

**BERGEN PERFORMING ARTS CENTER, INC.**

**FINANCIAL REPORT  
JUNE 30, 2011**



**BERGEN PERFORMING ARTS CENTER, INC.**

**TABLE OF CONTENTS**

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS:	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Notes to Financial Statements	5 - 13
SUPPLEMENTAL INFORMATION:	
Schedules of Functional Expenses	14



## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Bergen Performing Arts Center, Inc.  
Englewood, New Jersey

We have audited the accompanying statements of financial position of Bergen Performing Arts Center, Inc. (the "Organization") as of June 30, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 14 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Wiss & Company*

WISS & COMPANY, LLP

Livingston, New Jersey  
June 27, 2012

**BERGEN PERFORMING ARTS CENTER, INC.**

**STATEMENTS OF FINANCIAL POSITION**

<b>ASSETS</b>	June 30,	
	2011	2010
Cash and equivalents	\$ 258,297	\$ 213,307
Marketable securities	1,318,159	1,248,575
Accounts receivable, less allowance for doubtful accounts of \$1,651 in 2011 and \$11,149 in 2010	260,435	258,184
Prepaid expenses and other current assets	83,696	69,545
Pledges receivable, less allowance for doubtful pledges of \$40,000 in 2011 and 2010	620,672	722,744
Financing fees, net	22,744	31,842
Property and equipment, net	1,444,674	1,530,071
	\$ 4,008,677	\$ 4,074,268
<b>LIABILITIES AND NET ASSETS</b>		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 316,391	\$ 323,187
Deferred revenue	655,265	764,191
Note payable	400,000	171,050
Long-term debt	230,480	260,908
Bonds payable	1,680,000	1,765,000
	3,282,136	3,284,336
NET ASSETS:		
Unrestricted	(1,292,727)	(1,223,337)
Temporarily restricted	12,244	16,000
Permanently restricted	2,007,024	1,997,269
Total Net Assets	726,541	789,932
	\$ 4,008,677	\$ 4,074,268

*See accompanying notes to financial statements.*

BERGEN PERFORMING ARTS CENTER, INC.

STATEMENTS OF ACTIVITIES

	Year Ended June 30,							
	2011				2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>SUPPORT AND REVENUES:</b>								
Support:								
Individual contributions	\$ 104,337	\$ -	\$ 6,328	\$ 110,665	\$ 95,747	\$ -	\$ 10,267	\$ 106,014
Corporate contributions	177,332	-	870	178,202	125,670	-	1,373	127,043
Foundation contributions	123,421	-	2,557	125,978	119,140	-	5,594	124,734
In-kind contributions	103,139	-	-	103,139	55,234	-	-	55,234
Government grants	314,683	-	-	314,683	422,810	-	-	422,810
Special events	208,615	-	-	208,615	334,673	-	-	334,673
Revenues:								
Performance revenues	3,807,787	-	-	3,807,787	3,186,415	-	-	3,186,415
Rental revenues	327,911	-	-	327,911	364,718	-	-	364,718
Education revenues	219,055	-	-	219,055	220,494	-	-	220,494
Advertising revenues	103,711	-	-	103,711	104,508	-	-	104,508
Other revenues	126,093	1,944	-	128,037	141,779	-	-	141,779
	5,616,084	1,944	9,755	5,627,783	5,171,188	-	17,234	5,188,422
NET ASSETS RELEASED FROM RESTRICTIONS	5,700	(5,700)	-	-	-	-	-	-
Total support and revenues	5,621,784	(3,756)	9,755	5,627,783	5,171,188	-	17,234	5,188,422
<b>EXPENSES:</b>								
Program	5,183,182	-	-	5,183,182	4,692,023	-	-	4,692,023
Management and general	160,809	-	-	160,809	169,253	-	-	169,253
Fundraising	347,183	-	-	347,183	487,966	-	-	487,966
Total expenses	5,691,174	-	-	5,691,174	5,349,242	-	-	5,349,242
CHANGE IN NET ASSETS	(69,390)	(3,756)	9,755	(63,391)	(178,054)	-	17,234	(160,820)
NET ASSETS, BEGINNING OF YEAR	(1,223,337)	16,000	1,997,269	789,932	(1,045,283)	16,000	1,980,035	950,752
NET ASSETS, END OF YEAR	\$ (1,292,727)	\$ 12,244	\$ 2,007,024	\$ 726,541	\$ (1,223,337)	\$ 16,000	\$ 1,997,269	\$ 789,932

See accompanying notes to financial statements.

