



DAVISKELLY CERTIFIED
PUBLIC
ACCOUNTANTS
CREATING VALUE FROM NUMBERS

BERGEN PERFORMING ARTS CENTER, INC.



Financial Statements

For the Years Ended June 30, 2020 and 2019

*A Certified Women-Owned Business Enterprise
in the Commonwealth of Massachusetts and City of New York
4238 Washington Street, Suite 307, Boston, Massachusetts 02131
687 West 204th Street, New York, New York 10034
Member, American Institute of Certified Public Accountants
Member, Association of Fraud Examiners
www.daviskellycpas.com*

BERGEN PERFORMING ARTS CENTER, INC.

Financial Statements

For the Years Ended June 30, 2020 and 2019

Table of Contents

| | |
|---|-------|
| Independent Auditors' Report | 1-2 |
| Financial Statements: | |
| Statements of Financial Position | 3 |
| Statements of Activities and Changes in Net Assets | 4-5 |
| Statements of Cash Flows | 6 |
| Statements of Functional Expenses | 7-8 |
| Notes to Financial Statements | 9-18 |
| Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 19-20 |



DAVISKELLY CERTIFIED
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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Bergen Performing Arts Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and changes in net assets, cash flows, and functional expenses 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors' 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 auditors consider 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.

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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, 2020, 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.

Report on Summarized Comparative Information

We have previously audited Bergen Performing Arts Center, Inc.'s 2019 financial statements, and our report dated January 9, 2020 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2021 on our consideration of Bergen Performing Arts Center, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bergen Performing Arts Center, Inc.'s internal control over financial reporting and compliance.

DavisKelly LLC

New York, New York
March 24, 2021

BERGEN PERFORMING ARTS CENTER, INC.

Statements of Financial Position

As of June 30, 2020 and 2019

| <i>Assets</i> | <u>2020</u> | <u>2019</u> |
|--|----------------------------|----------------------------|
| Cash and cash equivalents | \$ 2,119,839 | \$ 1,044,622 |
| Investments | 16,120 | 423,397 |
| Accounts receivable, net | 365,339 | 571,259 |
| Pledges receivable, net | 3,313,251 | 3,584,488 |
| Prepaid expenses and other current assets | 387,048 | 353,088 |
| Financing fees, net | 50,796 | 55,571 |
| Property and equipment, net | 3,099,242 | 2,823,518 |
| <i>Total assets</i> | <u>\$ 9,351,635</u> | <u>\$ 8,855,943</u> |
| <i>Liabilities and Net Assets</i> | | |
| <i>Liabilities:</i> | | |
| Accounts payable and accrued expenses | \$ 419,726 | \$ 169,565 |
| Note payable - government loan | 529,265 | - |
| Note payable - equipment term loan | 115,246 | 169,220 |
| Deferred revenue | 1,230,521 | 1,216,291 |
| Mortgages payable | 2,862,386 | 2,927,239 |
| <i>Total liabilities</i> | <u>5,157,144</u> | <u>4,482,315</u> |
| <i>Net assets:</i> | | |
| Net assets without donor restrictions | (1,272,896) | (536,425) |
| Net assets with donor restrictions | 5,467,387 | 4,910,053 |
| <i>Total net assets</i> | <u>4,194,491</u> | <u>4,373,628</u> |
| <i>Total liabilities and net assets</i> | <u>\$ 9,351,635</u> | <u>\$ 8,855,943</u> |

See accompanying notes to financial statements.

BERGEN PERFORMING ARTS CENTER, INC.

