

**THE STATE THEATRE REGIONAL ARTS  
CENTER AT NEW BRUNSWICK, INC.**

**June 30, 2023  
and June 30, 2022**



**THE STATE THEATRE REGIONAL ARTS  
CENTER AT NEW BRUNSWICK, INC.**

**For the Years Ended June 30, 2023  
and June 30, 2022**

**TABLE OF CONTENTS**

	Page
Independent Auditors' Report	1 - 3
Statements of Financial Position	4
Statements of Activities	5 - 6
Statements of Functional Expenses	7 - 8
Statements of Cash Flows	9
Notes to the Financial Statements	10 - 26
Supplemental information	
Schedule of Expenditures of State and County Financial Assistance	27
Notes to Schedule of Expenditures of State and County Financial Assistance	28
Supplemental Schedule of NJSCA Grant Eligible Expenditures	29
Other reporting required by government standards	
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	30 - 31



Certified Public Accountants, PC  
[www.bkc-cpa.com](http://www.bkc-cpa.com)

---

## Independent Auditors' Report

To the Board of Trustees of  
The State Theatre Regional Arts  
Center at New Brunswick, Inc.  
New Brunswick, New Jersey

### Opinion

We have audited the accompanying Financial Statements of The State Theatre Regional Arts Center at New Brunswick, Inc. (a non-profit organization), (the Theatre), which comprise the Statements of Financial Position as of June 30, 2023, and 2022, and the related Statements of Activities, Functional Expenses and Cash Flows for the years then ended, and the related Notes to the Financial Statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of The State Theatre Regional Arts Center at New Brunswick, Inc. as of June 30, 2023, and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Theatre and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Responsibilities of Management for the Financial Statements

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

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

### Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Theatre's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by Management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Theatre's ability to continue as a going concern for a reasonable period of time.

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

### Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state and county financial assistance and New Jersey State Council on the Arts (NJSCA) grant eligible expenditures are presented for purposes of additional analysis and are 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2024, on our consideration of the Theatre's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of this 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 the effectiveness of the Theatre's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Theatre's internal control over financial reporting and compliance.



**BKC, CPAs, PC**

February 27, 2024  
Flemington, New Jersey

**THE STATE THEATRE REGIONAL ARTS CENTER AT NEW BRUNSWICK, INC.**  
**Statements of Financial Position**  
**June 30,**

**ASSETS**

	2023	2022
Current assets		
Cash and cash equivalents	\$ 825,439	\$ 585,173
Investments	6,450,062	5,301,078
Receivables		
Accounts receivable, net	89,515	142,229
Employee Retention Tax Credit receivable	-	97,119
Pledges receivable, net	96,912	299,318
Grants receivable	196,731	192,804
Office lease early termination receivable	350,000	-
Prepaid expenses and other current assets	75,395	38,661
Total current assets	8,084,054	6,656,382
Pledges receivable, net	-	49,221
Office lease early termination receivable	-	350,000
Investments - endowment	1,194,337	1,145,156
Property and equipment, net	20,842,389	22,236,311
Prepaid rent - facilities lease	3,225,000	3,405,000
Right-of-use asset - operating lease	1,626,924	1,737,519
Total assets	\$ 34,972,704	\$ 35,579,589

**LIABILITIES AND NET ASSETS**

Current liabilities		
Accounts payable and accrued expenses	\$ 463,019	\$ 514,733
Office lease early termination payable - current	350,000	-
Advance ticket sales and deposits received	2,607,704	1,032,503
EIDL loan current	3,520	3,318
Lease liability current - operating	100,918	98,921
Line of credit - working capital	-	400,000
Line of credit - facility financing	2,053,991	2,171,374
Total current liabilities	5,579,152	4,220,849
Long-term liabilities		
Office lease early termination payable	-	350,000
EIDL loan	134,630	138,249
Lease liability non-current - operating	1,549,354	1,650,272
Total long-term liabilities	1,683,984	2,138,521
Total liabilities	7,263,136	6,359,370
Net assets		
Without donor restrictions	26,159,554	27,631,027
With donor restrictions	1,550,014	1,589,192
Total net assets	27,709,568	29,220,219
Total liabilities and net assets	\$ 34,972,704	\$ 35,579,589

See accompanying notes to the financial statements.

