

PAPER MILL PLAYHOUSE
Financial Statements
June 30, 2023 and 2022
With Independent Auditor's Report

**Paper Mill Playhouse
Table of Contents
June 30, 2023 and 2022**

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 of
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, 2023 and 2022, 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, 2023 and 2022, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, as of July 1, 2022, the Organization adopted Accounting Standards Codification ("ASC") Topic 842, *Leases*. Prior period amounts have not been adjusted and continue to be reported in accordance with the Organization's accounting under ASC Topic 840, *Leases*. Our opinion is not modified with respect to this matter.

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 30, 2023

**Paper Mill Playhouse
Statements of Financial Position
June 30, 2023 and 2022**

	2023					2022				
	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	\$ 3,190,796	\$ 1,795,919	\$ 4,986,715	\$ 6,705,756	\$ 11,692,471	\$ 3,533,646	\$ 3,003,763	\$ 6,537,409	\$ 6,219,486	\$ 12,756,895
Investments	6,541,428	5,762,282	12,303,710	133,711	12,437,421	8,336,205	1,268,373	9,604,578	100,327	9,704,905
Accounts receivable	172,249	-	172,249	-	172,249	50,714	-	50,714	-	50,714
Unconditional promises to give, net	342,624	-	342,624	2,147,949	2,490,573	447,511	-	447,511	275,423	722,934
Inventory	140,260	-	140,260	-	140,260	106,589	-	106,589	-	106,589
Prepaid expenses	431,570	-	431,570	-	431,570	220,820	-	220,820	-	220,820
Employee retention credit receivable	-	-	-	-	-	1,176,011	-	1,176,011	-	1,176,011
Total current assets	10,818,927	7,558,201	18,377,128	8,987,416	27,364,544	13,871,496	4,272,136	18,143,632	6,595,236	24,738,868
Restricted cash	101,110	-	101,110	-	101,110	75,628	-	75,628	-	75,628
Restricted investments	229,515	-	229,515	-	229,515	182,712	-	182,712	-	182,712
Investments	-	-	-	8,742,763	8,742,763	-	-	-	10,320,391	10,320,391
Unconditional promises to give, net of current portion	-	-	-	1,389,450	1,389,450	-	-	-	177,087	177,087
Property and equipment, at cost, net of accumulated depreciation	6,933,631	-	6,933,631	-	6,933,631	4,504,687	-	4,504,687	-	4,504,687
Right of use asset - operating, net	8,585,271	-	8,585,271	-	8,585,271	-	-	-	-	-
Deposits	97,023	-	97,023	-	97,023	80,702	-	80,702	-	80,702
Total assets	\$ 26,765,477	\$ 7,558,201	\$ 34,323,678	\$ 19,119,629	\$ 53,443,307	\$ 18,715,225	\$ 4,272,136	\$ 22,987,361	\$ 17,092,714	\$ 40,080,075
Liabilities and Net Assets										
Liabilities										
Current liabilities										
Accounts payable and accrued expenses	\$ 1,952,264	\$ -	\$ 1,952,264	\$ -	\$ 1,952,264	\$ 1,206,476	\$ -	\$ 1,206,476	\$ -	\$ 1,206,476
Advance box office revenue	4,829,887	-	4,829,887	-	4,829,887	4,816,433	-	4,816,433	-	4,816,433
Unredeemed gift certificates	158,617	-	158,617	-	158,617	110,779	-	110,779	-	110,779
Deferred tuition	494,903	-	494,903	-	494,903	400,510	-	400,510	-	400,510
Deferred enhancement revenue	526,136	-	526,136	-	526,136	-	-	-	-	-
Refundable advance - NJSCA	-	-	-	933,353	933,353	-	-	-	-	-
Current portion of lease liabilities - operating	523,861	-	523,861	-	523,861	-	-	-	-	-
Loans payable	-	-	-	-	-	25,349	-	25,349	-	25,349
Total current liabilities	8,485,668	-	8,485,668	933,353	9,419,021	6,559,547	-	6,559,547	-	6,559,547
Deferred compensation payable	229,515	-	229,515	-	229,515	183,212	-	183,212	-	183,212
Lease liabilities - operating, net of current portion	8,149,119	-	8,149,119	-	8,149,119	-	-	-	-	-
Total liabilities	16,864,302	-	16,864,302	933,353	17,797,655	6,742,759	-	6,742,759	-	6,742,759
Net assets										
Without donor restrictions										
Property and equipment, net	6,933,631	-	6,933,631	-	6,933,631	4,504,687	-	4,504,687	-	4,504,687
Board-designated fund	-	7,558,201	7,558,201	-	7,558,201	-	2,658,201	2,658,201	-	2,658,201
Board-designated - bridge fund	-	-	-	-	-	-	1,613,935	1,613,935	-	1,613,935
Undesignated	2,967,544	-	2,967,544	-	2,967,544	7,467,779	-	7,467,779	-	7,467,779
Total without donor restrictions	9,901,175	7,558,201	17,459,376	-	17,459,376	11,972,466	4,272,136	16,244,602	-	16,244,602
With donor restrictions	-	-	-	18,186,276	18,186,276	-	-	-	17,092,714	17,092,714
Total net assets	9,901,175	7,558,201	17,459,376	18,186,276	35,645,652	11,972,466	4,272,136	16,244,602	17,092,714	33,337,316
Total liabilities and net assets	\$ 26,765,477	\$ 7,558,201	\$ 34,323,678	\$ 19,119,629	\$ 53,443,307	\$ 18,715,225	\$ 4,272,136	\$ 22,987,361	\$ 17,092,714	\$ 40,080,075