Statement of Activities and Changes in Net Assets

For the Year Ended June 30, 2020

| | <i>Without Donor Restrictions</i> | <i>With Donor Restrictions</i> | <i>Total</i> |
|---------------------------------------|---|--|---------------------|
| Support and Revenue: | | | |
| Support: | | | |
| Individual contributions | \$ 220,157 | \$ 137,334 | \$ 357,491 |
| Corporate contributions | 305,350 | - | 305,350 |
| Foundation contributions | 568,085 | 450,000 | 1,018,085 |
| Government grants | 155,969 | - | 155,969 |
| Special events | 158,395 | - | 158,395 |
| Contributed goods and services | 2,370 | - | 2,370 |
| Net assets released from restrictions | 30,000 | (30,000) | - |
| Total support | 1,440,326 | 557,334 | 1,997,660 |
| Revenues: | | | |
| Performance revenues | 4,529,291 | - | 4,529,291 |
| Rental revenues | 120,507 | - | 120,507 |
| Education revenues | 577,517 | - | 577,517 |
| Advertising revenues | 108,230 | - | 108,230 |
| Investment activity, net | (107,951) | - | (107,951) |
| Concession stand income | 336,170 | - | 336,170 |
| Other income | - | - | - |
| Total revenues | 5,563,764 | - | 5,563,764 |
| Total support and revenues | 7,004,090 | 557,334 | 7,561,424 |
| Expenses: | | | |
| Program services | 6,246,102 | - | 6,246,102 |
| General and administration | 1,216,635 | - | 1,216,635 |
| Fundraising | 277,824 | - | 277,824 |
| Total expenses | 7,740,561 | - | 7,740,561 |
| Change in net assets | (736,471) | 557,334 | (179,137) |
| Net Assets, beginning | (536,425) | 4,910,053 | 4,373,628 |
| Net Assets, ending | \$ (1,272,896) | \$ 5,467,387 | \$ 4,194,491 |

See accompanying notes to financial statements.

BERGEN PERFORMING ARTS CENTER, INC.

Statement of Activities and Changes in Net Assets

For the Year Ended June 30, 2019

| | <i>Without Donor Restrictions</i> | <i>With Donor Restrictions</i> | <i>Total</i> |
|---------------------------------------|---|--|---------------------|
| Support and Revenue: | | | |
| Support: | | | |
| Individual contributions | \$ 291,626 | \$ 288,841 | \$ 580,467 |
| Corporate contributions | 408,567 | - | 408,567 |
| Foundation contributions | 423,042 | 160,000 | 583,042 |
| Government grants | 145,969 | - | 145,969 |
| Special events | 166,398 | - | 166,398 |
| Contributed goods and services | 1,373 | - | 1,373 |
| Net assets released from restrictions | 230,000 | (230,000) | - |
| Total support | 1,666,975 | 218,841 | 1,885,816 |
| Revenues: | | | |
| Performance revenues | 7,316,484 | - | 7,316,484 |
| Rental revenues | 244,561 | - | 244,561 |
| Education revenues | 691,639 | - | 691,639 |
| Advertising revenues | 154,430 | - | 154,430 |
| Investment activity, net | 3,209 | - | 3,209 |
| Concession stand income | 403,619 | - | 403,619 |
| Other income | - | - | - |
| Total revenues | 8,813,942 | - | 8,813,942 |
| Total support and revenues | 10,480,917 | 218,841 | 10,699,758 |
| Expenses: | | | |
| Program services | 8,562,417 | - | 8,562,417 |
| General and administration | 1,512,629 | - | 1,512,629 |
| Fundraising | 529,524 | - | 529,524 |
| Total expenses | 10,604,570 | - | 10,604,570 |
| Change in net assets | (123,653) | 218,841 | 95,188 |
| Net Assets, beginning | (412,772) | 4,691,212 | 4,278,440 |
| Net Assets, ending | \$ (536,425) | \$ 4,910,053 | \$ 4,373,628 |

See accompanying notes to financial statements.

BERGEN PERFORMING ARTS CENTER, INC.