**THE STATE THEATRE REGIONAL ARTS CENTER AT NEW BRUNSWICK, INC.**

**Statement of Activities  
For the Year Ended June 30, 2023**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support for operations			
Earned income			
Ticket sales, net	\$ 6,387,083	\$ -	\$ 6,387,083
Ticket fees	1,533,075	-	1,533,075
Rentals and services for renters	418,551	-	418,551
Concessions and merchandise	620,852	-	620,852
Advertising	8,763	-	8,763
Other earned revenue	82,431	-	82,431
Contributed income			
Contributed support	750,497	190,950	941,447
In-kind support	356,065	-	356,065
Special events	292,626	-	292,626
Government support	728,100	-	728,100
Restricted gifts released for operations	310,628	(310,628)	-
Total operating income	<u>11,488,671</u>	<u>(119,678)</u>	<u>11,368,993</u>
Functional expenses			
Operating expenses - other	10,502,947	-	10,502,947
Operating expenses - depreciation	1,469,506	-	1,469,506
Capital campaign program	-	-	-
Total program	<u>11,972,453</u>	<u>-</u>	<u>11,972,453</u>
Management and general	649,184	-	649,184
Fundraising	541,963	-	541,963
Total functional expenses	<u>13,163,600</u>	<u>-</u>	<u>13,163,600</u>
Deficiency of operating income over expenses	(1,674,929)	(119,678)	(1,794,607)
Other income (expenses)			
Bad debt and defaulted pledges	(64,064)	-	(64,064)
Capital campaign support	1,278	80,500	81,778
Employee Retention Tax Credit	6,646	-	6,646
Interest expense - facility financing	(71,368)	-	(71,368)
Interest expense - working capital	(6,212)	-	(6,212)
Investment return (loss), net	5,899	-	5,899
Dividends and interest	331,277	-	331,277
Total other income (expenses)	<u>203,456</u>	<u>80,500</u>	<u>283,956</u>
Change in net assets	(1,471,473)	(39,178)	(1,510,651)
Net assets - beginning of year	<u>27,631,027</u>	<u>1,589,192</u>	<u>29,220,219</u>
Net assets - end of year	<u>\$ 26,159,554</u>	<u>\$ 1,550,014</u>	<u>\$ 27,709,568</u>

See accompanying notes to the financial statements.

**THE STATE THEATRE REGIONAL ARTS CENTER AT NEW BRUNSWICK, INC.**

**Statement of Activities  
For the Year Ended June 30, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support for operations			
Earned income			
Ticket sales, net	\$ 4,984,837	\$ -	\$ 4,984,837
Ticket fees	701,934	-	701,934
Rentals and services for renters	357,002	-	357,002
Concessions and merchandise	318,822	-	318,822
Other earned revenue	71,313	-	71,313
Contributed income			
Contributed support	800,602	250,628	1,051,230
In-kind support	177,880	-	177,880
Special events	301,601	-	301,601
Government support	7,048,247	-	7,048,247
Restricted gifts released for operations	333,629	(333,629)	-
Total operating income	<u>15,095,867</u>	<u>(83,001)</u>	<u>15,012,866</u>
Functional expenses			
Operating expenses - other	9,100,008	-	9,100,008
Operating expenses - depreciation	839,628	-	839,628
Capital campaign program	260,094	-	260,094
Total program	<u>10,199,730</u>	<u>-</u>	<u>10,199,730</u>
Management and general	567,475	-	567,475
Fundraising	416,918	-	416,918
Total functional expenses	<u>11,184,123</u>	<u>-</u>	<u>11,184,123</u>
Excess of operating income over expenses	3,911,744	(83,001)	3,828,743
Other income (expenses)			
Bad debt and defaulted pledges	(10,010)	-	(10,010)
Capital campaign support	8,911,738	(3,172,880)	5,738,858
Interest expense - facility financing	(88,256)	-	(88,256)
Interest expense - working capital	(16,421)	-	(16,421)
Investment return (loss), net	(1,084,667)	-	(1,084,667)
Dividends and interest	355,265	-	355,265
Total other income (expenses)	<u>8,067,649</u>	<u>(3,172,880)</u>	<u>4,894,769</u>
Change in net assets	11,979,393	(3,255,881)	8,723,512
Net assets - beginning of year	<u>15,651,634</u>	<u>4,845,073</u>	<u>20,496,707</u>
Net assets - end of year	<u>\$ 27,631,027</u>	<u>\$ 1,589,192</u>	<u>\$ 29,220,219</u>

