

PAPER MILL PLAYHOUSE
Financial Statements
June 30, 2022 and 2021
With Independent Auditor's Report

Paper Mill Playhouse
Table of Contents
June 30, 2022 and 2021

Independent Auditor's Report	1-2
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4-5
Statements of Functional Expenses	6-7
Statements of Cash Flows	8
Notes to Financial Statements	9-25

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees,
Paper Mill Playhouse:

Opinion

We have audited the financial statements of Paper Mill Playhouse (the "Organization"), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Withum Smith & Brown, PC

October 26, 2022

**Paper Mill Playhouse
Statements of Financial Position
June 30, 2022 and 2021**

	2022					2021				
	Without Donor Restrictions			With Donor Restrictions	Total	Without Donor Restrictions			With Donor Restrictions	Total
	Undesignated	Board Designated	Total			Undesignated	Board Designated	Total		
Assets										
Current assets										
Cash and cash equivalents	\$ 3,533,646	\$ 3,003,763	\$ 6,537,409	\$ 6,219,486	\$ 12,756,895	\$ 4,893,295	\$ 3,950,605	\$ 8,843,900	\$ 564,769	\$ 9,408,669
Investments	8,336,205	1,268,373	9,604,578	100,327	9,704,905	2,406,811	-	2,406,811	376,020	2,782,831
Accounts receivable	50,714	-	50,714	-	50,714	36,059	-	36,059	-	36,059
Employee retention credit receivable	1,176,011	-	1,176,011	-	1,176,011	1,176,011	-	1,176,011	-	1,176,011
Unconditional promises to give	447,511	-	447,511	275,423	722,934	569,595	217,500	787,095	75,000	862,095
Inventory	106,589	-	106,589	-	106,589	105,016	-	105,016	-	105,016
Prepaid expenses	220,820	-	220,820	-	220,820	516,169	-	516,169	-	516,169
Total current assets	13,871,496	4,272,136	18,143,632	6,595,236	24,738,868	9,702,956	4,168,105	13,871,061	1,015,789	14,886,850
Restricted cash	75,628	-	75,628	-	75,628	-	-	-	-	-
Restricted investments	182,712	-	182,712	-	182,712	201,011	-	201,011	-	201,011
Investments - endowment	-	-	-	1,126,436	1,126,436	-	-	-	1,146,576	1,146,576
Investments - capital campaign	-	-	-	9,193,955	9,193,955	-	-	-	-	-
Unconditional promises to give, net of current portion	-	-	-	177,087	177,087	-	-	-	45,351	45,351
Property and equipment, at cost, net of accumulated depreciation	4,504,687	-	4,504,687	-	4,504,687	3,661,590	-	3,661,590	-	3,661,590
Deposits	80,702	-	80,702	-	80,702	68,438	-	68,438	-	68,438
Total assets	\$ 18,715,225	\$ 4,272,136	\$ 22,987,361	\$ 17,092,714	\$ 40,080,075	\$ 13,633,995	\$ 4,168,105	\$ 17,802,100	\$ 2,207,716	\$ 20,009,816
Liabilities and Net Assets										
Liabilities										
Current liabilities										
Accounts payable and accrued expenses	\$ 612,044	\$ -	\$ 612,044	\$ -	\$ 612,044	\$ 288,057	\$ -	\$ 288,057	\$ -	\$ 288,057
Loans payable	25,349	-	25,349	-	25,349	23,706	-	23,706	-	23,706
PPP1 loan payable	-	-	-	-	-	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	535,205	-	535,205	-	535,205	86,323	-	86,323	-	86,323
Accrued vacation	59,227	-	59,227	-	59,227	110,439	-	110,439	-	110,439
Advance box office revenue	4,816,433	-	4,816,433	-	4,816,433	3,727,298	-	3,727,298	-	3,727,298
Deferred enhancement revenue	-	-	-	-	-	649,212	-	649,212	-	649,212
Unredeemed gift certificates	110,779	-	110,779	-	110,779	109,004	-	109,004	-	109,004
Deferred tuition	400,510	-	400,510	-	400,510	214,450	-	214,450	-	214,450
Total current liabilities	6,559,547	-	6,559,547	-	6,559,547	8,337,496	-	8,337,496	-	8,337,496
Loans payable, net of current portion	-	-	-	-	-	25,349	-	25,349	-	25,349
Deferred compensation payable	183,212	-	183,212	-	183,212	201,011	-	201,011	-	201,011
Total liabilities	6,742,759	-	6,742,759	-	6,742,759	8,563,856	-	8,563,856	-	8,563,856
Net assets										
Without donor restrictions										
Property and equipment, net	4,504,687	-	4,504,687	-	4,504,687	3,661,590	-	3,661,590	-	3,661,590
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	-	1,613,935	1,613,935	-	1,613,935	-	1,509,904	1,509,904	-	1,509,904
Undesignated	7,467,779	-	7,467,779	-	7,467,779	1,408,549	-	1,408,549	-	1,408,549
Total without donor restrictions	11,972,466	4,272,136	16,244,602	-	16,244,602	5,070,139	4,168,105	9,238,244	-	9,238,244
With donor restrictions	-	-	-	17,092,714	17,092,714	-	-	-	2,207,716	2,207,716
Total net assets	11,972,466	4,272,136	16,244,602	17,092,714	33,337,316	5,070,139	4,168,105	9,238,244	2,207,716	11,445,960
Total liabilities and net assets	\$ 18,715,225	\$ 4,272,136	\$ 22,987,361	\$ 17,092,714	\$ 40,080,075	\$ 13,633,995	\$ 4,168,105	\$ 17,802,100	\$ 2,207,716	\$ 20,009,816