Statement of Activities and Changes in Net Assets

For the Year Ended June 30, 2019

| | <i>Without Donor Restrictions</i> | <i>With Donor Restrictions</i> | <i>Total</i> |
|--|---|--|---------------------|
| <i>Support and Revenue:</i> | | | |
| Support: | | | |
| Individual contributions | \$ 291,626 | \$ 288,841 | \$ 580,467 |
| Corporate contributions | 408,567 | - | 408,567 |
| Foundation contributions | 423,042 | 160,000 | 583,042 |
| Government grants | 145,969 | - | 145,969 |
| Special events | 166,398 | - | 166,398 |
| Contributed goods and services | 1,373 | - | 1,373 |
| Net assets released from restrictions | 230,000 | (230,000) | - |
| <i>Total support</i> | 1,666,975 | 218,841 | 1,885,816 |
| Revenues: | | | |
| Performance revenues | 7,316,484 | - | 7,316,484 |
| Rental revenues | 244,561 | - | 244,561 |
| Education revenues | 691,639 | - | 691,639 |
| Advertising revenues | 154,430 | - | 154,430 |
| Investment activity, net | 3,209 | - | 3,209 |
| Concession stand income | 403,619 | - | 403,619 |
| Other income | - | - | - |
| <i>Total revenues</i> | 8,813,942 | - | 8,813,942 |
| <i>Total support and revenues</i> | 10,480,917 | 218,841 | 10,699,758 |
| <i>Expenses:</i> | | | |
| Program services | 8,562,417 | - | 8,562,417 |
| General and administration | 1,512,629 | - | 1,512,629 |
| Fundraising | 529,524 | - | 529,524 |
| <i>Total expenses</i> | 10,604,570 | - | 10,604,570 |
| <i>Change in net assets</i> | (123,653) | 218,841 | 95,188 |
| <i>Net Assets, beginning</i> | (412,772) | 4,691,212 | 4,278,440 |
| <i>Net Assets, ending</i> | \$ (536,425) | \$ 4,910,053 | \$ 4,373,628 |

See accompanying notes to financial statements.

BERGEN PERFORMING ARTS CENTER, INC.

Statements of Cash Flows

For the Years Ended June 30, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|--|---------------------|---------------------|
| <i>Cash Flows from Operating Activities:</i> | | |
| Change in net assets | \$ (179,137) | \$ 95,188 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 130,696 | 130,696 |
| Amortization of financing fees | 4,775 | 4,775 |
| Change in: | | |
| Accounts receivable | 205,920 | 112,271 |
| Pledges receivable | 271,237 | (174,592) |
| Financing fees | - | - |
| Prepaid expenses and other current assets | (33,960) | (6,352) |
| Accounts payable and accrued expenses | 250,161 | 42,457 |
| Deferred revenue | 14,230 | 143,804 |
| | <hr/> | <hr/> |
| <i>Net cash used in operating activities</i> | 843,059 | 253,059 |
| | <hr/> | <hr/> |
| <i>Cash Flows from Investing Activities:</i> | | |
| Purchases/sales of investments | 407,277 | 641,082 |
| Purchases of property and equipment | (406,420) | (223,782) |
| | <hr/> | <hr/> |
| <i>Net cash used in investing activities</i> | 857 | 417,300 |
| | <hr/> | <hr/> |
| <i>Cash Flows from Financing Activities:</i> | | |
| Proceeds on the line of credit | - | - |
| Increase in long-term debt | 529,265 | - |
| Payments on long-term debt | (118,827) | (132,368) |
| | <hr/> | <hr/> |
| <i>Net cash provided by financing activities</i> | 410,438 | (132,368) |
| | <hr/> | <hr/> |
| <i>Net change in cash and cash equivalents</i> | 1,075,217 | 633,179 |
| <i>Cash and Cash Equivalents, beginning</i> | 1,044,622 | 411,443 |
| | <hr/> | <hr/> |
| <i>Cash and Cash Equivalents, ending</i> | \$ 2,119,839 | \$ 1,044,622 |
| | <hr/> | <hr/> |

See accompanying notes to financial statements.