**BERGEN PERFORMING ARTS CENTER, INC.**

**STATEMENTS OF CASH FLOWS**

	Year Ended June 30,	
	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (63,391)	\$ (160,820)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	93,713	152,289
Loss on disposal of equipment	-	6,687
Amortization of financing fees	9,098	9,097
Gain loss on marketable securities and reinvested income	(12,392)	(8,991)
Bad debt expense	-	20,000
Pledges receivable present value discount adjustment	(13,217)	(21,904)
Change in operating assets and liabilities:		
Accounts receivable	(2,251)	49,033
Prepaid expenses and other current assets	(14,151)	3,246
Pledges receivable	115,289	240,275
Accounts payable and accrued expenses	(6,796)	(93,590)
Deferred revenue	(108,926)	199,542
Net cash flows from operating activities	(3,024)	394,864
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Sales from donated securities	-	2,853
Purchase of marketable securities	(57,192)	(1,239,584)
Purchases of property and equipment	(8,316)	(22,553)
Net cash flows from investing activities	(65,508)	(1,259,284)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from note payable	228,950	171,050
Payments on notes payable	-	(260,000)
Payments on long term debt	(30,428)	(15,078)
Proceeds from long term debt	-	200,000
Payments on bonds payable	(85,000)	(85,000)
Net cash flows from financing activities	113,522	10,972
<b>NET CHANGE IN CASH AND EQUIVALENTS</b>	44,990	(853,448)
<b>CASH AND EQUIVALENTS, BEGINNING OF YEAR</b>	213,307	1,066,755
<b>CASH AND EQUIVALENTS, END OF YEAR</b>	\$ 258,297	\$ 213,307
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Interest paid	\$ 89,201	\$ 93,297
Donated securities	\$ -	\$ 2,853

*See accompanying notes to financial statements.*

# BERGEN PERFORMING ARTS CENTER, INC.

## NOTES TO FINANCIAL REPORT

### Note 1 - Nature of the Organization and Summary of Significant Accounting Policies:

*Nature of the Organization* - Bergen Performing Arts Center, Inc. (the "Organization") is a not-for-profit organization incorporated under the laws of the State of New Jersey for the purpose of providing cultural, educational and social activities for the general public.

*Basis of Presentation* - The financial statement presentation follows the recommendations of FASB ASC 958-205 "Financial Statements for Not-for-Profit Organizations". The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Information is required to segregate program service expenses from management and general expenses:

#### *Support and Revenues:*

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

Revenues are recognized as amounts are earned and are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations or temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

*Contributions* - The Organization reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

*Estimates and Uncertainties* - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of support and expenses during the reporting period. Actual results, as determined at a later date, may differ from those estimates.

*Income Taxes* - The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and, therefore, has made no provision for federal income taxes in the accompanying financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a)(1) of the Code.

# BERGEN PERFORMING ARTS CENTER, INC.

## NOTES TO FINANCIAL REPORT

### Note 1 - Nature of the Organization and Summary of Significant Accounting Policies: (continued)

Management has determined that the Organization had no uncertain tax positions that would require financial statement recognition. The Organization is no longer subject to audits by the applicable taxing jurisdictions for the periods prior to 2009.

*Concentrations of Credit Risk* - Financial instruments which potentially subject the Organization to significant concentrations of credit risk consist principally of cash and equivalents.

The Organization maintains cash deposits with various financial institutions, which limits exposure to any one institution. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At times, cash balances may exceed insured limits.

The Organization's marketable securities are partially protected by the Securities Insurance Protection Corporation which provides limited insurance in certain circumstances for securities and cash held in brokerage accounts. The insurance is limited to \$500,000 for securities and \$250,000 for cash balances. The insurance does not protect against investment losses. At times, such balances may be in excess of SIPC insured limits.

*Cash Equivalents* - Cash equivalents include money market funds and all other highly liquid short-term investments purchased with maturities of three months or less.

*Promises to Give and Related Pledges Receivable* - Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

*Marketable Securities* - Marketable securities are recorded at fair value. Gains and losses on market value adjustments are recognized for market fluctuations.

*Property and Equipment* - Property and equipment are stated at cost. Depreciation is computed when assets are placed in service, primarily on the straight-line method, over the following useful lives:

Building	40 years
Improvements	15 years
Equipment	3-7 years
Furniture and fixtures	7 years

*Financing Fees* - Costs incurred in connection with debt issuance were capitalized and are being amortized over the life of the debt.