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

**Paper Mill Playhouse
Statements of Activities
Years Ended June 30, 2022 and 2021**

	2022					2021				
	Without Donor Restrictions			With Donor Restrictions	Total	Without Donor Restrictions			With Donor Restrictions	Total
	Undesignated	Board Designated	Total			Undesignated	Board Designated	Total		
Operating activities										
Public support and other revenue										
Public support - Contributions of financial assets										
Shuttered Venue Operators Grant revenue	\$ 4,809,863	\$ -	\$ 4,809,863	\$ -	\$ 4,809,863	\$ -	\$ -	\$ -	\$ -	\$ -
Government, other	1,584,596	-	1,584,596	109,230	1,693,826	1,039,252	-	1,039,252	-	1,039,252
Foundations	543,583	-	543,583	216,667	760,250	453,710	-	453,710	-	453,710
Corporations	283,134	-	283,134	75,000	358,134	240,845	-	240,845	25,000	265,845
Individuals	423,109	104,031	527,140	1,861,138	2,388,278	831,217	1,509,904	2,341,121	107,008	2,448,129
Contributions of non-financial assets	40,170	-	40,170	-	40,170	-	-	-	-	-
Fundraising events	1,224,378	-	1,224,378	-	1,224,378	894,606	-	894,606	-	894,606
Less: Direct costs of fundraising events	(195,986)	-	(195,986)	-	(195,986)	(180,589)	-	(180,589)	-	(180,589)
Fundraising events, net	1,028,392	-	1,028,392	-	1,028,392	-	-	-	-	-
Spending policy distribution	68,506	-	68,506	-	68,506	60,314	-	60,314	-	60,314
Net assets released from restrictions										
Individuals	859,336	-	859,336	(859,336)	-	-	-	-	-	-
Foundations	-	-	-	-	-	15,000	-	15,000	(15,000)	-
Total public support	9,640,689	104,031	9,744,720	1,402,699	11,147,419	3,354,355	1,509,904	4,864,259	117,008	4,981,267
Other revenue										
Ticket sales	7,006,873	-	7,006,873	-	7,006,873	1,385,078	-	1,385,078	-	1,385,078
Enhancement and co-production income	1,440,397	-	1,440,397	-	1,440,397	-	-	-	-	-
Service charge and facility income	691,677	-	691,677	-	691,677	16,506	-	16,506	-	16,506
PPP2 loan forgiveness	655,774	-	655,774	-	655,774	-	-	-	-	-
Concession and restaurant income, net of cost of goods sold \$412,293 in 2022 and \$79,638 in 2021	648,575	-	648,575	-	648,575	182,979	-	182,979	-	182,979
Tuition income and miscellaneous education income	531,684	-	531,684	-	531,684	389,698	-	389,698	-	389,698
Parking lot income	58,906	-	58,906	-	58,906	-	-	-	-	-
Playbill income	34,787	-	34,787	-	34,787	-	-	-	-	-
Rental income	23,221	-	23,221	-	23,221	21,873	-	21,873	-	21,873
Miscellaneous income	11,430	-	11,430	-	11,430	16,784	-	16,784	-	16,784
Royalty income	9,038	-	9,038	-	9,038	9,223	-	9,223	-	9,223
Employee retention credit income	-	-	-	-	-	960,404	-	960,404	-	960,404
Investment income (expense), net	(1,608,444)	-	(1,608,444)	-	(1,608,444)	470,326	-	470,326	-	470,326
Total other revenue	9,503,918	-	9,503,918	-	9,503,918	3,452,871	-	3,452,871	-	3,452,871
Total public support and other revenue	19,144,607	104,031	19,248,638	1,402,699	20,651,337	6,807,226	1,509,904	8,317,130	117,008	8,434,138
Expenses										
Program services										
Theatrical productions	15,045,218	-	15,045,218	-	15,045,218	3,884,888	-	3,884,888	-	3,884,888
Education and outreach	1,141,117	-	1,141,117	-	1,141,117	1,074,862	-	1,074,862	-	1,074,862
Total program services	16,186,335	-	16,186,335	-	16,186,335	4,959,750	-	4,959,750	-	4,959,750
Supporting services										
Management and general	1,337,533	-	1,337,533	-	1,337,533	777,131	-	777,131	-	777,131
Fundraising	1,418,728	-	1,418,728	-	1,418,728	1,040,117	-	1,040,117	-	1,040,117
Total supporting services	2,756,261	-	2,756,261	-	2,756,261	1,817,248	-	1,817,248	-	1,817,248
Total expenses	18,942,596	-	18,419,963	-	18,942,596	6,776,998	-	6,776,998	-	6,776,998
Changes in net assets before non-operating activities (carried forward)	202,011	104,031	306,042	1,402,699	1,708,741	30,228	1,509,904	1,540,132	117,008	1,657,140