BERGEN PERFORMING ARTS CENTER, INC.*Statement of Functional Expenses**For the Year Ended June 30, 2020*

| | <i>Program Services</i> | <i>General and Administration</i> | <i>Fundraising</i> | <i>Total</i> |
|--|-----------------------------|---------------------------------------|--------------------|---------------------|
| Cost of performances | \$ 4,128,710 | \$ - | \$ - | \$ 4,128,710 |
| Salaries, benefits and related payroll taxes | 1,034,324 | 1,081,339 | 235,074 | 2,350,737 |
| Marketing and advertising | 497,943 | - | 12,768 | 510,711 |
| Depreciation and amortization expenses | 108,377 | 20,321 | 6,774 | 135,472 |
| Utilities and telephone | 104,951 | 19,678 | 6,559 | 131,188 |
| Interest | 94,550 | 17,728 | 5,909 | 118,187 |
| Bad debt expense | 68,954 | - | - | 68,954 |
| Building maintenance | 45,136 | 8,463 | 2,821 | 56,420 |
| Supplies | 40,180 | 7,534 | 2,511 | 50,225 |
| Bank card fees | 49,605 | - | - | 49,605 |
| Professional fees | 11,814 | 35,442 | - | 47,256 |
| Insurance | 33,504 | 6,282 | 2,094 | 41,880 |
| Commissions | 22,500 | - | - | 22,500 |
| Travel and entertainment | 3,051 | 6,102 | 3,051 | 12,204 |
| Dues and subscriptions | - | 6,384 | - | 6,384 |
| Equipment rentals | 2,503 | 2,503 | 263 | 5,269 |
| Licenses and permits | - | 2,489 | - | 2,489 |
| Contributed goods and services | - | 2,370 | - | 2,370 |
| Special events | - | - | - | - |
| Charitable contributions | - | - | - | - |
| <i>Total expenses</i> | <u>\$ 6,246,102</u> | <u>\$ 1,216,635</u> | <u>\$ 277,824</u> | <u>\$ 7,740,561</u> |

See accompanying notes to financial statements.

BERGEN PERFORMING ARTS CENTER, INC.*Statement of Functional Expenses**For the Year Ended June 30, 2019*

| | <i>Program Services</i> | <i>General and Administration</i> | <i>Fundraising</i> | <i>Total</i> |
|--|-----------------------------|---------------------------------------|--------------------|----------------------|
| Cost of performances | \$ 5,965,532 | \$ - | \$ - | \$ 5,965,532 |
| Salaries, benefits and related payroll taxes | 1,303,047 | 1,362,276 | 296,147 | 2,961,470 |
| Marketing and advertising | 721,505 | - | 37,974 | 759,479 |
| Utilities and telephone | 110,678 | 20,752 | 6,917 | 138,347 |
| Interest | 97,914 | 18,359 | 6,120 | 122,393 |
| Depreciation and amortization expenses | 108,377 | 20,321 | 6,773 | 135,471 |
| Building maintenance | 51,716 | 9,697 | 3,232 | 64,645 |
| Professional fees | 11,040 | 33,119 | - | 44,159 |
| Supplies | 55,889 | 10,479 | 3,493 | 69,861 |
| Bank card fees | 58,668 | - | - | 58,668 |
| Insurance | 38,353 | 7,191 | 2,397 | 47,941 |
| Commissions | 30,000 | - | - | 30,000 |
| Contributed goods and services | - | 1,373 | - | 1,373 |
| Travel and entertainment | 4,798 | 9,596 | 4,798 | 19,192 |
| Special events | - | - | 161,157 | 161,157 |
| Charitable contributions | - | 3,000 | - | 3,000 |
| Dues and subscriptions | - | 6,863 | - | 6,863 |
| Equipment rentals | 4,900 | 4,900 | 516 | 10,316 |
| Licenses and permits | - | 4,703 | - | 4,703 |
| <i>Total expenses</i> | <u>\$ 8,562,417</u> | <u>\$ 1,512,629</u> | <u>\$ 529,524</u> | <u>\$ 10,604,570</u> |

See accompanying notes to financial statements.

BERGEN PERFORMING ARTS CENTER, INC.

Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

Note 1. Nature of 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 Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Financial Statement Presentation

The financial statements have been prepared in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. These standards require the Organization to report information regarding its financial position and activities according to the following net asset classifications.

Net assets without donor restrictions: Net assets available that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

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

For the Years Ended June 30, 2020 and 2019

Note 2. Summary of Significant Accounting Policies (Continued)

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.