See accompanying notes to the financial statements.

**THE STATE THEATRE REGIONAL ARTS CENTER AT NEW BRUNSWICK, INC.**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2023**

	Program		Management and General	Fundraising	Total
	Operating Expenses	Capital Campaign			
Cost of operations					
Personnel	\$ 2,900,102	\$ -	\$ 361,588	\$ 340,233	\$ 3,601,923
Artist fees and production	4,799,179	-	-	51,642	4,850,821
Marketing and branding	1,247,349	-	-	17,350	1,264,699
Development and special events	287	-	-	118,574	118,861
Insurance	142,380	-	13,402	-	155,782
Occupancy and utilities	649,778	-	201,916	139	851,833
Credit card processing	266,187	-	300	1,093	267,580
Professional fees and consultants	292,240	-	45,744	285	338,269
Concessions and merchandise	98,016	-	-	2,332	100,348
Postage and supplies	67,184	-	-	10,121	77,305
Meetings and professional development	26,961	-	21,199	194	48,354
Miscellaneous	13,284	-	5,035	-	18,319
Total operating expenses	<u>10,502,947</u>	<u>-</u>	<u>649,184</u>	<u>541,963</u>	<u>11,694,094</u>
Non-operating expenses					
Depreciation	1,469,506	-	-	-	1,469,506
Total expenses	<u>\$ 11,972,453</u>	<u>\$ -</u>	<u>\$ 649,184</u>	<u>\$ 541,963</u>	<u>\$ 13,163,600</u>

See accompanying notes to the financial statements.

**THE STATE THEATRE REGIONAL ARTS CENTER AT NEW BRUNSWICK, INC.**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2022**

	Program		Management and General	Fundraising	Total
	Operating Expenses	Capital Campaign			
Cost of operations					
Personnel	\$ 2,580,182	\$ 197,775	\$ 271,072	\$ 248,343	\$ 3,297,372
Artist fees and production	4,241,931	1,514	32,500	53,432	4,329,377
Marketing and branding	1,056,598	6,617	67	8,297	1,071,579
Development and special events	1,944	1,195	-	97,643	100,782
Insurance	138,609	-	14,293	-	152,902
Occupancy and utilities	581,062	28,649	168,107	297	778,115
Credit card processing	159,011	-	-	552	159,563
Professional fees and consultants	224,651	8,976	73,735	402	307,764
Concessions and merchandise	54,857	-	-	-	54,857
Postage and supplies	59,899	11,762	-	7,353	79,014
Meetings and professional development	1,261	3,531	7,701	599	13,092
Miscellaneous	3	75	-	-	78
Total operating expenses	<u>9,100,008</u>	<u>260,094</u>	<u>567,475</u>	<u>416,918</u>	<u>10,344,495</u>
Non-operating expenses					
Depreciation	839,628	-	-	-	839,628
Total expenses	<u>\$ 9,939,636</u>	<u>\$ 260,094</u>	<u>\$ 567,475</u>	<u>\$ 416,918</u>	<u>\$ 11,184,123</u>

See accompanying notes to the financial statements.