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

**Paper Mill Playhouse
Statements of Activities
Years Ended June 30, 2022 and 2021**

	2022					2021				
	Without Donor Restrictions			With Donor Restrictions	Total	Without Donor Restrictions			With Donor Restrictions	Total
	Without Donor Restrictions	Board Designated	Total			Without Donor Restrictions	Board Designated	Total		
Changes in net assets before non-operating activities (brought forward)	\$ 202,011	\$ 104,031	\$ 306,042	\$ 1,402,699	\$ 1,708,741	\$ 30,228	\$ 1,509,904	\$ 1,540,132	\$ 117,008	\$ 1,657,140
Non-operating activities										
Capital contributions										
Individuals	755,644	-	755,644	13,853,828	14,609,472	85,743	-	85,743	72,114	157,857
Capital expenses	(522,633)	-	(522,633)	-	(522,633)	-	-	-	-	-
Employee retention credit income	-	-	-	-	-	215,607	-	215,607	-	-
Shuttered Venue Operators Grant revenue	4,360,250	-	4,360,250	-	4,360,250	-	-	-	-	-
PPP1 loan forgiveness	2,082,055	-	2,082,055	-	2,082,055	-	-	-	-	-
Investment income (loss), net	-	-	-	(278,023)	(278,023)	-	-	-	298,271	298,271
Spending policy distribution	-	-	-	(68,506)	(68,506)	-	-	-	(60,314)	(60,314)
Net assets released from restrictions - capital										
Individuals	25,000	-	25,000	(25,000)	-	25,000	-	25,000	(25,000)	-
Total non-operating activities	<u>6,700,316</u>	<u>-</u>	<u>6,700,316</u>	<u>13,482,299</u>	<u>20,182,615</u>	<u>326,350</u>	<u>-</u>	<u>326,350</u>	<u>285,071</u>	<u>395,814</u>
Changes in net assets	6,902,327	104,031	7,006,358	14,884,998	21,891,356	356,578	1,509,904	1,866,482	402,079	2,052,954
Net assets										
Beginning of year	<u>5,070,139</u>	<u>4,168,105</u>	<u>9,238,244</u>	<u>2,207,716</u>	<u>11,445,960</u>	<u>4,713,561</u>	<u>2,658,201</u>	<u>7,371,762</u>	<u>1,805,637</u>	<u>9,177,399</u>
End of year	<u>\$ 11,972,466</u>	<u>\$ 4,272,136</u>	<u>\$ 16,244,602</u>	<u>\$ 17,092,714</u>	<u>\$ 33,337,316</u>	<u>\$ 5,070,139</u>	<u>\$ 4,168,105</u>	<u>\$ 9,238,244</u>	<u>\$ 2,207,716</u>	<u>\$ 11,445,960</u>