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

**Paper Mill Playhouse
Statements of Activities
Years Ended June 30, 2023 and 2022**

	2023					2022				
	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										
Individuals	\$ 1,247,505	\$ -	\$ 1,247,505	\$ 187,953	\$ 1,435,458	\$ 423,109	\$ 104,031	\$ 527,140	\$ 1,861,138	\$ 2,388,278
Government, excluding Shuttered Venue Operators Grant revenue	1,052,500	-	1,052,500	-	1,052,500	1,584,596	-	1,584,596	109,230	1,693,826
Foundations	307,850	-	307,850	7,500	315,350	543,583	-	543,583	216,667	760,250
Corporations	225,891	-	225,891	12,000	237,891	283,134	-	283,134	75,000	358,134
Contributions of non-financial assets	60,355	-	60,355	-	60,355	40,170	-	40,170	-	40,170
Fundraising events	1,199,399	-	1,199,399	-	1,199,399	1,224,378	-	1,224,378	-	1,224,378
Less: Direct costs of fundraising events	(245,919)	-	(245,919)	-	(245,919)	(195,986)	-	(195,986)	-	(195,986)
Fundraising events, net	953,480	-	953,480	-	953,480	1,028,392	-	1,028,392	-	1,028,392
Shuttered Venue Operators Grant revenue	-	-	-	-	-	4,809,863	-	4,809,863	-	4,809,863
Transfer of bridge funds to operations	1,282,146	-	1,282,146	-	1,282,146	-	-	-	-	-
Spending policy distribution	77,167	-	77,167	-	77,167	68,506	-	68,506	-	68,506
Net assets released from restrictions										
Foundations	183,333	-	183,333	(183,333)	-	-	-	-	-	-
Individuals	62,947	-	62,947	(62,947)	-	859,336	-	859,336	(859,336)	-
Corporations	75,000	-	75,000	(75,000)	-	-	-	-	-	-
Government	25,000	-	25,000	(25,000)	-	-	-	-	-	-
Total public support	5,553,174	-	5,553,174	(138,827)	5,414,347	9,640,689	104,031	9,744,720	1,402,699	11,147,419
Other revenue										
Ticket sales	12,114,190	-	12,114,190	-	12,114,190	7,006,873	-	7,006,873	-	7,006,873
Enhancement and co-production income	9,125,189	-	9,125,189	-	9,125,189	1,440,397	-	1,440,397	-	1,440,397
Concession and restaurant income, net of cost of goods sold										
\$731,707 in 2023 and \$412,293 in 2022	1,277,551	-	1,277,551	-	1,277,551	648,575	-	648,575	-	648,575
Service charge and facility income	1,117,132	-	1,117,132	-	1,117,132	691,677	-	691,677	-	691,677
Tuition income and miscellaneous education income	701,008	-	701,008	-	701,008	531,684	-	531,684	-	531,684
Investment income (loss), net	176,156	-	176,156	-	176,156	(1,429,153)	-	(1,429,153)	-	(1,429,153)
Parking lot income	116,237	-	116,237	-	116,237	58,906	-	58,906	-	58,906
Playbill income	37,430	-	37,430	-	37,430	34,787	-	34,787	-	34,787
Royalty income	29,679	-	29,679	-	29,679	9,038	-	9,038	-	9,038
Miscellaneous income	29,537	-	29,537	-	29,537	11,430	-	11,430	-	11,430
Rental income	21,800	-	21,800	-	21,800	23,221	-	23,221	-	23,221
PPP2 loan forgiveness	-	-	-	-	-	655,774	-	655,774	-	655,774
Total other revenue	24,745,909	-	24,745,909	-	24,745,909	9,683,209	-	9,683,209	-	9,683,209
Total public support and other revenue	30,299,083	-	30,299,083	(138,827)	30,160,256	19,323,898	104,031	19,427,929	1,402,699	20,830,628
Expenses										
Program services										
Theatrical productions	25,339,596	-	25,339,596	-	25,339,596	15,045,218	-	15,045,218	-	15,045,218
Education and outreach	1,496,215	-	1,496,215	-	1,496,215	1,141,117	-	1,141,117	-	1,141,117
Total program services	26,835,811	-	26,835,811	-	26,835,811	16,186,335	-	16,186,335	-	16,186,335
Supporting services										
Management and general	2,756,501	-	2,756,501	-	2,756,501	1,337,533	-	1,337,533	-	1,337,533
Fundraising	1,287,353	-	1,287,353	-	1,287,353	1,418,728	-	1,418,728	-	1,418,728
Total supporting services	4,043,854	-	4,043,854	-	4,043,854	2,756,261	-	2,756,261	-	2,756,261
Total expenses	30,879,665	-	30,879,665	-	30,879,665	18,942,596	-	18,942,596	-	18,942,596
Changes in net assets before non-operating activities (carried forward)	(580,582) *	-	(580,582)	(138,827)	(719,409)	381,302 *	104,031	485,333	1,402,699	1,888,032
*Includes depreciation and amortization expense of \$418,929 (2023) and \$374,899 (2022)										
Changes in net assets before non-operating activities and depreciation and amortization expense	\$ (73,944)					\$ 756,201				

