

BERGEN PERFORMING ARTS CENTER, INC.

FINANCIAL STATEMENTS

JUNE 30, 2013

BERGEN PERFORMING ARTS CENTER, INC.

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees of
Bergen Performing Arts Center, Inc.

Report on Financial Statements

We have audited the accompanying financial statements of Bergen Performing Arts Center, Inc. (A New Jersey Non-Profit Organization), which is comprised of the statement of financial position as of June 30, 2013, the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

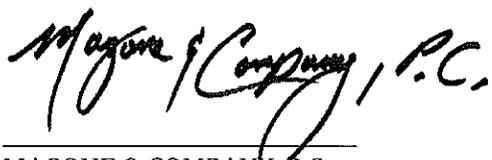
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bergen Performing Arts Center, Inc. as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Magone & Company, P.C." The signature is written in a cursive, flowing style.

MAGONE & COMPANY, P.C.

Florham Park, New Jersey
November 11, 2014

BERGEN PERFORMING ARTS CENTER, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2013

ASSETS

Cash and cash equivalents	\$	266,944
Investments		1,323,288
Accounts receivable, net		323,421
Bequest receivables		142,634
Prepaid expenses and other assets		244,368
Pledge receivable, net		584,798
Property and equipment, net		1,764,660
Financing fees, net		17,352
Security deposits		13,500
		13,500
	\$	4,680,965

LIABILITIES AND NET ASSETS (DEFICIT)

LIABILITIES:

Accounts payable and accrued expenses	\$	481,321
Deferred revenue		665,191
Line of credit		625,000
Note Payable		2,545,933
		2,545,933
		4,317,445

NET ASSETS (DEFICIT):

Unrestricted		(1,682,958)
Temporarily restricted		35,238
Permanently restricted		2,011,240
		2,011,240
		363,520
	\$	4,680,965

The accompanying notes are an integral part of these financial statements.

BERGEN PERFORMING ARTS CENTER, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support:				
Corporate contributions	\$ 289,850	\$ -	\$ -	\$ 289,850
Individual contributions	237,915	-	-	237,915
Special events	226,250	-	-	226,250
Foundations contributions	166,704	-	-	166,704
Government grants	132,699	-	-	132,699
Contributed goods and services	35,434	-	-	35,434
	<u>1,088,852</u>	-	-	<u>1,088,852</u>
Revenues:				
Performance revenues	\$ 4,389,841	\$ -	\$ -	\$ 4,389,841
Education revenues	301,733	-	-	301,733
Rental revenues	244,630	-	-	244,630
Advertising revenues	184,648	-	-	184,648
Unrealized loss on securities	105,957	-	-	105,957
Interest income	35,883	11,756	-	47,639
Other revenues	261,857	-	-	261,857
	<u>5,524,549</u>	<u>11,756</u>	-	<u>5,536,305</u>
	<u>6,613,401</u>	<u>11,756</u>	-	<u>6,625,157</u>
Expenses:				
Program services	5,568,062	-	-	5,568,062
General and administration	747,603	-	-	747,603
Fundraising	575,940	-	-	575,940
	<u>6,891,605</u>	-	-	<u>6,891,605</u>
CHANGE IN NET ASSETS	(278,204)	11,756	-	(266,448)
NET ASSETS (DEFICIT), BEGINNING OF YEAR	<u>(1,404,754)</u>	<u>23,482</u>	<u>2,011,240</u>	<u>629,968</u>
NET ASSETS (DEFICIT), END OF YEAR	<u>\$ (1,682,958)</u>	<u>\$ 35,238</u>	<u>\$ 2,011,240</u>	<u>\$ 363,520</u>

The accompanying notes are an integral part of these financial statements.