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

Paper Mill Playhouse
Statement of Functional Expenses
Year Ended June 30, 2022

	Program Services			Supporting Services			Total Expenses	
	Theatrical Productions	Education and Outreach	Total	Management and General	Fundraising	Capital Campaign		Total
Salaries	\$ 7,046,110	\$ 725,587	\$ 7,771,697	\$ 420,525	\$ 768,358	\$ -	\$ 1,188,883	\$ 8,960,580
Benefits and payroll taxes	2,150,052	142,717	2,292,769	81,243	175,278	-	256,521	2,549,290
Artistic fees	850,651	15,227	865,878	4,050	-	-	4,050	869,928
Professional services	108,163	35,482	143,645	154,371	24,468	522,598	701,437	845,082
Production costs	1,570,229	14,103	1,584,332	156	-	-	156	1,584,488
Advertising and marketing	1,017,981	4,284	1,022,265	1,079	17,094	-	18,173	1,040,438
Travel and transportation	266,480	16,635	283,115	5,262	1,815	-	7,077	290,192
Telephone and postage	42,712	2,789	45,501	17,306	7,208	-	24,514	70,015
Repairs, maintenance and utilities	296,965	20,587	317,552	41,173	6,862	-	48,035	365,587
Supplies and materials	23,363	4,122	27,485	6,751	5,414	-	12,165	39,650
Insurance	333,971	25,690	359,661	118,174	35,966	-	154,140	513,801
Concession and restaurant cost of goods sold	412,293	-	412,293	-	-	-	-	412,293
Fundraising events expenses	-	-	-	-	220,958	-	220,958	220,958
Office expenses (meetings, hospitality and general)	273,313	62,026	335,339	73,472	147,210	35	220,717	556,056
Computers and software	148,345	11,363	159,708	52,270	18,908	-	71,178	230,886
Dues and memberships	40,999	3,137	44,136	14,431	4,545	-	18,976	63,112
Space rental	250,083	10,313	260,396	229,147	3,202	-	232,349	492,745
Printing and reproduction	-	180	180	-	19,620	-	19,620	19,800
Bank charges and credit card processing fees	32,870	17,783	50,653	2,468	24,310	-	26,778	77,431
COVID-19 expenses	349,247	10,347	359,594	29,428	4,755	-	34,183	393,777
Depreciation and amortization	243,684	18,745	262,429	86,227	26,243	-	112,470	374,899
Bad debt expense	-	-	-	-	102,500	-	102,500	102,500
Total expenses	15,457,511	1,141,117	16,598,628	1,337,533	1,614,714	522,633	3,474,880	20,073,508
Less: Expenses included with revenues on the statements of activities								
Concession and restaurant cost of goods sold	(412,293)	-	(412,293)	-	-	-	-	(412,293)
Direct costs of fundraising events	-	-	-	-	(195,986)	-	(195,986)	(195,986)
	\$ 15,045,218	\$ 1,141,117	\$ 16,186,335	\$ 1,337,533	\$ 1,418,728	\$ 522,633	\$ 3,278,894	\$ 19,465,229

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

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

	Program Services			Supporting Services			Total Expenses
	Theatrical Productions	Education and Outreach	Total	Management and General	Fundraising	Total	
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	115,662	165	115,827	-	-	-	115,827
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	185,318	74,056	259,374	44,434	14,811	59,245	318,619
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 events 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
COVID-19 expenses	86,040	12,654	98,694	7,592	2,531	10,123	108,817
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 events	-	-	-	(180,589)	-	(180,589)	(180,589)
	<u>\$ 3,884,888</u>	<u>\$ 1,074,862</u>	<u>\$ 4,959,750</u>	<u>\$ 777,131</u>	<u>\$ 1,040,117</u>	<u>\$ 1,817,248</u>	<u>\$ 6,776,998</u>

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

Paper Mill Playhouse
Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating and non-operating activities		
Changes in net assets	\$ 21,891,356	\$ 2,268,561
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating and non-operating activities		
Depreciation and amortization	374,899	392,120
Donated securities	(14,244,478)	(63,089)
Net loss (gain) on deferred compensation investment	37,799	(46,840)
Unrealized (gain) loss on investments	2,257,184	(304,127)
Realized (gain) loss of investments	1,668	(350,198)
Reinvested interest	(220,224)	(82,487)
Donor-designated endowment gifts and grants	-	(55,000)
Change in discount for present value of unconditional promises	18,265	(11,024)
Bad debt expense	102,500	-
PPP1/PPP2 forgiveness	(2,737,829)	-
Change in assets and liabilities		
Inventory	(1,573)	(5,462)
Accounts receivable	(117,155)	(19,857)
Employee retention credit receivable	-	(1,176,011)
Unconditional promises to give	(10,840)	(599,871)
Prepaid expenses	295,349	(427,804)
Deposits	(12,264)	-
Accounts payable and accrued expenses	323,987	(114,806)
Salary, payroll taxes and union benefits payable	448,882	(113,524)
Accrued vacation	(51,212)	26,052
Advance box office revenue	1,089,135	(688,895)
Deferred enhancement revenue	(649,212)	299,212
Unredeemed gift certificates	1,775	(360,773)
Deferred tuition	186,060	90,925
Deferred compensation payable	(17,799)	63,340
Net cash provided by (used in) operating and non-operating activities	<u>8,966,273</u>	<u>(1,279,558)</u>
Investing activities		
Purchase of property and equipment	(1,217,996)	(180,235)
Proceeds from sale of investments	19,471,321	1,839,606
Purchases of investments	(23,361,360)	(2,036,915)
Payments toward deferred compensation plan payable	(19,500)	(16,500)
Net cash used in investing activities	<u>(5,127,535)</u>	<u>(394,044)</u>
Financing activities		
Principal payments towards loans	(23,706)	(22,179)
Receipt of donor-designated endowment gifts and grants	-	55,000
PPP2 (repaid)/PPP1 loans received	(391,178)	829,887
Net cash (used in) provided by financing activities	<u>(414,884)</u>	<u>862,708</u>
Net change in cash, cash equivalents and restricted cash	3,423,854	(810,894)
Cash, cash equivalents and restricted cash		
Beginning of year	<u>9,408,669</u>	<u>10,219,563</u>
End of year	<u>\$ 12,832,523</u>	<u>\$ 9,408,669</u>
Supplemental disclosure of cash flow information		
Interest paid on loans	<u>\$ 7,914</u>	<u>\$ 3,128</u>