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

**Paper Mill Playhouse
Statements of Activities
Years Ended June 30, 2023 and 2022**

	2023					2022				
	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)	\$ (580,582)	\$ -	\$ (580,582)	\$ (138,827)	\$ (719,409)	\$ 381,302	\$ 104,031	\$ 485,333	\$ 1,402,699	\$ 1,888,032
Non-operating activities										
Capital contributions										
Individuals	-	-	-	2,719,910	2,719,910	755,644	-	755,644	13,853,828	14,609,472
Government	566,647	-	566,647	-	566,647	-	-	-	-	-
Foundations	90,000	-	90,000	750,000	840,000	-	-	-	-	-
Corporations	-	-	-	20,000	20,000	-	-	-	-	-
Capital expenses	(757,160)	-	(757,160)	-	(757,160)	(522,633)	-	-	-	(522,633)
Investment income (loss), net	922,775	-	922,775	74,886	997,661	(179,291)	-	-	(278,023)	(278,023)
Spending policy distribution	-	-	-	(77,167)	(77,167)	-	-	-	(68,506)	(68,506)
Transfer of bridge funds to operations	331,789	(1,613,935)	(1,282,146)	-	(1,282,146)	-	-	-	-	-
Board designation of net assets	(4,900,000)	4,900,000	-	-	-	-	-	-	-	-
Shuttered Venue Operators Grant revenue	-	-	-	-	-	4,360,250	-	-	-	4,360,250
PPP1 loan forgiveness	-	-	-	-	-	2,082,055	-	-	-	2,082,055
Net assets released from restrictions - capital										
Individuals	2,210,385	-	2,210,385	(2,210,385)	-	25,000	-	25,000	(25,000)	-
Government	44,855	-	44,855	(44,855)	-	-	-	-	-	-
Total non-operating activities	<u>(1,490,709)</u>	<u>3,286,065</u>	<u>1,795,356</u>	<u>1,232,389</u>	<u>3,027,745</u>	<u>6,521,025</u>	<u>-</u>	<u>780,644</u>	<u>13,482,299</u>	<u>20,182,615</u>
Changes in net assets	(2,071,291)	3,286,065	1,214,774	1,093,562	2,308,336	6,902,327	104,031	7,006,358	14,884,998	22,070,647
Net assets										
Beginning 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>
End of year	<u>\$ 9,901,175</u>	<u>\$ 7,558,201</u>	<u>\$ 17,459,376</u>	<u>\$ 18,186,276</u>	<u>\$ 35,645,652</u>	<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>

