in time, which is in the period the performance takes place or the period to which the fees relate.

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 as of June 30, 2021 and 2020 were $4,699,964 and $5,359,495, respectively. The opening balances at July 1, 2019 for accounts receivable were $50,114, deferred box office revenue were $5,997,842, deferred enhancement revenue were $1,251,504, deferred tuition were $335,765, and unredeemed gift certificates were $132,564, respectively.

Reclassification

Certain amounts for the year ended June 30, 2020 financial statements have been reclassified for comparative purposes to conform to the presentation of the year ended June 30, 2021 financial statements.

2. RESTRICTIONS AND DESIGNATIONS ON NET ASSETS

Net Assets Without Donor Restrictions

Board-Designated – Cash Reserve Fund

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, 2021, there was no release from board-designated net assets for this fund. 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. Investment earnings on the fund are undesignated for operations.

Board-Designated – Bridge Fund

During 2021, the Organization raised $1,509,904 for a bridge fund that is designated by the Board for the Organization's recovery efforts from the impact of COVID-19. The fund can be used for a broad array of purposes subject to Board approval. Investment earnings on the fund are undesignated for operations.

Net Assets With Donor Restrictions

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

	2021	2020
Grants and contributions (subject to expenditure for specific purpose)		
Future periods and programs		
Future programs and periods	$ 219,506	$ 127,498
Capital projects	407,754	401,664
	627,260	529,162
Less: Discount to present value	(4,649)	(15,673)
	622,611	513,489
Accumulated endowment earnings	376,022	181,855
	998,633	695,344
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	331,248	287,458
De Grandpre Family Scholarship Fund	55,000	-
	1,209,083	1,110,293
	$ 2,207,716	$ 1,805,637

Donor-designated endowments are net assets restricted by the donor in perpetuity. The Organization's endowment consists of four funds. The Robert Wood Johnson Foundation and Klaus P. Kuschel Fund are donor restricted endowment funds established for general use, the investment income from which is undesignated for general use. During the years ended June 30, 2021 and 2020, investment income was $254,481 and $30,178 and distributions were $60,314 and $30,178, respectively. The Harry and Ruth Kalish Gallery Fund was established in January 2020 for a specific purpose, investment income from which is restricted by the donor. The endowment allows a yearly 5% distribution 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. During the year ended June 30, 2021, investment income was $43,790. The De Grandpre Family Scholarship Fund was established in August 2020 to provide financial assistance for a promising student who has the ability but not the financial resources to attend Paper Mill Playhouse's Musical Theater Conservatory. The endowment allows a yearly 5% distribution to be made in accordance with the Organization's spending policy. As required by U.S. GAAP, 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.

Changes in endowment assets are as follow for the years ended June 30:

	2021	2020
Endowment Net Assets, beginning of year	$ 1,110,293	$ 822,835
Contributions	55,000	287,458
Net investment income	43,790	-
Endowment Net Assets, end of year	$ 1,209,083	$ 1,110,293

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.

Strategies Employed for Achieving Objectives
To satisfy its return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

3. FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of June 30, 2021 and 2020, 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:

	2021	2020
Financial assets		
Cash and cash equivalents	$ 8,843,900	$ 9,431,633
Investments	2,406,811	1,927,505
Accounts receivable	36,059	16,202
Employee retention credit receivable	1,176,011	-
Unconditional promises to give	787,095	162,224
Amounts restricted by board	(4,168,105)	(2,658,201)
Total financial assets and liquidity resources available within one year	$ 9,081,771	$ 8,879,363

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.

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, 2021 and 2020, the Organization's uninsured cash and cash equivalents balances totaled $8,817,522 and $9,845,754, respectively. The Organization has not experienced, and does not expect to experience, any losses in these accounts and does not believe it is 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, 2021 and 2020, the Organization's investment balances exceed the SIPC limit by $3,182,178 and $2,218,286, respectively.

As of June 30, 2020, the Organization had obtained a letter of credit in the amount of $121,012 as a part of an obligation to post a bond under a certain bargaining agreement with Actors' Equity Association. The bond expired in July 2020 and was renewed on August 26, 2021 since live performances will begin in October 2021.

5. CASH, CASH EQUIVALENTS AND INVESTMENTS

Fair value of assets measured on a recurring basis at June 30, 2021 and 2020 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.

There were no changes in investment leveling methodology for the years ended June 30, 2021 and 2020. There were no transfers, purchases or issuances of level 3 investments during the years ended June 30, 2021 or 2020.