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

Paper Mill Playhouse
Notes to Financial Statements
June 30, 2022 and 2021

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 in-person 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 resumed in-person performances in 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 to 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 manner 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.

Paper Mill Playhouse
Notes to Financial Statements
June 30, 2022 and 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, 2022 and 2021, all productions closed by June 30, 2022 and 2021; therefore, all production costs were expensed within the fiscal year.

Advertising Costs

Advertising costs are expensed 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, 2022 and 2021 was \$420,756 and \$112,933, respectively, which is included in advertising and marketing expense in the statements of functional expenses.

Paper Mill Playhouse
Notes to Financial Statements
June 30, 2022 and 2021

New Accounting Pronouncements Adopted in Current Year

In September 2021, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2021-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958), which is effective for fiscal years beginning after June 15, 2022, 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 adoption of this ASU had no material impact on the financial statements with exception of increased disclosures.

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, 2022 and 2021, the Organization had approximately \$340,000 and \$315,000, 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.

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. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return or release, are not recognized in revenue until the conditions on which they depend have been substantially met. 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.

Paper Mill Playhouse
Notes to Financial Statements
June 30, 2022 and 2021

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, playbill 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 Events - Fundraising events 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.

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.

Paper Mill Playhouse
Notes to Financial Statements
June 30, 2022 and 2021

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, playbill 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.

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.

The timing of revenue recognition, billings and cash collections results in accounts receivable and contract liabilities, which are shown as deferred revenue on the statements of financial position. Accounts receivable as of June 30, 2022 and 2021 were \$50,714 and \$36,059, respectively. Contract liabilities as of June 30, 2022 and 2021 was \$5,327,722 and \$4,699,964, respectively. The opening balances at July 1, 2020 for accounts receivable were \$16,202, deferred box office revenue was \$4,416,193, deferred enhancement revenue was \$350,000, deferred tuition was \$123,525, and unredeemed gift certificates was \$469,777, respectively.

Reclassification

Certain prior year amounts have been reclassified to conform to the current year presentation.

Paper Mill Playhouse
Notes to Financial Statements
June 30, 2022 and 2021

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 years ended June 30, 2022 and June 30, 2021, there was no release from board-designated net assets for this fund. Investment earnings on the fund are undesignated for operations. Based on the results of the year ended June 30, 2022, the Board will meet in December 2022 to discuss additions to the cash reserve fund.

Board-Designated – Bridge Fund

During the years ended June 30, 2022 and June 30, 2021, the Organization raised \$104,031 and \$1,509,904, respectively, 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:

	<u>2022</u>	<u>2021</u>
Grants and contributions (subject to expenditure for specific purpose or time)		
Future periods and programs		
Future programs and periods	\$ 781,158	\$ 219,506
Capital campaign (Note 19)	14,254,848	357,754
Stage improvements and other similar projects	<u>841,048</u>	<u>50,000</u>
	15,877,054	627,260
Less: Discount to present value	<u>(22,913)</u>	<u>(4,649)</u>
	15,854,141	622,611
Accumulated endowment earnings	<u>73,280</u>	<u>376,022</u>
	<u>15,927,421</u>	<u>998,633</u>
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	331,248
De Grandpre Family Scholarship Fund	<u>55,000</u>	<u>55,000</u>
	<u>1,165,293</u>	<u>1,209,083</u>
	<u>\$ 17,092,714</u>	<u>\$ 2,207,716</u>