BERGEN PERFORMING ARTS CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013

	Program Services	General and Administration	Fundraising	Total
Cost of performances	\$ 3,946,412	\$ -	\$ -	\$ 3,946,412
Salaries, benefits and payroll taxes	585,350	611,079	444,080	1,640,509
Marketing and advertising	558,464	-	20,000	578,464
Utilities and telephone	104,840	19,657	6,552	131,049
Interest	68,838	12,907	4,302	86,047
amortization	58,688	11,194	3,732	73,614
Professional fees	-	56,614	13,335	69,949
Special events	-	-	64,462	64,462
Supplies	46,967	8,806	2,935	58,708
Rent	51,422	-	-	51,422
Insurance	36,168	6,782	2,261	45,211
Bank card fees	41,622	-	-	41,622
Building maintenance	31,054	5,823	1,941	38,818
Commissions	30,000	-	-	30,000
Equipment rentals	3,641	3,641	-	7,282
Travel and entertainment	3,478	3,478	-	6,956
Miscellaneous expense	1,118	7,622	12,340	21,080
	<u>\$ 5,568,062</u>	<u>\$ 747,603</u>	<u>\$ 575,940</u>	<u>\$ 6,891,605</u>

The accompanying notes are an integral part of these financial statements.

BERGEN PERFORMING ARTS CENTER, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ (266,448)
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH USED IN OPERATING ACTIVITIES:	
Depreciation	71,574
Amortization of financing fees	2,040
Pledges receivable present value discount adjustment	(1,474)
NET CHANGE IN OPERATING ASSETS AND LIABILITIES:	
Decrease (increase) in:	
Accounts receivable	(60,016)
Bequest receivable	90,366
Prepaid expenses and other current assets	(44,942)
Pledges receivable	(39,770)
Increase (decrease) in:	
Accounts payable and accrued expenses	26,526
Deferred revenue	(46,249)
NET CASH USED IN OPERATING ACTIVITIES	<u>(268,393)</u>
CASH FLOW FROM INVESTING ACTIVITIES:	
Sale of investments	279,470
Acquisition of property and equipment	<u>(398,092)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(118,622)</u>
CASH FLOW FROM FINANCING ACTIVITIES:	
Proceeds from on long term debt	525,000
Payments on mortgage payable	<u>(54,067)</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>470,933</u>
NET CHANGE IN CASH AND EQUIVALENTS	83,918
CASH AND CASH EQUIVALENTS , BEGINNING OF THE YEAR	<u>183,026</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u><u>\$ 266,944</u></u>

The accompanying notes are an integral part of these financial statements.

BERGEN PERFORMING ARTS CENTER, INC.
NOTES TO FINANCIAL STATEMENTS

Note 1 - 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.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Cash and 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

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.

Investments

Investments 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, or, if donated, at fair market value at date of receipt. Maintenance, repairs and minor renewals are expensed as incurred and major improvements are capitalized.

BERGEN PERFORMING ARTS CENTER, INC.
NOTES TO FINANCIAL STATEMENTS

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Property and Equipment (cont'd.)

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.

Net Assets

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:

Unrestricted Net Assets – consists of assets, public support, and program revenues, which are available and used for operations and programs. Contributions are considered available for unrestricted use unless specifically restricted by the donor.

Temporarily Restricted Net Assets – includes funds with donor-imposed restrictions, which permit the Organization to expend the assets as specified, and are satisfied either by passage of time or by actions of the Organization. Resources of this nature originated from gifts, grants, bequests, and investment income earned on restricted funds.

Permanently Restricted Net Assets – include resources, which has a permanent donor-imposed restriction, which stipulates that the assets are to be maintained permanently, but permits the Organization to expend part or all of the income derived from the assets.

Revenue Recognition

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.

BERGEN PERFORMING ARTS CENTER, INC.
NOTES TO FINANCIAL STATEMENTS

Note 2 - Summary of Significant Accounting Policies (cont'd.)

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.

Contributed Goods and Services

The Organization records various types of in-kind support including contributed facilities and professional services. Contributed professional services are recognized if the services received: (a) create or enhance long-lived assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value when received. The amounts reflected in the financial statements as "contributed goods and services" are offset by amounts included in expenses or property and equipment. Additionally, the Organization receives a significant amount of skilled, contributed time, which does not meet the recognition criteria described above. Accordingly, the value of this contributed time has not been determined and is not reflected in the accompanying financial statements.

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.

Advertising and Promotion

Advertising costs are expensed as incurred. Total marketing advertising costs for the year ended June 30, 2013 was \$578,464.

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 STATEMENTS

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Income Taxes

The Organization adopted Financial Accounting Standard Board Accounting Standards Codification ("FASB ASC") 740 which provides guidance with respect to tax positions taken and reporting requirements thereof. The Organization files tax returns with the Internal Revenue Service and the State of New Jersey and if they were to incur an income tax liability in the future, interest and penalties would be reported as interest expense and penalties and they would be reported as income taxes. The years still subject to federal and state income tax examination by tax authorities are 2009 to 2012. Management is not aware of any tax position taken that requires disclosure based on current facts and circumstances.