**THE STATE THEATRE REGIONAL ARTS CENTER AT NEW BRUNSWICK, INC.**

**Statements of Cash Flows  
For the Years Ended June 30,**

	2023	2022
Cash flows from operating activities		
Change in net assets	\$ (1,510,651)	\$ 8,723,512
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	1,469,506	839,628
Bad debts	64,064	10,010
Amortization of prepaid rent - facilities lease	180,000	180,000
Amortization of ROU operating lease	110,595	108,637
Net realized and unrealized investment (gain) loss and reinvested income	202,567	1,121,099
Donated securities	-	(49,890)
(Increase) decrease in assets		
Accounts receivable	52,714	904,773
Employee Retention Credit receivable	97,119	(97,119)
Pledges receivable	187,563	288,263
Grants receivable	(3,927)	(41,025)
Prepaid expenses and other current assets	(36,734)	(16,672)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(51,714)	(1,329,595)
Advance ticket sales and deposits received	1,575,201	(261,902)
Lease liability - operating	(98,921)	(96,963)
Net cash provided by operating activities	<u>2,237,382</u>	<u>10,282,756</u>
Cash flows from investing activities		
Purchases of property and equipment	(75,584)	(10,775,077)
Proceeds from sale of investments	5,665,260	6,665,146
Purchase of investments	(6,215,992)	(6,541,589)
Transfers to unrestricted investment account	(1,050,000)	-
Transfers from unrestricted investment account	200,000	-
Net cash used by investing activities	<u>(1,476,316)</u>	<u>(10,651,520)</u>
Cash flows from financing activities		
Principal repayments of lines of credit and EIDL loan	(520,800)	(5,283,914)
Proceeds from lines of credit	-	5,191,859
Net cash used by financing activities	<u>(520,800)</u>	<u>(92,055)</u>
Net increase (decrease) in cash and cash equivalents	240,266	(460,819)
Cash and cash equivalents - beginning of year	<u>585,173</u>	<u>1,045,992</u>
Cash and cash equivalents - end of year	<u>\$ 825,439</u>	<u>\$ 585,173</u>

See accompanying notes to the financial statements.

**THE STATE THEATRE REGIONAL ARTS CENTER AT NEW BRUNSWICK, INC.**  
**Notes to the Financial Statements**

Note 1 - Organization and summary of significant accounting policies

Nature of organization

The State Theatre Regional Arts Center at New Brunswick, Inc. (the Theatre), located in New Brunswick, New Jersey, is a non-profit organization established on June 21, 2002, that presents the finest national and international performing artists to residents of central New Jersey and beyond. In addition, the Theatre provides arts education to inform and build future audiences and to encourage members of the community to have a life-long association with the performing arts.

Basis of accounting

The financial statements of the Theatre have been prepared on the accrual basis of accounting.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include the reserves for uncollectible contributions, grants and accounts receivables, the present value of multi-year contributions receivables, and the allocation of functional expenses. Management reviews the assumptions each year to determine the reasonableness of these estimates.

Income taxes

The Theatre has been notified by the Internal Revenue Service that they are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Theatre is further classified as an organization that is not a private organization under Section 509(a)(3) of the Code. The most significant tax positions of the Theatre are its assertions that it is exempt from income taxes and its determination that no amounts are subject to unrelated business income tax (UBIT). Income generated by activities that would be considered unrelated to the Theatre mission would be subject to income tax.

The Theatre follows the guidance of Accounting Standards Codification (ASC) Topic 740, *Accounting for Income Taxes*, related to uncertain income tax provisions, which prescribes a threshold of more likely than not, for recognition and derecognition of tax positions taken or expected to be taken in a tax return. Management has determined that it is more likely than not, that all tax positions would be sustained upon examination by taxing authorities. Accordingly, no provision for income taxes has been recorded.

The Theatre files a Form 990 Return of Organization Exempt from Income Tax, annually with the Internal Revenue Service, as well as a State equivalent filing. Both filings are subject to audit by the appropriate authority. The Theatre returns prior to 2019 are no longer subject to examination by Federal or State authorities due to the statute of limitations.