*Functional Allocation of Expenses* - The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**BERGEN PERFORMING ARTS CENTER, INC.**

**NOTES TO FINANCIAL REPORT**

**Note 1 - Nature of the Organization and Summary of Significant Accounting Policies: (continued)**

*Government Grants* - Government grants, which are awarded by agencies of the State, County and City governments for specified program activities, generally provide for reimbursement to the Organization for both direct and indirect expenditures. Such reimbursements are subject to subsequent reviews and renegotiations by the respective government agencies, and any changes in the amount of the reimbursements are recorded in the period when finally determined.

*Marketing and Advertising* - The Organization's policy is to expense marketing and advertising costs as incurred, which totaled \$706,837 in 2011 and \$637,739 in 2010.

*Subsequent Events* - Management has reviewed and evaluated all events and transactions from June 30, 2011, through June 27, 2012, the date that the financial statements were available for issue and the effects of those that provide additional pertinent information about conditions that existed at the statement of financial position date, have been recognized in the accompanying financial statements.

**Note 2 - In-Kind Contributions:**

The Organization receives donated services and materials in connection with its operations. These items have been reflected in the accompanying financial statements at their fair market value on the date of donation. In-kind contributions consist of the following:

	Year Ended June 30,	
	2011	2010
Legal and professional fees	\$ 23,383	\$ 1,585
Advertising expenses	56,205	6,234
Other	23,551	47,415
	\$ 103,139	\$ 55,234

The advertising expenses consist of mailing services and advertising consultation.

**Note 3 - Pledges Receivable:**

The following summarizes pledges receivable:

	June 30,	
	2011	2010
Amounts due:		
Up to one year	\$ 220,140	\$ 224,930
One year to five years	447,084	557,583
	667,224	782,513
Less: Allowance for doubtful pledges	40,000	40,000
Less: Discount to present value (discount rates of 1.76% and 1.79%)	6,552	19,769
	\$ 620,672	\$ 722,744

**BERGEN PERFORMING ARTS CENTER, INC.**

**NOTES TO FINANCIAL REPORT**

**Note 4 - Marketable Securities:**

The following is a summary of marketable securities:

	June 30,			
	2011		2010	
	Cost	Fair Market or Quoted Value	Cost	Fair Market or Quoted Value
Federal Natl Mtg Assn Notes	\$ 340,539	\$ 338,901	\$ 163,019	\$ 162,880
U.S. Government Bonds	114,126	114,072	95,080	94,655
U.S. Government Notes	<u>856,198</u>	<u>865,186</u>	<u>987,522</u>	<u>991,040</u>
	<u>\$ 1,310,863</u>	<u>\$ 1,318,159</u>	<u>\$ 1,245,621</u>	<u>\$ 1,248,575</u>

Investment income and loss as reflected in the Statement of Activities, is classified in other revenues as unrestricted or temporarily restricted based upon donor stipulations and the related classification of the underlying investments. Interest earned on marketable securities totaled \$25,591 and \$6,037 in 2011 and 2010, respectively. Unrealized gains (losses) on marketable securities totaled (\$3,604) and \$2,954 in 2011 and 2010, respectively. Investment expenses totaled \$6,984 and \$1,181 in 2011 and 2010, respectively.

**Note 5 - Property and Equipment:**

Land, building and equipment consists of the following:

	June 30,	
	2011	2010
Land	\$ 227,046	\$ 227,046
Building and improvements	1,651,095	1,655,894
Equipment	470,134	473,143
Furniture and fixtures	<u>70,092</u>	<u>70,092</u>
	2,418,367	2,426,175
Less: Accumulated depreciation	<u>973,693</u>	<u>896,104</u>
	<u>\$ 1,444,674</u>	<u>\$ 1,530,071</u>

Depreciation expense was \$93,713 in 2011 and \$152,289 in 2010.

**Note 6 - Note Payable:**

Note payable represents a \$800,000 line-of-credit due in July 2012 which bears interest at the greater of 3.25% or prime rate (3.25% at June 30, 2011). The note is secured by the marketable securities of the Organization. Borrowings on this note totaled \$400,000 and \$171,050 at June 30, 2011 and 2010, respectively. Subsequent to year-end, this note payable was refinanced through a line of credit and mortgage note payable (see Note 7).

**BERGEN PERFORMING ARTS CENTER, INC.**

**NOTES TO FINANCIAL REPORT**

**Note 7 - Long Term Debt:**

Long term debt consisted of the following:

Note payable to a bank with an original balance of \$80,000 which bore interest at a fixed rate of 7% and was due September 22, 2015. Monthly payments on this note were approximately \$1,211 including interest. This note was collateralized by the production equipment of the Organization. The balance on this note was \$53,184 at June 30, 2011 and \$63,541 at June 30, 2010.