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and 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. Accordingly, contributions qualify for income tax deduction at the maximum allowance of that code.

Fair Value Measurements

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. As required by generally accepted accounting principles accepted in the United States of America for fair value measurement, the Organization uses fair value hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available.

Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the transparency of inputs as follows:

Level 1 - price quotations in active markets for identical securities.

Level 2 - quoted prices for similar assets or liabilities in markets that are active or non-active, inputs other than quoted prices that are observable for the assets or liabilities such as interest rates, yield curves, credit risk or default risk.

Level 3 - to the extent observable inputs are not available, inputs based on the best information available in the circumstance.

BERGEN PERFORMING ARTS CENTER, INC.
NOTES TO FINANCIAL STATEMENTS

Note 2 - Summary of Significant Accounting Policies (cont'd.)

Use of Estimates

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.

Subsequent Events

The Organization has evaluated all events or transactions that occurred after June 30, 2013 through the date of the audit report, 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. Please see note 17 to the financial statements for subsequent event disclosure.

Note 3 - Concentration of Risk

Financial instruments which potentially subject the Organization to significant concentrations of credit risk consist principally of cash and cash equivalents, and accounts and pledges receivable.

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 ("FDIC") up to \$250,000. At times, cash balances may exceed FDIC insured limits.

The Organization's marketable securities are partially protected by the Securities Insurance Protection Corporation ("SIPC") 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, investment balances may exceed of SIPC insured limits.

Accounts receivables consist primarily of program and sponsor support outstanding at June 30, 2013 and reserves have been established for potential uncollectible balances. Pledges receivable are from various contributors due in various future years and reserves have been established for potential uncollectible balances.

BERGEN PERFORMING ARTS CENTER, INC.
NOTES TO FINANCIAL STATEMENTS

Note 4 - Investments

Investments consist of the following as of June 30, 2013:

	<u>Cost</u>	<u>Fair Market or Quoted Value</u>
Federal Nat'l. Mtg. Association Notes	\$ 219,217	\$ 208,344
U.S. Government Bonds	233,760	220,173
U.S. Government Notes	426,792	404,779
Equities	<u>393,177</u>	<u>489,992</u>
	<u>\$ 1,272,946</u>	<u>\$ 1,323,288</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. Investment income and expenses consist of the following for the year ended June 30, 2013:

Unrealized gains	\$ 105,957
Realized gains	\$ 30,344
Interest income	\$ 20,655
Interest expense	\$ 3,358

Note 5 - Accounts Receivable

Accounts receivable consist of the following as of June 30, 2013:

Accounts receivable	\$ 325,072
Less allowance for doubtful accounts	<u>1,651</u>
	<u>\$ 323,421</u>

Note 6 - Pledges Receivable

Pledges receivable consist of the following as of June 30, 2013:

Amount due:	
Up to one year	\$ 298,184
One year to five years	<u>340,500</u>
	638,684
Less: Allowance for doubtful pledges	40,000
Discount to present value (1.00%)	<u>13,886</u>
	<u>\$ 584,798</u>

BERGEN PERFORMING ARTS CENTER, INC.
NOTES TO FINANCIAL STATEMENTS

Note 7 - Financing Fees

Financing fees consist of the following as of June 30, 2013:

Financing fees	\$ 110,707
Less accumulated amortization	<u>93,355</u>
	<u>\$ 17,352</u>

Note 8 - Property and Equipment

Property and equipment consist of the following as of June 30, 2013:

Buildings and improvements	\$ 1,984,156
Equipment	589,053
Furniture and fixture	<u>84,161</u>
	2,657,370
Less accumulated depreciation	<u>1,119,757</u>
	1,537,613
Land	<u>227,047</u>
	<u>\$ 1,764,660</u>

Depreciation expense amounted to \$71,574 for year ended June 30, 2013.

Note 9 - Line of Credit

The Organization has a line of credit of \$800,000 due in May of 2014, bearing an interest rate at the greater of 3.25% or prime rate (3.50% at June 30 2013). The interest rate should not be lower than 3.50% during the term of the loan. The line is collateralized by the investments held in the endowment fund. The balance outstanding under the line at year end was \$625,000. Please see note 17 to the financial statements for subsequent refinancing.