**THE STATE THEATRE REGIONAL ARTS CENTER AT NEW BRUNSWICK, INC.**  
**Notes to the Financial Statements**

Note 1 - Organization and summary of significant accounting policies (continued)

Change in accounting standards

ASU 2016-02: The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, Topic 842 *Leases*. This update includes a lease accounting model that recognizes two types of leases - finance leases and operating leases. The standard requires that a lessee recognize on the balance sheet assets and liabilities relating to leases with terms of more than 12 months. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee will depend on its classification as a finance or operating lease. The Theatre elected to early adopt this ASU for the year ended June 30, 2022. The Theatre recorded a right of use asset and a lease liability payable. The Theatre has elected to use the available practical expedients. These included transition elections that permitted it to not reassess its prior conclusions about lease identification, lease classification and initial direct costs for existing or expired leases, as well as not assessing existing land easements under the new standard.

Cash and cash equivalents

The Theatre considers cash equivalents to be all highly liquid debt instruments with an initial maturity of three months or less.

Investments

The Theatre classifies its marketable securities at fair value, which are managed externally under a policy approved by the Board. Securities classified as available for sale are carried in the financial statements at fair value. Realized gains and losses, determined using the specific identification method, are included in earnings as other income. Unrealized gains and losses are also included in earnings as other income.

Alternative investments consist of shares or units in investment funds as opposed to direct interests in the funds' underlying holdings, which may be marketable. The Theatre's investments in alternative investments are stated, as practical expedient, at the net asset value (NAV), as provided by the Investment Manager and evaluated for reasonableness by the Theatre's Management.

Accounts receivable

Accounts receivable are stated at the amount Management expects to collect from outstanding balances. The Theatre has established an allowance for uncollectable accounts based upon historical experience. At June 30, 2023 and 2022, the allowance for uncollectable accounts was \$10,000 and \$10,000, respectively.

Pledges receivable

Pledges are stated at the amount Management expects to collect from outstanding balances. The Theatre has established a provision for uncollectable pledges based upon historical experience with donors.

**THE STATE THEATRE REGIONAL ARTS CENTER AT NEW BRUNSWICK, INC.**  
**Notes to the Financial Statements**

Note 1 - Organization and summary of significant accounting policies (continued)

Grants receivable

Grants receivable consist mainly of grant funds receivable from various agencies within the State of New Jersey and are reported at net realizable value in the period the grant is awarded if at that time payment is expected to be received in one year or less. There is no provision for uncollectable grants as Management expects all amounts to be fully collected based on historical experience.

Property and equipment

Property and equipment purchases are stated at cost, except for donated items, which are recorded at the fair value on the date of donation. Depreciation is computed using the straight-line method over the shorter of estimated useful lives or the term of the lease of the related assets. In the year of acquisition or disposed, one-half year's depreciation expense is recorded. Upon retirement or sale, the cost of disposed assets and the resulting gain or loss are included in the Statement of Activities and Changes in Net Assets.

	Estimated Useful Life
Leasehold improvements	5 - 25 years
Office furniture and equipment	3 - 10 years
Theatre furniture and equipment	3 - 20 years
Leasehold improvements - Capital Campaign	10 - 20 years

Additions and improvements of \$5,000 or more are capitalized, while general repairs and maintenance are expensed as incurred.

Advance ticket sales and deposits received

Advance ticket sales and deposits received consist of ticket sales and deposits for performances to be held in a subsequent fiscal year and are recognized as revenue when the performance takes place.

Net assets classification

Net assets are classified based on the existence or absence of donor-imposed restrictions. Net assets are defined as follows:

Net assets without donor restrictions - net assets not subject to donor-imposed stipulations, and therefore, are expendable for operating purposes.

Net assets with donor restrictions - net assets subject to donor-imposed stipulations that will be met by actions of the Theatre and/or by the passage of time.