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

**Paper Mill Playhouse
Statement of Functional Expenses
Year Ended June 30, 2023**

	Program Services			Supporting Services				Cost of Direct	Total Expenses
	Theatrical Productions	Education and Outreach	Total	Management and General	Fundraising	Capital Campaign	Total	Benefits to Donors	
Salaries	\$ 9,132,262	\$ 895,895	\$ 10,028,157	\$ 1,224,904	\$ 763,686	\$ -	\$ 1,988,590	\$ 7,544	\$ 12,024,291
Benefits and payroll taxes	3,343,811	177,749	3,521,560	210,566	199,596	-	410,162	2,331	3,934,053
Artistic fees	1,335,789	1,889	1,337,678	2,437	-	-	2,437	-	1,340,115
Professional services	123,983	53,941	177,924	205,027	8,618	755,545	969,190	84,082	1,231,196
Production costs	7,318,604	20,289	7,338,893	-	-	-	-	140,906	7,479,799
Advertising and marketing	1,424,753	-	1,424,753	-	-	-	-	-	1,424,753
Travel and transportation	469,285	27,232	496,517	2,869	4,760	-	7,629	1,332	505,478
Telephone and postage	33,654	3,991	37,645	7,455	8,251	-	15,706	-	53,351
Repairs, maintenance and utilities	405,632	29,007	434,639	162,775	9,669	-	172,444	-	607,083
Supplies and materials	34,647	6,734	41,381	8,413	5,344	-	13,757	-	55,138
Insurance	391,108	22,034	413,142	115,680	22,034	-	137,714	-	550,856
Concession and restaurant cost of goods sold	731,707	-	731,707	-	-	-	-	-	731,707
Office expenses (meetings, hospitality and general)	303,494	141,868	445,362	216,202	187,454	1,615	405,271	-	850,633
Computers and software	10,696	603	11,299	177,652	10,951	-	188,603	-	199,902
Dues and memberships	10,644	596	11,240	34,707	3,051	-	37,758	-	48,998
Space rental	333,971	85,164	419,135	243,540	-	-	243,540	-	662,675
Printing and reproduction	-	-	-	-	9,721	-	9,721	-	9,721
Bank charges and credit card processing fees	369,823	12,466	382,289	56,299	18,173	-	74,472	9,724	466,485
Depreciation and amortization	297,440	16,757	314,197	87,975	16,757	-	104,732	-	418,929
Bad debt expense	-	-	-	-	19,288	-	19,288	-	19,288
Total expenses	26,071,303	1,496,215	27,567,518	2,756,501	1,287,353	757,160	4,801,014	245,919	32,614,451
Less: Expenses included with revenues on the statements of activities									
Concession and restaurant cost of goods sold	(731,707)	-	(731,707)	-	-	-	-	-	(731,707)
Direct costs of fundraising events	-	-	-	-	-	-	-	(245,919)	(245,919)
	<u>\$ 25,339,596</u>	<u>\$ 1,496,215</u>	<u>\$ 26,835,811</u>	<u>\$ 2,756,501</u>	<u>\$ 1,287,353</u>	<u>\$ 757,160</u>	<u>\$ 4,801,014</u>	<u>\$ -</u>	<u>\$ 31,636,825</u>

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

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

	Program Services			Supporting Services				Cost of Direct	Total Expenses
	Theatrical Productions	Education and Outreach	Total	Management and General	Fundraising	Capital Campaign	Total	Benefits to Donors	
Salaries	\$ 7,046,110	\$ 725,587	\$ 7,771,697	\$ 420,525	\$ 768,358	\$ -	\$ 1,188,883	\$ 3,772	\$ 8,964,352
Benefits and payroll taxes	2,150,052	142,717	2,292,769	81,243	175,278	-	256,521	2,000	2,551,290
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	52,809	897,891
Production costs	1,570,229	14,103	1,584,332	156	-	-	156	96,917	1,681,405
Advertising and marketing	829,675	4,284	833,959	1,079	17,094	-	18,173	-	852,132
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
Office expenses (meetings, hospitality and general)	273,313	62,026	335,339	73,472	172,182	35	245,689	24,972	606,000
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	221,176	17,783	238,959	2,468	24,310	-	26,778	15,516	281,253
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	1,418,728	522,633	3,278,894	195,986	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)	-
	<u>\$ 15,045,218</u>	<u>\$ 1,141,117</u>	<u>\$ 16,186,335</u>	<u>\$ 1,337,533</u>	<u>\$ 1,418,728</u>	<u>\$ 522,633</u>	<u>\$ 3,278,894</u>	<u>\$ -</u>	<u>\$ 19,661,215</u>

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

Paper Mill Playhouse
Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating activities		
Changes in net assets	\$ 2,308,336	\$ 21,891,356
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation and amortization	418,929	374,899
Amortization of right-of-use asset	348,550	-
Donated securities	(109,049)	(14,244,478)
Net loss (gain) on deferred compensation investment	(24,803)	37,799
Unrealized (gain) loss on investments	(1,496,421)	2,257,184
Realized loss on investments	1,104,139	1,668
Change in discount for present value of unconditional promises	49,637	18,265
Bad debt expense	19,288	102,500
PPP1/PPP2 forgiveness	-	(2,737,829)
Change in assets and liabilities		
Accounts receivable	(140,823)	(117,155)
Unconditional promises to give	(3,416,113)	(13,862,668)
Inventory	(33,671)	(1,573)
Prepaid expenses	(210,750)	295,349
Deposits	(16,321)	(12,264)
Employee retention credit receivable	1,176,011	-
Accounts payable and accrued expenses	745,788	721,657
Advance box office revenue	13,454	1,089,135
Unredeemed gift certificates	47,838	1,775
Deferred tuition	94,393	186,060
Deferred enhancement revenue	526,136	(649,212)
Refundable advance - NJSCA	933,353	-
Lease liabilities - operating	(260,841)	-
Deferred compensation payable	46,303	(17,799)
Net cash provided by (used in) operating activities	<u>2,123,363</u>	<u>(4,665,331)</u>
Investing activities		
Purchase of property and equipment	(2,847,873)	(1,217,996)
Proceeds from sale of investments	21,614,985	19,471,321
Purchases of investments	(22,268,542)	(23,581,584)
Payments toward deferred compensation plan payable	(22,000)	(19,500)
Net cash used in investing activities	<u>(3,523,430)</u>	<u>(5,347,759)</u>
Financing activities		
Contributions restricted for property and equipment	386,474	13,851,828
Principal payments towards loans	(25,349)	(23,706)
Repayment of PPP loans	-	(391,178)
Net cash provided by financing activities	<u>361,125</u>	<u>13,436,944</u>
Net change in cash, cash equivalents and restricted cash	(1,038,942)	3,423,854
Cash, cash equivalents and restricted cash		
Beginning of year	<u>12,832,523</u>	<u>9,408,669</u>
End of year	<u>\$ 11,793,581</u>	<u>\$ 12,832,523</u>
Supplemental information		
Interest paid on loans	<u>\$ 799</u>	<u>\$ 7,914</u>
Non-cash activities		
Right-of-use assets obtained in exchange for operating lease liabilities	<u>\$ 8,933,821</u>	<u>\$ -</u>