Note 10 - Mortgage payable

In May 2012, the Organization refinanced its existing long-term debt and obtained a \$2,600,000 mortgage note payable. The note is payable in equal monthly installments of \$11,021, including interest, based on a thirty-year amortization. The note bears interest at 3.00% 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.

BERGEN PERFORMING ARTS CENTER, INC.
NOTES TO FINANCIAL STATEMENTS

Note 10 - Mortgage payable (cont'd.)

Maturities of future mortgage obligations for the next five years are as follows:

Year ending June 30, 2013		
2014	\$	56,679
2015		58,403
2016		60,180
2017		62,010
2018 & thereafter		<u>2,308,661</u>
	\$	<u>2,545,933</u>

Note 11 - Deferred Revenue

Deferred revenue represents amounts received in advance for shows and performances that have not been performed. Deferred revenue as of June 30, 2013 was \$665,191.

Note 12 - Fair Value Measurements

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2013

	<u>Fair Value Measurements at Reporting Date Using</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Federal Nat'l. Mtg.			
Association Notes	\$ 208,344	\$ -	\$ -
U.S. Government Bonds	220,173	-	-
U.S. Government Notes	404,779	-	-
Equities	<u>489,992</u>	<u>-</u>	<u>-</u>
 Total	 <u>\$ 1,323,288</u>	 <u>\$ -</u>	 <u>\$ -</u>

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.

BERGEN PERFORMING ARTS CENTER, INC.
NOTES TO FINANCIAL STATEMENTS

Note 12 – Fair Value Measurements (cont'd.)

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, 2013.

- 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.

The methods described above 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.

Note 13 – 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 accounting principles generally accepted in the United States of America, 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.

BERGEN PERFORMING ARTS CENTER, INC.
NOTES TO FINANCIAL STATEMENTS

Note 13 - Endowment (cont'd.)

Interpretation of Relevant Law (cont'd.)

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; and
- (7) The investment policies of the Organization.

The summary of changes in endowment net assets for the year ended June 30, 2013 is as follows:

	<u>Unrestricted</u>	<u>Temporary Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 23,482	\$ 2,011,240	\$ 2,034,722
Investment return	<u> </u>	<u>11,756</u>	<u>-</u>	<u>11,756</u>
Endowment net assets, end of year	<u>\$ </u>	<u>\$ 35,238</u>	<u>\$ 2,011,240</u>	<u>\$ 2,046,478</u>

Description of Amounts Classified as Permanently Restricted Net Assets:

The permanently restricted net asset 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.

BERGEN PERFORMING ARTS CENTER, INC.
NOTES TO FINANCIAL STATEMENTS

Note 13 - Endowment (cont'd.)

Strategies Employment 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.

Note 14 - 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 for the year ended June 30:

Air conditioning equipment	\$ 23,500
Electronics equipment	10,000
Marketing expense, legal and professional fees	<u>1,934</u>
	<u>\$ 35,434</u>

Note 15 - Special Events

The Organization held a special event during the year and the gross receipts for the event was \$226,250. Direct expenses consisting of venue, printing and entertainment costs of \$64,462 were charged against the receipts leaving net proceeds of \$161,788.

Note 16 - Commitments and Contingencies

The Organization leases office space at 40 N. Van Brunt Street, Englewood, New Jersey for one of its programs. The term of the lease is from May 1, 2012 through June 1, 2014 with monthly rent of \$4,150 escalating annually to \$4,402.

BERGEN PERFORMING ARTS CENTER, INC.
NOTES TO FINANCIAL STATEMENTS

Note 16 - Commitments and Contingencies (cont'd.)

The Organization leases various office equipment with leases expiring up to June 2014 at a monthly rate of \$555.

Future minimum annual rental and lease commitments are as follows:

Year ending June 30, 2013

2014	\$	56,460
2015		-
2016		-
2017		-
2018 & thereafter		-
		<hr/>
	\$	<u>56,460</u>

Note 17- Subsequent Event

On September 4, 2014, the Organization entered into a line of credit agreement in the amount of \$500,000, bearing interest at 4.25% or prime rate per annum. This line of credit agreement was issued to refinance the original line of \$800,000, which was due in May 2014.