**THE STATE THEATRE REGIONAL ARTS CENTER AT NEW BRUNSWICK, INC.**  
**Notes to the Financial Statements**

Note 1 - Organization and summary of significant accounting policies (continued)

Contributions, support, and revenue recognition

Contributions are recognized when the donor makes a promise to give to the Theatre that is, in substance, unconditional or when received. Unconditional promises due in the next year are reflected as current pledges receivable. Unconditional promises to give due in subsequent years are reflected as non-current pledges receivable and are recorded at the present value of their net realizable value.

Conditional promises to give are recognized as revenue when the conditions on which they are dependent are substantially satisfied.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires, restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

The Theatre records the value of in-kind goods and services, such as professional services, advertising services, lodging, and materials and supplies, as revenue and expense when it is budget-relieving and related to programs and events under the Theatre's control.

Endowment contributions and investments restricted in perpetuity by the donor are classified as contributions with donor restrictions.

The Theatre receives a portion of its revenue through grants from the New Jersey State Council on the Arts (NJSCA) and records the grant as revenue in the period the grant is expended.

Ticket sales and fees are recorded as revenue when the performance has occurred.

Functional allocation of expenses

The cost of providing the various programs and other activities is summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and services benefited. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas while indirect costs that benefit multiple functional areas have been allocated among the various functional areas based on time and effort.

Advertising expense

Advertising expenses are expensed as incurred. For the years ended June 30, 2023 and 2022, advertising fees totaled \$220,591 and \$191,321, respectively.

**THE STATE THEATRE REGIONAL ARTS CENTER AT NEW BRUNSWICK, INC.**  
**Notes to the Financial Statements**

Note 2 - Pledges receivable

Unconditional promises to give are recorded as receivables and revenue when received. The Theatre distinguishes between pledges received for each net asset category in accordance with donor-imposed restrictions. Pledges receivables are recorded at present value using a discount of 2% annual rate of interest on all receivables expected to be collected beyond one year from the financial statement date.

Pledges that are expected to be realized at June 30 are as follows:

	2023	2022
Current		
Receivable in less than one year	\$ 184,412	\$ 386,818
Allowance for uncollectible pledges	(87,500)	(87,500)
Net pledges receivable, current	\$ 96,912	\$ 299,318
Non-current		
Receivable in 1 - 5 years	\$ -	\$ 50,500
Discount to net present value, 2%	-	(1,279)
Net pledges receivable, non-current	\$ -	\$ 49,221

Note 3 - Property and equipment

Property and equipment consist of the following at June 30:

	2023	2022
Leasehold improvements	\$ 1,047,528	\$ 1,047,528
Office furniture and fixtures	95,968	95,968
Theatre furniture and equipment	2,638,150	2,572,459
Leasehold improvements - Capital Campaign	22,012,489	22,002,596
Total property and equipment	25,794,135	25,718,551
Less: accumulated depreciation	4,951,746	3,482,240
Property and equipment, net	\$ 20,842,389	\$ 22,236,311

Depreciation expense was \$1,469,506 and \$839,628 for the years ended June 30, 2023 and June 30, 2022, respectively.

**THE STATE THEATRE REGIONAL ARTS CENTER AT NEW BRUNSWICK, INC.**  
**Notes to the Financial Statements**

Note 4 - Fair value measurement

FASB in its Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, 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 highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1      Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association 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 inputs 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's 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 table sets forth by level, within the fair value hierarchy, the Associations investment assets at fair value as of:

**THE STATE THEATRE REGIONAL ARTS CENTER AT NEW BRUNSWICK, INC.**  
**Notes to the Financial Statements**

Note 4 - Fair value measurement (continued)

The following table sets forth by level, within the fair value hierarchy, the Associations investment assets at fair value as of:

<u>June 30, 2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market funds	\$ 378,602	\$ -	\$ -
Equity	2,329,062		
Fixed income			
Brokered CDs	422,724	-	-
Government securities	160,451	-	-
Corporate bonds	599,109		
Municipal bonds	64,853		
Mutual funds	3,340,429		
Total	<u>\$ 7,295,230</u>	<u>\$ -</u>	<u>\$ -</u>

Alternative investment funds reported at net asset value	\$ 349,169
Total investments	<u>\$ 7,644,399</u>