Note payable to a bank with an original balance of \$200,000 which bore interest at the prime rate plus 1% (4.25% at June 30, 2011) and was due April 14, 2020. Principal payments of \$1,673 plus interest were due monthly. The note was collateralized by the Organization's marketable securities. The balance on this note was \$177,296 at June 30, 2011 and \$197,367 at June 30, 2010.

Long term debt was scheduled to mature as follows:

<u>Year Ending June 30,</u>	
2012	\$ 31,178
2013	32,003
2014	32,878
2015	33,811
2016	23,668
Thereafter	<u>76,942</u>
	<u>\$ 230,480</u>

In May 2012, the Organization refinanced its existing outstanding note payable, long term debt and bonds payable through an \$800,000 line of credit and a \$2,600,000 mortgage note payable. The line of credit bears interest at the greater of the Federal Home Loan Bank rate or 3.5% and is payable monthly, matures in May 2014 and is collateralized by the endowment investment bank account of the Organization. The mortgage note is payable beginning July 1, 2012 in monthly payments of \$11,021 including interest based on a thirty year amortization. The note bears interest at 3% until July 1, 2017 when it begins bearing interest at the Federal Home Loan Bank Five Year Advance Rate. The note is due in June 2022 and is collateralized by the real property of the Organization.

**Note 8 - Bonds Payable:**

The bonds payable bore interest at 3.98% and are payable in annual principal payments plus interest semi-annually, through January 1, 2013 and are due with a balloon payment of \$1,510,000 on January 1, 2014. The bonds payable are scheduled to mature as follows:

<u>Year Ending June 30,</u>	
2012	\$ 85,000
2013	85,000
2014	<u>1,510,000</u>
	<u>\$ 1,680,000</u>

## BERGEN PERFORMING ARTS CENTER, INC.

### NOTES TO FINANCIAL REPORT

#### Note 8 - Bonds Payable: (continued)

The bonds were collateralized by the Organization's real property located at 30 North Van Brunt Street, Englewood, New Jersey.

Subsequent to year end, these bonds were refinanced through a line of credit and a mortgage note payable (see Note 7).

#### Note 9 - Fair Value Measurements:

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. 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 FASB ASC 820 are described as follows:

- Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2 - Inputs to the valuation methodology include:
  - Quoted prices for similar assets or liabilities in active markets;
  - Quoted prices for identical or similar assets or liabilities in inactive markets;
  - Inputs other than quoted prices that are observable for the asset or liability;
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2011.

- U.S. Government Notes: Valued at the closing price reported in the active market in which the individual security is traded.
- U.S. Government Bonds: Valued at the closing price reported in the active market in which the individual security is traded.
- Federal National Mortgage Association Notes: Valued at the closing price reported in the active market in which the individual security is traded.
- Cash Equivalents: Valued at the closing price reported in the active market which the fund is traded.

**BERGEN PERFORMING ARTS CENTER, INC.**

**NOTES TO FINANCIAL REPORT**

**Note 9 - Fair Value Measurements: (continued)**

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2011 and 2010:

<u>Description</u>	<u>June 30, 2011</u>	<u>Fair Value Measurements at Reporting Date Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Cash Equivalents	\$ 169,381	\$ -	\$ 169,381	-
Federal Natl Mtg Assn Notes	338,901	338,901	-	-
U.S. Government Bonds	114,072	114,072	-	-
U.S. Government Notes	865,186	865,186	-	-
<b>Total</b>	<b>\$ 1,487,540</b>	<b>\$ 1,318,159</b>	<b>\$ 169,381</b>	<b>\$ -</b>

<u>Description</u>	<u>June 30, 2010</u>	<u>Fair Value Measurements at Reporting Date Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Cash Equivalents	\$ 151,488	\$ -	\$ 151,488	-
Federal Natl Mtg Assn Notes	162,880	162,880	-	-
U.S. Government Bonds	94,655	94,655	-	-
U.S. Government Notes	991,040	991,040	-	-
<b>Total</b>	<b>\$ 1,400,063</b>	<b>\$ 1,248,575</b>	<b>\$ 151,488</b>	<b>\$ -</b>

**BERGEN PERFORMING ARTS CENTER, INC.**

**NOTES TO FINANCIAL REPORT**

**Note 10 - Endowment:**

The Organization's endowment funds include both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by Generally Accepted Accounting Principles ("GAAP"), net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

*Interpretation of Relevant Law*

The Board of Trustees of the Organization has interpreted New Jersey's Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), as requiring the preservation of the purchasing power (real value) of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. If the endowment assets' earn investment returns beyond the amount necessary to maintain the endowment assets' real value, that excess is available for appropriation and, therefore, classified as temporarily restricted net assets until appropriated by the Board for expenditure. In accordance with the Act, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

*Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2011*

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ (30,448)	\$ -	\$ 1,997,269	\$ 1,966,821
Investment return	10,448	1,944	-	12,392
Repayments of borrowings from endowment fund	20,000	-	-	20,000
Contributions	-	-	9,755	9,755
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 1,944</u>	<u>\$ 2,007,024</u>	<u>\$ 2,008,968</u>

**BERGEN PERFORMING ARTS CENTER, INC.**

**NOTES TO FINANCIAL REPORT**

**Note 10 - Endowment: (continued)**

*Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2010*

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ (250,000)	\$ -	\$ 1,980,035	\$ 1,730,035
Investment return	-	23,123	-	23,123
Borrowings from endowment fund	230,000	-	-	230,000
Appropriation of endowment assets for expenditure	(10,448)	(23,123)	-	(33,571)
Contributions	-	-	17,234	17,234
Endowment net assets, end of year	<u>\$ (30,448)</u>	<u>\$ -</u>	<u>\$ 1,997,269</u>	<u>\$ 1,966,821</u>

*Description of Amounts Classified as Permanently Restricted Net Assets*

The permanently restricted net assets balance represents the portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by the UPMIFA.

*Return Objectives and Risk Parameters*

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce a minimum five percent return on investments.

*Strategies Employed for Achieving Objectives*

To satisfy its long-term rate-of-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's investment policy is to invest in a mix of equity, fixed income and money funds in order to achieve its long-term return objectives.

*Spending Policy and How the Investment Objectives Relate to the Spending Policy*

The Organization has a policy of spending no more than the realized earnings achieved on endowment investments during any fiscal year. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, the Organization expects the current spending policy to allow its endowment to grow at a rate greater than the realized earnings achieved. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as provide additional real growth through new gifts and unrealized investment return.

**BERGEN PERFORMING ARTS CENTER, INC.**  
**SUPPLEMENTAL INFORMATION**

**SCHEDULES OF FUNCTIONAL EXPENSES**

	Year Ended June 30,							
	2011				2010			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Cost of performances	\$ 2,828,928	\$ -	\$ -	\$ 2,828,928	\$ 2,409,564	\$ -	\$ -	\$ 2,409,564
Salaries, benefits and related payroll taxes	1,034,099	132,027	227,011	1,393,137	922,665	120,463	167,059	1,210,187
Marketing and advertising	706,837	-	-	706,837	637,739	-	-	637,739
Special events	-	-	59,527	59,527	-	-	270,645	270,645
Depreciation and amortization	95,763	2,860	4,187	102,810	152,761	3,876	4,749	161,386
Utilities and telephone	112,237	4,668	7,259	124,164	121,093	4,512	5,822	131,427
Interest	83,086	2,482	3,633	89,201	88,952	2,257	2,765	93,974
Legal, professional and consulting fees	59,588	8,496	14,608	82,692	44,970	5,931	8,249	59,150
Bank card fees	36,393	-	3,782	40,175	42,750	-	3,782	46,532
Supplies	34,791	2,680	4,454	41,925	40,185	2,657	3,590	46,432
Insurance	39,772	1,188	1,739	42,699	38,936	988	1,210	41,134
Rent	59,150	-	-	59,150	62,250	-	-	62,250
Building maintenance	30,760	919	1,345	33,024	33,891	860	1,054	35,805
Commissions	15,500	-	-	15,500	26,100	-	-	26,100
Bad debt expense	-	-	-	-	-	20,000	-	20,000
Postage and mailhouse services	11,295	1,610	6,319	19,224	12,542	1,654	2,451	16,647
Other	13,198	1,654	5,991	20,843	35,108	3,921	8,710	47,739
Equipment rentals	6,203	884	1,521	8,608	5,412	714	993	7,119
Travel and entertainment	3,466	494	850	4,810	4,611	608	846	6,065
Licenses and permits	4,982	-	-	4,982	5,127	-	-	5,127
Payroll service fees	3,417	487	838	4,742	3,499	461	642	4,602
Computer services	-	-	3,500	3,500	-	-	4,413	4,413
Dues and subscriptions	2,526	360	619	3,505	2,663	351	986	4,000
Contract Labor	1,191	-	-	1,191	1,205	-	-	1,205
	<u>\$ 5,183,182</u>	<u>\$ 160,809</u>	<u>\$ 347,183</u>	<u>\$ 5,691,174</u>	<u>\$ 4,692,023</u>	<u>\$ 169,253</u>	<u>\$ 487,966</u>	<u>\$ 5,349,242</u>

*See auditors' report and accompanying notes to financial statements.*