Paper Mill Playhouse
Notes to Financial Statements
June 30, 2022 and 2021

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, 2022 and 2021, investment income (loss) was \$(207,187) and \$254,481 and amounts appropriated for expenditures were \$68,506 and \$60,314, respectively. The Harry and Ruth Kalish Gallery Fund was established in January 2021 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 years ended June 30, 2022 and 2021, investment income (loss) was \$(59,826) and \$43,790, respectively. The De Grandpre Family Scholarship Fund was established in August 2021 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. During the year ended June 30, 2022, investment loss was \$11,011.

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:

	<u>2022</u>	<u>2021</u>
Endowment net assets, beginning of year	\$ 1,585,105	\$ 1,292,148
Contributions	-	55,000
Appropriated for expenditures	(68,506)	(60,314)
Net investment income (loss)	<u>(278,026)</u>	<u>298,271</u>
Endowment net assets, end of year	<u>\$ 1,238,573</u>	<u>\$ 1,585,105</u>

Paper Mill Playhouse
Notes to Financial Statements
June 30, 2022 and 2021

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, 2022 and 2021, 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:

	<u>2022</u>	<u>2021</u>
Financial assets		
Cash and cash equivalents	\$ 6,537,409	\$ 8,843,900
Investments	9,604,578	2,406,811
Accounts receivable	50,714	36,059
Employee retention credit receivable	1,176,011	1,176,011
Unconditional promises to give	<u>447,511</u>	<u>787,095</u>
Liquidity resources	17,816,223	13,249,876
Amounts restricted by board	<u>(4,272,136)</u>	<u>(4,168,105)</u>
Total financial assets and liquidity resources available within one year	<u>\$ 13,544,087</u>	<u>\$ 9,081,771</u>

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 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 cash, cash equivalents and money market balances at several financial institutions, which at times exceed the insured limit. Financial instruments which potentially subject the Organization to concentrations of credit risk include cash and cash equivalents, money market funds, investments, and unconditional promises to give. 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.

Paper Mill Playhouse
Notes to Financial Statements
June 30, 2022 and 2021

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of these securities will occur in the near term and that such changes could materially affect the amounts reported on the statements of financial position.

As of June 30, 2022, the Organization has provided a letter of credit to Actors' Equity Association in the amount of \$75,628. The letter of credit is security for the Organization's guarantee of any amounts due to Actors' Equity Association.

5. CASH, CASH EQUIVALENTS AND INVESTMENTS

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 uses 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, 2021 to June 30, 2022.

The fair value of assets measured on a recurring basis on June 30, 2022 and 2021 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, 2022 and 2021. There were no transfers, purchases or issuances of level 3 investments during the years ended June 30, 2022 or 2021.

Paper Mill Playhouse
Notes to Financial Statements
June 30, 2022 and 2021

Investments consist of the following as of June 30:

	June 30, 2022		
	Fair Value		Cost
	Level 1	Total	Total
Equity mutual funds	\$ 5,533,383	\$ 5,533,383	\$ 6,327,732
Fixed income mutual funds	14,398,753	14,398,753	15,152,804
Stocks	275,872	275,872	342,951
	<u>\$ 20,208,008</u>	<u>\$ 20,208,008</u>	<u>\$ 21,823,487</u>
	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
	<u>\$ 4,130,418</u>	<u>\$ 4,130,418</u>	<u>\$ 3,488,713</u>

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

	2022	2021
Realized gain (loss) on sale of investments	\$ (1,668)	\$ 350,198
Unrealized gain (loss) on investments	(2,257,184)	304,127
Interest and dividend income	439,926	143,833
Investment management fees	(67,541)	(29,561)
Total investment income (loss), net	<u>\$ (1,886,467)</u>	<u>\$ 768,597</u>

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%.

Paper Mill Playhouse
Notes to Financial Statements
June 30, 2022 and 2021

Unconditional promises to give consist of the following as of June 30, 2022:

	<u>Less than One Year</u>	<u>One to Five Years</u>	<u>Total</u>
Without donor restrictions	\$ 447,511	\$ -	\$ 447,511
With donor restrictions	<u>275,423</u>	<u>200,000</u>	<u>475,423</u>
	722,934	200,000	922,934
Less: Discount for present value	<u>-</u>	<u>(22,913)</u>	<u>(22,913)</u>
	<u>\$ 722,934</u>	<u>\$ 177,087</u>	<u>\$ 900,021</u>