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

Paper Mill Playhouse
Notes to Financial Statements
June 30, 2023 and 2022

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.

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").

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: 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 matter in which the 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 financial position and cash flows, cash and cash equivalents include time deposits and all highly liquid debt instruments with original maturities of three months or less.

Investments

Investments in marketable securities are reported at fair value in the accompanying statements of financial position. Unrealized gains and losses are included in changes 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. Investment income (loss) is shown net of direct external expenses.

Paper Mill Playhouse
Notes to Financial Statements
June 30, 2023 and 2022

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 \$5,000. 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, 2023 and 2022, all productions closed by June 30, 2023 and 2022; therefore, all production costs were expensed within their respective 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, 2023 and 2022 was \$805,720 and \$420,756, respectively, which is included in advertising and marketing expense in the statements of functional expenses.

Leases

The Organization categorizes leases with contractual terms longer than twelve months as either operating or finance. Finance leases are generally those leases that allow us to substantially utilize or pay for the entire asset over its estimated life. All other leases are categorized as operating leases. Leases with contractual terms of 12 months or less are not recorded on the statements of financial position. The Organization had no finance leases during 2023 and 2022.

Lease liabilities are recognized at the present value of the fixed lease payments, using a discount rate based on the risk-free rate. Right-of-use ("ROU") assets are recognized based on the initial present value of the fixed lease payments plus any costs from executing the lease. Lease assets are tested for impairment in the same manner as long-lived assets used in operations.

Paper Mill Playhouse
Notes to Financial Statements
June 30, 2023 and 2022

Estimates

The preparation of financial statements in accordance with U.S. GAAP 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, present value of unconditional promises to give and functional allocation of expenses. 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, 2023 and 2022, the Organization had approximately \$396,000 and \$340,000, respectively, in net operating losses carried forward. The carried forward losses have been fully reserve 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.

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 deferred revenue 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.

Paper Mill Playhouse
Notes to Financial Statements
June 30, 2023 and 2022

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 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.

Paper Mill Playhouse
Notes to Financial Statements
June 30, 2023 and 2022

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, 2023 and 2022 were \$172,249 and \$50,714, respectively. Contract liabilities as of June 30, 2023 and 2022 was \$6,009,543 and \$5,327,222, respectively. The opening balances at July 1, 2021 for accounts receivable and contract liabilities were \$36,059 and \$4,699,964, respectively.

New Accounting Pronouncements Adopted in Current Year

In February 2016, the Financial Accounting Standards Board issued an Accounting Standards Update amending the accounting for leases. The Organization adopted the new standard on July 1, 2022, using the modified retrospective approach. Comparative prior periods were not adjusted upon adoption, as the Organization utilized the practical expedient available under the guidance. Further, the Organization elected to implement the package of practical expedients, whereby the Organization did not (i) reassess existing contracts for embedded leases, (ii) reassess existing lease agreements for finance or operating classification, or (iii) reassess existing lease agreements in consideration of initial direct costs. Upon adoption, the Organization recognized \$8,933,821 in right-of-use (“ROU”) assets related to its leased property. Corresponding lease liabilities of \$8,933,821 were also recognized in the statements of financial position. There was no cumulative effect of applying the new standard and accordingly, there was no adjustment to net assets upon adoption.

Reclassification

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. These changes have had no effect on the net assets of the Organization.

Paper Mill Playhouse
Notes to Financial Statements
June 30, 2023 and 2022

2. RESTRICTIONS AND DESIGNATIONS ON NET ASSETS

Net Assets Without Donor Restrictions

Board-Designated Fund

The Board has a fund that can be used for a broad array of purposes subject to Board approval. During the years ended June 30, 2023 and June 30, 2022, there were no releases from board-designated net assets for this fund. During the year ended June 30, 2023, an additional \$4,900,000 was designated by the Board. Investment earnings on the fund are undesignated for operations, however management reserves income earned for specific purposes, therefore, unspent investment earnings are reflected in non-operating on the statement of activities. The balance of the cash reserve fund at June 30, 2023 and 2022 was \$7,558,201 and \$2,658,201, respectively.