Use of Estimates and Assumptions

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 qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and accordingly, no provision has been made for federal and state income taxes. The Organization remains subject to income taxes on net income that is derived from a trade or business, regularly carried on, and not for the exempt purpose of the Organization.

Concentrations of Credit Risk

The Organization maintains its cash and cash equivalent balances at financial institutions. The deposits may at times exceed the federally insured limits of \$250,000 established by the Federal Deposit Insurance Corporation. The Organization has not experienced any losses related to its accounts and believes it is not exposed to any significant credit risk.

The Organization maintains investments in brokerage accounts that are insured by the Security Investors Protection Corporation (SIPC) up to \$500,000 including \$250,000 on cash balances. The Organization has not experienced any losses related to these accounts and believes it is not exposed to any significant credit risk on these balances.

Concentrations of Credit Risk

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.

BERGEN PERFORMING ARTS CENTER, INC.

Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

Note 2. Summary of Significant Accounting Policies (Continued)

Accounts receivables consist primarily of program and sponsor support outstanding at June 30, 2019, and reserves have been established for potential uncollectible. Pledges receivable are from various contributors due in various future years and reserves have been established for potential uncollectible.

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.

Financing Fees

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

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 expenses as incurred and major renewals are capitalized. 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 |

BERGEN PERFORMING ARTS CENTER, INC.

Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

Note 2. Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses

The costs of the programs and supporting services have been summarized on a functional basis in the statement of activities. All direct costs are charged to the functional area they pertain to. Indirect costs are charged to the program and supporting services based on estimates made by management, taking into account the nature of the expense and how it relates to the functional area. General and administrative costs include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

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.

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.

Note 3. Special Events

The Organization holds an annual special event each year. The activity is as follows:

| | <u>2020</u> | | <u>2019</u> |
|---|--------------------------|------------------|---------------------|
| Special event activity, Gala: | | | |
| Event revenue | \$ 158,395 | \$ | 166,398 |
| Event expenses | - | | 161,157 |
| <i>Net income from special event</i> | <u>\$ 158,395</u> | <u>\$</u> | <u>5,241</u> |

BERGEN PERFORMING ARTS CENTER, INC.

Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

Note 4. Commitments

The Organization leases various kinds of office equipment with leases expiring through December 2021 at a monthly rate of \$551. The future minimum annual rental and lease commitments for the year ending June 30, 2021 is \$6,612.

Note 5. Mortgage Payable

The Organization has two mortgages payable with initial balances of \$2,600,000 and \$800,000 respectively, payable monthly at rates of \$11,866 and \$3,846 respectively, including interest based on 30-year amortizations. The note for \$2,600,000 bears an interest rate of 3.675%. The note for \$800,000 bears an interest rate of 4%. The notes are due in June 2022 and October 2024 respectively, and are collateralized by the real property of the Organization. The balance of the debt at June 30, 2020 and 2019 is \$2,862,386 and \$2,927,239, respectively.

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

| | | |
|-----------------------|----|------------------|
| Years ending June 30: | | |
| 2021 | \$ | 82,434 |
| 2022 | | 2,100,520 |
| 2023 | | 19,328 |
| 2024 | | 20,116 |
| 2025 | | <u>639,989</u> |
| | \$ | <u>2,862,387</u> |

Note 6. Pledges Receivable

The following summarizes pledges receivable:

| | <u>2020</u> | <u>2019</u> |
|------------------------|---------------------|---------------------|
| Amount due: | | |
| Up to one year | \$ 1,427,933 | \$ 1,106,818 |
| One year to five years | <u>1,918,684</u> | <u>2,530,501</u> |
| | <u>\$ 3,346,617</u> | <u>\$ 3,637,319</u> |

BERGEN PERFORMING ARTS CENTER, INC.

Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

Note 7. Investments

The following is a summary of investments for the years ended June 30:

| | | 2020 | | | | |
|--------------|--------------|---|--|--|-----------|----------|
| | | <i>Fair Value Measurements at Reporting Date Using</i> | | | | |
| | | <i>Quoted Prices in Active Markets for Identical Assets (Level 1)</i> | <i>Significant Other Observable Inputs (Level 2)</i> | <i>Significant Unobservable Inputs (Level 3)</i> | | |
| <i>Total</i> | <i>Total</i> | | | | | |
| Money market | \$ | - | \$ | - | | |
| Equities | | 16,120 | | 16,120 | | |
| Total | \$ | 16,120 | \$ | 16,120 | \$ | - |

| | | 2019 | | | | |
|--------------|--------------|---|--|--|-----------|----------|
| | | <i>Fair Value Measurements at Reporting Date Using</i> | | | | |
| | | <i>Quoted Prices in Active Markets for Identical Assets (Level 1)</i> | <i>Significant Other Observable Inputs (Level 2)</i> | <i>Significant Unobservable Inputs (Level 3)</i> | | |
| <i>Total</i> | <i>Total</i> | | | | | |
| Money market | \$ | 4,583 | \$ | 4,583 | \$ | - |
| Equities | | 418,814 | | 418,814 | | - |
| Total | \$ | 423,397 | \$ | 423,397 | \$ | - |

Note 8. Deferred Revenue

Deferred revenue represents amounts received in advance for shows and performances that have not been performed, totaling \$1,230,521 and \$1,216,290 as of June 30, 2020 and 2019, respectively.

Note 9. Net Assets with Donor Restrictions

Net assets with donor restrictions at year-end are restricted as to time for the year ended June 30, 2020. The balance for the years ended June 30, 2020 and 2019 is \$5,467,387 and \$4,910,053, respectively.

BERGEN PERFORMING ARTS CENTER, INC.

Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

Note 10. Property and Equipment

Property and equipment consists of the following as of June 30:

| | <u>2020</u> | <u>2019</u> |
|--------------------------------|--------------|--------------|
| Land | \$ 227,047 | \$ 227,047 |
| Building and improvements | 3,292,036 | 2,995,302 |
| Equipment | 1,288,594 | 1,198,144 |
| Furniture and fixtures | 130,270 | 111,033 |
| | <hr/> | <hr/> |
| | 4,937,947 | 4,531,526 |
| Less: Accumulated depreciation | 1,838,704 | 1,708,008 |
| | <hr/> | <hr/> |
| | \$ 3,099,243 | \$ 2,823,518 |
| | <hr/> | <hr/> |

Depreciation expense was \$130,696 and \$130,696 for the years ended June 30, 2020 and 2019, respectively.

Note 11. 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 measurement) 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.

BERGEN PERFORMING ARTS CENTER, INC.

Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

Note 11. Fair Value Measurements (Continued)

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.

Note 12. 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

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.

BERGEN PERFORMING ARTS CENTER, INC.

Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

Note 12. Endowment (Continued)

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 13. Liquidity and Availability

The following represents the Organization's financial assets that are available to meet general expenses over the next 12 months:

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

| | | |
|---------------------------|----|----------------|
| Cash and cash equivalents | \$ | 236,714 |
| Accounts receivable | | <u>365,339</u> |
| | \$ | <u>602,053</u> |

Note 14. Recent Pronouncements

On August 18, 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return.

BERGEN PERFORMING ARTS CENTER, INC.

Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

Note 15. Subsequent Events

Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are issued. The Organization recognizes the effects of subsequent events that provide additional information about conditions that existed at the date of the statement of financial positions. Management has evaluated events subsequent to June 30, 2020 through March 24, 2021, the date the financial statements were available to be issued, for matters that would require disclosure or adjustment to the financial statements.



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***Independent Auditors' Report on Internal Control over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards***

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

We have audited the financial statements of Bergen Performing Arts Center, Inc. as of and for the year ended June 30, 2020, and have issued our report thereon dated March 24, 2021. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Bergen Performing Arts Center, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of Bergen Performing Arts Center, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Bergen Performing Arts Center, Inc.'s internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weakness, as defined above.

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Member, Association of Fraud Examiners
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bergen Performing Arts Center, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, others within the Organization, and the Board of Trustees and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

DavisKelly LLC

New York, New York
March 24, 2021