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

	<u>Less than One Year</u>	<u>One to Five Years</u>	<u>Total</u>
Without donor restrictions	\$ 787,095	\$ -	\$ 787,095
With donor restrictions	<u>75,000</u>	<u>50,000</u>	<u>125,000</u>
	862,095	50,000	912,095
Less: Discount for present value	<u>-</u>	<u>(4,649)</u>	<u>(4,649)</u>
	<u>\$ 862,095</u>	<u>\$ 45,351</u>	<u>\$ 907,446</u>

7. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	<u>Life/Years</u>	<u>2022</u>	<u>2021</u>
Building and improvements	20-39	\$ 4,683,087	\$ 4,205,099
Equipment	5-10	5,285,541	5,133,753
Furniture and fixtures	5	<u>848,047</u>	<u>828,754</u>
		10,816,675	10,167,606
Less: Accumulated depreciation		<u>(6,952,764)</u>	<u>(6,582,133)</u>
		3,863,911	3,585,473
Construction in progress	n/a	<u>640,776</u>	<u>76,116</u>
		<u>\$ 4,504,687</u>	<u>\$ 3,585,473</u>

Depreciation and amortization expense for the years ended June 30, 2022 and 2021 was \$374,889 and \$392,120, respectively.

Construction in progress consists of costs incurred in relation to capital renovations. Since the projects were not complete at June 30, 2022, the costs have not been depreciated.

Paper Mill Playhouse
Notes to Financial Statements
June 30, 2022 and 2021

8. LOANS PAYABLE

Loans payable consist of the following as of June 30:

	<u>2022</u>	<u>2021</u>
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	\$ 25,349	\$ 49,055
	25,349	49,055
Less: Current portion	<u>(25,349)</u>	<u>(23,706)</u>
	<u>\$ -</u>	<u>\$ 25,349</u>

9. 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, 2022 and 2021. The Organization paid \$1,980 to the gift annuitants for each of the years ended June 30, 2022 and 2021.
- 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). 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.

Paper Mill Playhouse
Notes to Financial Statements
June 30, 2022 and 2021

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 43% and 42% of the Organization's employees are participants in multiemployer plans for the years ended June 30, 2022 and 2021, respectively. Pension and welfare expense for multiemployer plans was \$990,218 and \$106,304 for the years ended June 30, 2022 and 2021, 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, 2022, rent was abated for 5 months due to the impacts of COVID-19. During the year ended June 30, 2021, rent was fully abated due to the impacts of COVID-19.

Rent expense for the year ended June 30, 2022 was \$122,500. There was no rent expense for the year ended 2021. 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, 2023	\$ 216,000
“ “ “ “ June 30, 2024	222,000
“ “ “ “ June 30, 2025	229,000
“ “ “ “ June 30, 2026	236,000
“ “ “ “ June 30, 2027	243,000
For the fifty-seven years ending June 30, 2083	<u>16,708,000</u>
	<u>\$ 17,854,000</u>

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, 2022 and 2021 was \$87,444 and \$84,897, respectively. In 2022, the Organization amended lease agreement to include additional space beginning in the year ended June 30, 2023. The lease provides for minimum annual rental payments as of June 30, 2022 as follows:

For the year ending June 30, 2023	\$ 130,667
“ “ “ “ June 30, 2024	135,881
“ “ “ “ June 30, 2025	<u>143,382</u>
	<u>\$ 409,930</u>

Paper Mill Playhouse
Notes to Financial Statements
June 30, 2022 and 2021

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 on September 30, 2028. Rent expense for the years ended June 30, 2022 and 2021 was \$125,925 and \$90,150, respectively. The lease provides for minimum annual rental payments as of June 30, 2022 as follows:

For the year ending June 30, 2023	\$ 93,750
“ “ “ “ June 30, 2024	95,550
“ “ “ “ June 30, 2025	97,350
“ “ “ “ June 30, 2026	99,150
“ “ “ “ June 30, 2027	100,950
For the two years and three months ending September 30, 2028	<u>128,550</u>
	<u>\$ 615,300</u>

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 on December 31, 2024. Rent expense for the years ended June 30, 2022 and 2021 was \$68,175 and \$67,500, respectively. The lease provides for minimum annual rental payments as of June 30, 2022 as follows:

For the year ending June 30, 2023	\$ 69,539
“ “ “ “ June 30, 2024	70,929
For the six months ending December 31, 2024	<u>35,816</u>
	<u>\$ 176,284</u>

- 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 on September 30, 2022. The Organization receives 40% of the gross revenue less New Jersey State sales tax. Parking lot income for the year ended June 30, 2022 was \$58,906. There was no parking lot income for the year ended June 30, 2021 as the theater was closed due to COVID-19. On September 8, 2022 the Organization entered into a new contract to extend the contract through August 31, 2025. Under the new contract, the Organization receives 45% of the gross revenue less New Jersey State sales tax.
- g) The Organization has an employment agreement which extends through January 31, 2024. The aggregated commitment under this agreement is approximately \$528,879 and \$851,128 at June 30, 2022 and 2021, respectively.