Board-Designated - Bridge Fund

The Board created a bridge fund that was 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, however management reserves income earned for specific purposes, therefore, unspent investment earnings are reflected in non-operating on the statement of activities. During the year ended June 30, 2023, \$1,613,935 was released from the board-designated net assets for losses associated with the impact of COVID-19, of which \$331,789 related to realized losses on investments and is shown in non-operating activities on the statements of activities. The remaining \$1,282,146 was transferred directly to operations. The balance of the bridge fund as of June 30, 2022 was \$1,613,935. There was no balance in the bridge fund as of June 30, 2023.

Net Assets With Donor Restrictions

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

	<u>2023</u>	<u>2022</u>
Grants and contributions (subject to expenditure for specific purpose or time)		
Future periods and programs		
Capital campaign (Note 16)	\$ 16,118,433	\$ 14,254,848
Future programs and periods	629,377	781,158
Stage improvements and other similar projects	<u>274,724</u>	<u>841,048</u>
	17,022,534	15,877,054
Less: Discount to present value	<u>(72,550)</u>	<u>(22,913)</u>
	16,949,984	15,854,141
Accumulated endowment earnings	<u>70,999</u>	<u>73,280</u>
	<u>17,020,983</u>	<u>15,927,421</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	287,458
De Grandpre Family Scholarship Fund	<u>55,000</u>	<u>55,000</u>
	<u>1,165,293</u>	<u>1,165,293</u>
	<u>\$ 18,186,276</u>	<u>\$ 17,092,714</u>

Paper Mill Playhouse
Notes to Financial Statements
June 30, 2023 and 2022

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, 2023 and 2022, investment income (loss) was \$33,384 and \$(207,188) and amounts appropriated for expenditures were \$70,121 and \$68,506, 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, 2023 and 2022, investment income (loss) was \$34,678 and \$(59,827), respectively. During the year ended June 30, 2023, amounts appropriated for expenditures was \$7,046. There were no appropriations from the fund during the year ended June 30, 2022. 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. During the years ended June 30, 2023 and 2022, investment income (loss) was \$6,824 and \$(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 the 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.

Paper Mill Playhouse
Notes to Financial Statements
June 30, 2023 and 2022

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

	<u>2023</u>	<u>2022</u>
Endowment net assets, beginning of year	\$ 1,238,573	\$ 1,585,105
Appropriated for expenditures	(77,167)	(68,506)
Net investment return, net	<u>74,886</u>	<u>(278,026)</u>
Endowment net assets, end of year	<u>\$ 1,236,292</u>	<u>\$ 1,238,573</u>

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.

Underwater Endowment Funds

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the original dollar value of the endowment fund or the level that the donor or state law requires the Organization to retain as a fund of perpetual duration. The Organization considers prudence in maintaining an endowment fund in perpetuity and while spending may occur from an endowment fund whose fair value is below its historic value, the Organization has determined that its policies will continue the perpetual nature of the endowment over time. There were no deficiencies as of June 30, 2023 and 2022.

3. FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of June 30, 2023 and 2022, 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>2023</u>	<u>2022</u>
Financial assets		
Cash and cash equivalents	\$ 4,986,715	\$ 6,537,409
Investments	12,303,710	9,604,578
Accounts receivable	172,249	50,714
Unconditional promises to give	342,624	447,511
Employee retention credit receivable	<u>-</u>	<u>1,176,011</u>
Liquidity resources	17,805,298	17,816,223
Amounts restricted by board	<u>(7,558,201)</u>	<u>(4,272,136)</u>
Total financial assets and liquidity resources available within one year	<u>\$ 10,247,097</u>	<u>\$ 13,544,087</u>

Paper Mill Playhouse
Notes to Financial Statements
June 30, 2023 and 2022

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 has significant cash balances at several financial institutions during the year; therefore, the balance in the operating account may regularly exceed the federally insured limit of \$250,000. Any loss incurred or a lack of access to such funds could have a significant adverse impact on the Organization's financial condition, results of operations, and cash flows.

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, 2023 and 2022, the Organization has provided a letter of credit to Actors' Equity Association in the amount of \$101,110 and \$75,628, respectively. The letter of credit is security for the Organization's guarantee of any amounts due to Actors' Equity Association.

5. INVESTMENTS

Fair value is defined 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 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 investment leveling methodology for the years ended June 30, 2023 and 2022. There were no transfers, purchases or issuances of level 3 investments during the years ended June 30, 2023 or 2022.

Paper Mill Playhouse
Notes to Financial Statements
June 30, 2023 and 2022

The fair value of assets measured on a recurring basis on June 30, 2023 and 2022 consist of fixed and equity mutual funds and stocks. Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

Investments consist of the following as of June 30:

	June 30, 2023	
	Fair Value	
	Level 1	Total
Equity mutual funds	\$ 4,962,360	\$ 4,962,360
Fixed income mutual funds	16,447,339	16,447,339
	<u>\$ 21,409,699</u>	<u>\$ 21,409,699</u>
	June 30, 2022	
	Fair Value	
	Level 1	Total
Equity mutual funds	\$ 5,533,383	\$ 5,533,383
Fixed income mutual funds	14,398,753	14,398,753
Stocks	275,872	275,872
	<u>\$ 20,208,008</u>	<u>\$ 20,208,008</u>

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

	2023	2022
Realized loss on sale of investments	\$ (1,104,139)	\$ (1,668)
Unrealized gain (loss) on investments	1,496,421	(2,257,184)
Interest and dividend income	896,764	439,926
Investment management fees	(115,229)	(67,541)
Total investment income (loss), net	<u>\$ 1,173,817</u>	<u>\$ (1,886,467)</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% in 2023 and 2022.