<u>June 30, 2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market funds	\$ 56,672	\$ -	\$ -
Equity	1,446,786	-	-
Fixed income	803,285	-	-
Mutual funds	3,847,619	-	-
Total	<u>\$ 6,154,362</u>	<u>\$ -</u>	<u>\$ -</u>

Alternative investment funds reported at net asset value	\$ 291,872
Total investments	<u>\$ 6,446,234</u>

**THE STATE THEATRE REGIONAL ARTS CENTER AT NEW BRUNSWICK, INC.**  
**Notes to the Financial Statements**

Note 4 - Fair value measurement (continued)

The following schedule summarizes the investment return in the Statement of Activities for the years ending June 30:

	2023	2022
Net realized and unrealized gains (losses)	\$ 39,547	\$ (1,051,620)
Investment fees	(33,648)	(33,047)
Total investment return (loss), net	\$ 5,899	\$ (1,084,667)

All investment return is classified in the Statement of Activities as without donor restrictions.

Note 5 - Lines of credit

The Theatre has lines of credit with different financial institutions that are available to fund working capital needs as well as financing on its long-term lease of the Theatre facility.

The first lien line of credit agreement is a combination of variable and fixed rates revolving line of credit with no expiration date, secured by investments. Maximum borrowing allowed is \$3,750,000. Borrowings are limited by the value of the investment portfolio and investments available for collateral. Under the terms of the credit agreement, the Theatre must maintain an amount of investment greater than or equal to the amount of borrowings. If at any time, the amount drawn on the line exceeds the borrowing limit, the portion exceeding the borrowing limit must be repaid immediately. The line of credit was paid in full as of June 30, 2022. For the year ended June 30, 2022, interest on the line of credit was 4.11%. There was no balance outstanding on this line of credit at June 30, 2023. Management is currently working to close this line of credit.

The second lien line working capital line of credit agreement is secured by all assets of the Theatre. This line of credit has a limit of \$ \$1,000,000 with interest rate of bank's prime rate plus 0.4 percentage points, and it expires January 2025. For the years ended June 30, 2023 and 2022, interest on the line of credit was 8.25% and 4.62%, respectively. The balance outstanding on this line of credit at June 30, 2023 and 2022 was \$0 and \$400,000, respectively.

The third lien working capital line of credit agreement has a borrowing limit of \$2,200,000 and matures March 2032. The line is collateralized by all assets of the Theatre. For the years ended June 30, 2023 and 2022, interest on the line of credit remains fixed at 3.125%. The balance outstanding on this line of credit at June 30, 2023 and 2022 was \$2,053,991 and \$2,171,374., respectively.

The Theatre is in compliance with all covenants.

**THE STATE THEATRE REGIONAL ARTS CENTER AT NEW BRUNSWICK, INC.**  
**Notes to the Financial Statements**

Note 6 - Small Business Administration loan

The Theatre received a \$150,000 Economic Injury Disaster loan in June 2020. The loan accrues interest at a rate of 2.75%. Installment payments, including interest, of \$641 per month begin twelve months after the note date. The loan matures in June 2050. The loan is unsecured. The balances were \$138,150 and \$141,567 at June 30, 2023 and 2022, respectively.

Future minimum principal payments for the EIDL loan as of June 30, 2023 are as follows:

2024	\$	3,520
2025		3,625
2026		3,734
2027		3,846
2027		3,961
Thereafter		119,464

Note 7 - Retirement plan

The Theatre maintains a Section 403(b) defined contribution plan (the Plan) that covers eligible participants. Eligible employees may elect to contribute a portion of their wages to the Plan, subject to IRC limitations. The Plan provides for the employer to match up to three percent of the employees' annual earnings to the eligible participating employees who have at least one year of service. The Theatre made employer contributions totaling \$27,385 and \$26,176 to the Plan for the years ended June 30, 2023 and 2022, respectively.