10. CONCENTRATION OF CONTRIBUTIONS

Two donors have contributed approximately 43% of the total public support for the year ended June 30, 2022. New Jersey State Council on the Arts has contributed approximately 20% of the total public support for the year ended June 30, 2021. Approximately 53% and 38% of unconditional promises to give as of June 30, 2022 and 2021, respectively, are due from two donors.

Paper Mill Playhouse
Notes to Financial Statements
June 30, 2022 and 2021

11. 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, 2022 and 2021, the balance of restricted investments related to the plan is \$182,712 and \$201,011, respectively. As of June 30, 2022 and 2021, the balance of the deferred compensation payable is \$183,212 and \$201,011, respectively.

12. 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 statement of financial position for all of the Organization’s lease obligations. This ASU is effective for years beginning after December 15, 2021 (fiscal year 2023).

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

13. 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, 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, telephone and postage, which are allocated on the basis of estimates of time and effort.

14. DONATED SERVICES AND MATERIALS

The Organization received contributed nonfinancial assets comprised of services and materials during the years ended June 30, 2022 and 2021 in support of its programs and operations, which are recognized in the statements of activities and included:

<u>Non-Financial Contributions Category</u>	<u>Type of Contributions</u>	<u>Valuation</u>	<u>2022</u>	<u>2021</u>
Fundraising benefits	Decorations and space rent	Market value of goods and services as provided by vendor	40,170	-
			<u>\$ 40,170</u>	<u>\$ -</u>

Paper Mill Playhouse
Notes to Financial Statements
June 30, 2022 and 2021

15. PAYCHECK PROTECTION PROGRAM LOANS PAYABLE

On April 17, 2021, 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 2021 ("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.

On December 23, 2021, the Organization was informed that its application for the forgiveness of \$2,082,055 for the PPP1 Loan from the SBA was approved. The Organization recorded revenue totaling \$2,082,055 for the year ended June 30, 2022 in the accompanying statements of activities and is reflected in non-operating revenue as it relates to expenses incurred during the prior audit period. The remaining \$217,065 was fully repaid as of June 30, 2022.

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.

On February 16, 2022, the Organization was informed that its application for the forgiveness of \$655,774 for the PPP1 Loan from the SBA was approved. The Organization recorded revenue totaling \$655,774 for the year ended June 30, 2022 in the accompanying statements of activities and is reflected in operating revenue as it relates to expenses incurred during the audit period. The remaining \$174,113 was fully repaid as of June 30, 2022.

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, 2022, the Organization recorded no revenue. 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, 2021, which is shown as non-operating activities in the accompanying statements of activities.

17. SHUTTERED VENUE OPERATOR'S GRANT

On August 5, 2021, the Organization was awarded a Shuttered Venue Operators Grant from the U.S. Small Business Administration ("SBA") in the amount of \$9,170,113. This cost-reimbursable federal grant covers allowable qualifying expenses for the period from March 1, 2020 through June 30, 2022. The Organization recorded revenue totaling \$9,170,113 in the accompanying statements of activities of which \$4,360,250 is reflected in non-operating revenue as it relates to expenses incurred prior to the year ended June 30, 2022.

18. 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 while it is reasonably possible that the virus could have a negative effect on the Organization's financial condition and change in net assets, the specific impact is not readily determinable as of the date of these financial statements.

Paper Mill Playhouse
Notes to Financial Statements
June 30, 2022 and 2021

19. CAPITAL CAMPAIGN

The Organization is in the silent phase of a capital campaign (the "Campaign") to renovate the existing campus and build an Education Center in downtown Millburn. As of June 30, 2022, the Organization has received approximately \$14,254,848 (see Note 2), including promises to give of \$2,000 restricted to the Campaign which are reflected within net assets with donor restrictions. As of June 30, 2021, the Organization has received \$357,754 (see Note 2) restricted to the Campaign which are reflected within net assets with donor restrictions. The remaining amounts will be raised from public and private sources. During the planning and construction phases, certain costs are being capitalized as part of construction in progress. As of June 30, 2022 and 2021, \$314,449 and \$76,116, respectively, of planning costs were capitalized and are included within construction in progress (see Note 7).

20. EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through October 26, 2022, 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.