Paper Mill Playhouse
Notes to Financial Statements
June 30, 2023 and 2022

Unconditional promises to give consist of the following as of June 30, 2023:

	<u>Less than One Year</u>	<u>One to Five Years</u>	<u>Total</u>
Without donor restrictions	\$ 342,624	\$ -	\$ 342,624
With donor restrictions	<u>2,147,949</u>	<u>1,462,000</u>	<u>3,609,949</u>
	2,490,573	1,462,000	3,952,573
Less: Discount for present value	<u>-</u>	<u>(72,550)</u>	<u>(72,550)</u>
	<u>\$ 2,490,573</u>	<u>\$ 1,389,450</u>	<u>\$ 3,880,023</u>

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>

7. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	<u>Life/Years</u>	<u>2023</u>	<u>2022</u>
Land and land improvements	N/A	\$ 418,561	\$ -
Building and improvements	20-39	6,236,595	4,683,087
Equipment	5-10	5,858,825	5,285,541
Furniture and fixtures	5	<u>848,047</u>	<u>848,047</u>
		13,362,028	10,816,675
Less: Accumulated depreciation		<u>(7,309,493)</u>	<u>(6,952,764)</u>
		6,052,535	3,863,911
Construction in progress	N/A	<u>881,096</u>	<u>640,776</u>
		<u>\$ 6,933,631</u>	<u>\$ 4,504,687</u>

Depreciation and amortization expense for the years ended June 30, 2023 and 2022 was \$418,929 and \$374,899, respectively.

Construction in progress consists of costs incurred in relation to the capital campaign (see Note 16). Since the projects were not complete at June 30, 2023, the costs have not been depreciated.

Paper Mill Playhouse
Notes to Financial Statements
June 30, 2023 and 2022

8. LOANS PAYABLE

The Organization obtained loans with 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. As of the year ended June 30, 2022, the balance payable was \$25,349. During the year ended June 30, 2023, the balance was fully repaid.

9. LEASES

The Organization has entered into several lease agreements for space:

- 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. The lease was capitalized on the statements of financial position using the minimum base rent.
- 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. In 2022, the Organization amended lease agreement to include additional space.
- 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.
- 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.

Because the rate implicit in the leases is generally not available, the Organization utilizes the risk free rate as the discount rate. The weighted average discount rate associated with the leases as of June 30, 2023 was approximately 3.1%. The weighted average remaining lease term with the leases as of June 30, 2023 is approximately 54.5 years.

Lease expense for the years ended June 30, 2023 and 2022 was \$597,164 and \$492,745, respectively and is included in space rental on the statements of functional expenses. Operating cash flows from operating leases during the year ended June 30, 2023 was \$260,841.

A right of use asset related to the Organization's four leased properties of \$8,585,271 was capitalized on the statements of financial position as of June 30, 2023, with a corresponding liability of \$8,672,980 as of June 30, 2023.

Paper Mill Playhouse
Notes to Financial Statements
June 30, 2023 and 2022

The following is a maturity analysis of the annual undiscounted cash flows of the operating lease liabilities as of June 30, 2023:

For the year ending June 30, 2024	\$ 523,861
" " " " " June 30, 2025	501,964
" " " " " June 30, 2026	334,567
" " " " " June 30, 2027	343,367
" " " " " June 30, 2028	352,167
For the fifty-four years ending June 30, 2083	<u>16,503,632</u>
Total lease payments	18,559,558
Less: Imputed interest	<u>(9,886,578)</u>
Lease liability as of June 30, 2023	<u>\$ 8,672,980</u>

Future minimum lease payments under operating leases as of June 30, 2022 were as follows:

For the year ending June 30, 2023	\$ 509,956
" " " " " June 30, 2024	523,861
" " " " " June 30, 2025	501,964
" " " " " June 30, 2026	334,567
" " " " " June 30, 2027	343,167
" " " " " June 30, 2028	352,167
For the fifty-four years ending June 30, 2083	<u>16,503,633</u>
	<u>\$ 19,069,315</u>

10. 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, 2023 and 2022, respectively:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 11,692,471	\$ 12,756,895
Restricted cash	<u>101,110</u>	<u>75,628</u>
	<u>\$ 11,793,581</u>	<u>\$ 12,832,523</u>

11. 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, 2023 and 2022. The Organization made payments under the agreement of \$1,980 for each of the years ended June 30, 2023 and 2022.

Paper Mill Playhouse
Notes to Financial Statements
June 30, 2023 and 2022

- 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 ("PPA") enacted in 2006. 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. 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 its financial position, results of operations or cash flows.