Investments consist of the following as of June 30, 2021:

	Fair Value		Cost
	Level 1	Total	Total
Equity mutual funds	$ 2,842,675	$ 2,842,675	$ 2,232,667
Fixed income mutual funds	1,252,444	1,252,444	1,229,228
Stocks	35,299	35,299	26,818
	$ 4,130,418	$ 4,130,418	$ 3,488,713

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

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

	2021	2020
Realized gain on sale of investments	$ 350,198	$ 32,521
Unrealized gain (loss) on investments	304,127	(4,457)
Interest and dividend income	143,833	251,421
Investment management fees	(29,561)	(24,277)
Total investment income, net	$ 768,597	$ 255,208

6. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value and unconditional promises to give that are expected to be collected in more than one year are initially recorded at fair value. When estimating fair value of unconditional promises to give, management considers the relationships with donor, the donor's past history of making timely payments, and the donor's overall creditworthiness are considered and incorporated into a fair value measurement computed using 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 public support. Uncollectible promises are expected to be insignificant. Unconditional promises to give to be received after one year are discounted at a risk-adjusted rate of 5%.

Unconditional promises to give consist of the following as of June 30, 2021:

	Less than One Year	Over One Year	Total
Without donor restrictions	$ 787,095	$ -	$ 787,095
With donor restrictions	75,000	50,000	125,000
	862,095	50,000	912,095
Less: Discount for present value	-	(4,649)	(4,649)
	$ 862,095	$ 45,351	$ 907,446

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

7. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	Life/Years	2021	2020
Building and improvements	20-39	$ 4,205,101	$ 4,119,357
Equipment	5-10	5,133,753	5,115,378
Furniture and fixtures	5	828,754	828,754
		10,167,608	10,063,489
Less: Accumulated depreciation		(6,582,134)	(6,190,014)
		3,585,474	3,873,475
Construction in progress	n/a	76,116	-
		$ 3,661,590	$ 3,873,475

Depreciation and amortization expense for the years ended June 30, 2021 and 2020 was $392,120 and $396,119, respectively.

Construction in progress consists of costs incurred in relation to capital renovations. Since the projects were not complete at June 30, 2021, the costs have not been depreciated.

8. LOANS PAYABLE

Loans payable consists of the following as of June 30:

	2021	2020
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	$ 49,055	$ 71,232
	49,055	71,232
Less: Current portion	(23,706)	(22,177)
	$ 25,349	$ 49,055

Loans payable are due as follows as of June 30, 2021:

Due during the year ending June 30, 2022	$ 23,706
" " " " June 30, 2023	25,349
	$ 49,055

9. STATEMENTS OF CASH FLOWS

The following comprises the cash, cash equivalents and restricted cash reported within the statements of financial position that sum to the total reported in the statements of cash flows for the years ended June 30, 2021 and 2020, respectively:

	2021	2020
Cash and cash equivalents	$ 9,408,669	$ 10,098,253
Restricted cash	-	121,310
	$ 9,408,669	$ 10,219,563

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, 2021 and 2020. The Organization paid $1,980 to the gift annuitants for each of the years ended June 30, 2021 and 2020.

c) The Organization contributes to two 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). One fund is 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.

The risks of participating in a multi-employer plan are different from a single-employer plan in the following aspects:

The assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers. If the Organization chooses to stop participating in the multiemployer plan, it may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

Until the plan trustees develop the funding improvement plans or rehabilitation plans as required by the PPA, we are 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 42% and 54% of the Organization's employees are participants in multiemployer plans for the years ended June 30, 2021 and 2020, respectively. Pension and welfare expense for multiemployer plans was $106,304 and $1,075,611 for the years ended June 30, 2021 and 2020, 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, 2021, rent was fully abated due to the impacts of COVID-19. During the year ended June 30, 2020, rent was abated for 3 months due to the impacts of COVID-19.

There was no rent expense for the year ended 2021. Rent expense for the year ended 2020 was $148,500. 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, 2022	$ 210,000
" " " " June 30, 2023	216,000
" " " " June 30, 2024	222,000
" " " " June 30, 2025	228,000
" " " " June 30, 2026	234,000
For the fifty-seven years ending June 30, 2083	16,954,000
	$ 18,064,000

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, 2021 and 2020 was $84,897 and $78,095, respectively. The lease provides for minimum annual rental payments as of June 30, 2021 as follows:

For the year ending June 30, 2022	$ 87,444
" " " " June 30, 2023	96,758
" " " " June 30, 2024	99,660
" " " " June 30, 2025	102,650
	$ 386,512

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, 2021 and 2020 was $90,150 and $88,350, respectively. The lease provides for minimum annual rental payments as of June 30, 2021 as follows:

For the year ending June 30, 2022	$	91,950
" " " " June 30, 2023		93,750
" " " " June 30, 2024		95,550
" " " " June 30, 2025		97,350
" " " " June 30, 2026		99,150
For the two years and three months ending September 30, 2028		229,500
	$	707,250

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 years ended June 30, 2021 and 2020 was $67,500 and $33,750, respectively. The lease provides for minimum annual rental payments as of June 30, 2021 as follows:

For the year ending 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
	$	244,459

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. There was no parking lot income for the year ended June 30, 2021 as the theater was closed due to COVID-19. Parking lot income for the year ended June 30, 2020 was $57,371.

g) The Organization has an employment agreement which extends through January 31, 2024. The aggregated commitment under this agreement is approximately $851,128 and $1,292,740 at June 30, 2021 and 2020, respectively.

11. CONCENTRATION OF CONTRIBUTIONS

New Jersey State Council on the Arts has contributed approximately 20% and 19% of the total public support for the years ended June 30, 2021 and 2020, respectively. Approximately 38% of unconditional promises to give as of June 30, 2021 are due from two donors.

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.

The Organization has a 457(b) deferred compensation plan for a key employee. Under the plan, the Organization may make a contribution to the employee plan on a discretionary basis. As of June 30, 2021 and 2020, the balance of the deferred compensation payable is $201,011 and $137,671, respectively.

13. NEW ACCOUNTING PRONOUNCEMENTS ISSUED NOT YET EFFECTIVE

In February 2016, Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("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).

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958), which is effective for fiscal years beginning after June 15, 2021, with early adoption permitted, and is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, along with expanded disclosure requirements.

The Organization is currently evaluating the effect that these pronouncements will have on its financial statements and related disclosures.

14. 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 and detailed within the statements of functional expenses. 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.

15. PAYCHECK PROTECTION PROGRAM LOANS PAYABLE

On April 17, 2020, the Organization issued an unsecured promissory note (the "PPP1 Loan") for $2,299,120 through the Paycheck Protection Program ("PPP") established under the Consolidated Appropriations Act of 2020 ("CARES Act") and administered by the U.S. Small Business Administration ("SBA"). The PPP1 Loan is guaranteed by the SBA. The PPP1 Loan may be forgiven, in whole or in part, if the Organization was eligible for the PPP1 Loan at the time of application, used the loan proceeds for eligible expenses within the defined 24-week period after the PPP1 Loan was disbursed ("Covered Period"), and otherwise satisfied PPP1 requirements. The PPP1 Loan was made through Investors Bank, has a two-year term, bears interest at 1.00% per annum, and matures on May 19, 2024. The PPP1 Loan may be prepaid at any time prior to maturity with no prepayment penalties.

The Organization submitted its application for forgiveness for the PPP1 Loan. The Organization will record the forgiveness of the loan as a gain on extinguishment in the period in which legal release is received. There is no certainty that any or all of the PPP1 Loan will be forgiven. The Organization anticipates forgiveness of the PPP1 loan, and, therefore, the full amount has been reflected as current liability on the statements of financial position.

Future maturities of the PPP1 Loan, assuming it is not forgiven, are as follows for the year ending June 30:

2022	$ 910,068
2023	1,149,560
2024	239,492
Total PPP1 Loan	$ 2,299,120

On March 25, 2021, the Organization issued an unsecured promissory note (the "PPP2 Loan") for $829,887 through the PPP established under the CARES Act and administered by the SBA. The PPP2 Loan is guaranteed by the SBA. The PPP2 Loan may be forgiven, in whole or in part, if the Organization was eligible for the PPP2 Loan at the time of application, used the loan proceeds for eligible expenses within the Covered Period, and otherwise satisfied PPP2 requirements. The PPP2 Loan was made through Northeast Bank, has a five-year term, bears interest at 1.00% per annum, and matures on April 27, 2028. The PPP2 Loan may be prepaid at any time prior to maturity with no prepayment penalties. The Organization will record the forgiveness of the loan as a gain on extinguishment in the period in which legal release is received. There is no certainty that any or all of the PPP2 Loan will be forgiven. The Organization anticipates forgiveness of the PPP2 loan, and, therefore, the full amount has been reflected as current liability on the statements of financial position.

Future maturities of the PPP2 Loan, assuming it is not forgiven, are as follows for the year ending June 30:

2023	$ 145,226
2024	165,972
2025	165,972
2026	165,972
2027	165,972
Thereafter	20,773
Total PPP2 Loan	$ 829,887

16. EMPLOYEE RETENTION CREDITS

The Organization has applied for the employee retention credit in the amount of $1,176,011. The credit will be claimed against the Organization's payroll tax obligations for each calendar quarter based on qualified wages, subject to certain limitations. For the year ended June 30, 2021, the Organization recorded revenue totaling $1,176,011, of which $215,607 relates to expenses incurred during the year ended June 30, 2020, which is shown as non-operating activities in the accompanying statements of activities.

17. RISK AND UNCERTAINTIES

Management continues to evaluate the COVID-19 virus in 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.

18. EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through October 18, 2021, 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, except as noted below.

On July 15, 2021, the Organization was awarded a Shuttered Venue Operators Grant from the SBA in the amount of $7,395,826. This cost-reimbursable federal grant covers allowable qualifying expenses for the period from March 1, 2020 through December 31, 2021. On October 18, 2021, the Organization received a supplemental grant award of $1,744,287, which extends the allowable expense period for the entire grant to June 30, 2022. Since the award letter was received subsequent to the year end, no amounts are recorded in these financial statements.