Approximately 45% and 43% of the Organization's employees are participants in multiemployer plans for the years ended June 30, 2023 and 2022, respectively. Pension and welfare expense for multiemployer plans was \$1,773,452 and \$990,218 for the years ended June 30, 2023 and 2022, respectively.

- d) 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.
- e) The Organization has a three year contract with a valet parking services company which manages its parking lot that expires on August 31, 2025. Under the agreement, the Organization receives 45% of the gross revenue less New Jersey State sales tax on an annual basis. Parking lot income for the years ended June 30, 2023 and 2022 was \$116,237 and \$58,906, respectively.
- f) The Organization has an employment agreement which extends through January 31, 2024. The aggregated commitment under this agreement is approximately \$138,761 and \$528,879 at June 30, 2023 and 2022, respectively.

Paper Mill Playhouse
Notes to Financial Statements
June 30, 2023 and 2022

12. CONCENTRATIONS

One donor and two donors, respectively, have contributed approximately 34% and 72% of the operating public support for the years ended June 30, 2023 and 2022, respectively. Four donors and two donors, respectively, have contributed approximately 68% and 80% of the capital contributions for the years ended June 30, 2023 and 2022, respectively. Approximately 58% and 30% of unconditional promises to give are due from three donors and one donor as of June 30, 2023 and 2022, respectively.

13. 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 restart employer contributions to the plan effective January 1, 2023 after previously suspending them since August 1, 2006. During the year ended June 30, 2023, the Organization contributed \$99,516 to the employee plan.

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, 2023 and 2022, restricted investments related to the plan are \$229,515 and \$182,712, respectively. As of June 30, 2023 and 2022, the related deferred compensation payable is \$229,515 and \$183,212, respectively.

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, salaries, benefits, payroll taxes, office expenses, insurance, professional services, 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, and telephone and postage, which are allocated on the basis of estimates of time and effort.

15. DONATED SERVICES AND MATERIALS

Contributed non-financial assets are recorded as contributions at their estimated fair value on the date of receipt and reported as expense when utilized. Contributed non-financial assets do not have donor-imposed restrictions, are not sold and goods are only distributed for program use. The Organization received contributed non-financial assets comprised of services and materials during the years ended June 30, 2023 and 2022 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>2023</u>	<u>2022</u>
Fundraising benefits	Decorations and space rental	Market value of goods and services as provided by vendor	60,355	40,170
			<u>\$ 60,355</u>	<u>\$ 40,170</u>

Paper Mill Playhouse
Notes to Financial Statements
June 30, 2023 and 2022

16. 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. The following reflects the cumulative status of the Campaign as of June 30, 2023 and 2022, respectively:

	Cumulative 2023	Cumulative 2022
	<u> </u>	<u> </u>
Campaign goal		
Campus renovations and capital improvements	\$ 34,000,000	\$ 34,000,000
Education center	<u>6,000,000</u>	<u>6,000,000</u>
	<u>\$ 40,000,000</u>	<u>\$ 40,000,000</u>
Funds raised, including promises to give		
Contributions raised	\$ 17,832,348	\$ 14,254,848
NJSCA grant - see below	<u>2,000,000</u>	<u>-</u>
	<u>\$ 19,832,348</u>	<u>\$ 14,254,848</u>
Funds used		
Land and building	\$ 1,713,915	\$ -
Capital expenses	1,279,793	522,633
Construction in progress	<u>881,096</u>	<u>314,449</u>
	<u>\$ 3,874,804</u>	<u>\$ 837,082</u>
Promises to give		
Unconditional promises to give	\$ 3,256,026	\$ 2,000
Less: Discount for present value	<u>(62,590)</u>	<u>-</u>
	<u>\$ 3,193,436</u>	<u>\$ 2,000</u>

During the year ended June 30, 2023, the Organization was awarded a grant from New Jersey State Council of the Arts (“NJSCA”) in the amount of \$2,000,000. The cost-reimbursable grant covers capital expenditures from July 1, 2022 through June 30, 2023. \$1,500,000 of the grant was received as a refundable advance. The remaining \$500,000 of the grant is a conditional pledge and is not recorded in the statements of financial position or statements of activities. The Organization recognized revenue totaling \$566,647 for the year ended June 30, 2023 for eligible capital expenditures. As of June 30, 2023, the remaining balance of the refundable advance was \$933,353.

As of June 30, 2023, the Organization has received additional verbal or conditional pledges of approximately \$425,000, which are not recorded as revenue in the statements of activities.

Paper Mill Playhouse
Notes to Financial Statements
June 30, 2023 and 2022

17. 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"). 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. On February 16, 2022, the Organization was informed that its application for the forgiveness of \$655,774 for the PPP2 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 respective audit period. The remaining \$174,113 was fully repaid as of June 30, 2022.

18. 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 for the year ended June 30, 2022 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 July 1, 2021 as allowed under the terms of the award.

19. EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through October 30, 2023, 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.