The Theatre is a participating employer in a trustee-managed multi-employer pension plan for employees who participate in collective bargaining agreements. The risks of participating in a multi-employer pension plan are different from single employer plans as assets contributed are available to provide benefits to employees of other employers and unfunded obligations from an employer that discontinues contributions are the responsibility of all remaining employers. In addition, in the event of a plan's termination or the Theatre's withdrawal from a plan, the Theatre may be liable for a portion of the Plan's unfunded vested benefits. The Theatre does not anticipate withdrawal from the Plans, nor is the Theater aware of any expected plan terminations

**THE STATE THEATRE REGIONAL ARTS CENTER AT NEW BRUNSWICK, INC.**  
**Notes to the Financial Statements**

Note 7 - Retirement plan (continued)

Unless otherwise noted, the most recent Pension Protection Act zone status available in 2023 is for the Plan's year-end at December 31, 2022. The zone status is based on information from the Plan. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded. The FIP/RP Status Pending/Implemented column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. Information for significant multi-employer pension plan in which the Theatre participates is included in the following table:

Pension Fund	EIN/Plan Number	Pension Zone Status 2022	FIP/RP Status Pending or Implemented	Surcharge Imposed	Expiration Date of Collective Bargaining Agreement
International Alliance of Theatrical Stage Employees Local 21	13-1849172/001	Green	N/A	No	8/31/2024

The Theatre contributed \$124,105 and \$124,396 for the years ended June 30, 2023 and 2022, respectively. The Theatre's contributions to this Plan were less than 5% of such plan's total contributions.

Note 8 - Commitments

The Theatre operates under a collective bargaining agreement with the International Alliance of Theatrical Stage Employees Local 21. This agreement establishes the standards of wages, hours and working conditions of these employees. In September 2021, the agreement was renewed, and the agreement is effective until August 31, 2024, and requires annual wage increases identified in the agreement.

Note 9 - Contingencies

From time to time, the Theatre is subject to litigation that arises in the ordinary course of conducting activities. In Management's opinion, the resolution of litigation matters, if any, would not have a material effect on the financial position of the Theatre as of June 30, 2023 and 2022.

Note 10 - Concentration of risk and uncertainties

Credit risk

The Theatre maintains its cash and cash equivalents in bank deposit accounts and financial institutions which are insured by the Federal Deposit Insurance Corporation. At June 30, 2023 and 2022, the Theatre had uninsured cash totaling approximately \$369,000 and \$79,000, respectively.

**THE STATE THEATRE REGIONAL ARTS CENTER AT NEW BRUNSWICK, INC.**  
**Notes to the Financial Statements**

Note 10 - Concentration of risk and uncertainties (continued)

Major donors

The Theatre had three donors that represented approximately 77% of the outstanding pledges and grants receivable on June 30, 2023. The Theatre had had four donors that represented approximately 75% of the outstanding pledges and grants receivable at June 30, 2022.

The Theatre had two donors that represented approximately 49% of contributions revenue for the year ended June 30, 2023 and two donors that represented approximately 57% of contributions revenue for the year ended June 30, 2022.

Note 11 - Operating leases

The Theatre entered into an operating lease arrangement for its facilities that expires in April 2041. The lease required four yearly installments of \$1,125,000 to be paid beginning on the commencement date in May 2016 and recurring on each of the first three annual anniversary dates through 2019. The final installment payment was made during the year ended June 30, 2019. Prepaid rent totaled \$3,225,000 and \$3,405,000 at June 30, 2023 and 2022, respectively.

The Theatre entered into a lease termination agreement for its office space in April 2020. Per the agreement the Theatre is to be paid \$350,000 within the three years of the date the Theatre vacated and surrendered the leased premises and the lease termination date. The lease termination receivable is classified as a current asset at June 30, 2023. Beginning May 2021, the Theatre leased its new offices under an operating lease which expires April 2026 and has an additional two five-year renewal options. The new office lease included a lump sum due the landlord totaling \$350,000 for costs and expenses associated with the leasehold improvements the landlord did for the benefit of the Theatre and is to be paid in full by end of the third year of the lease term. The lease termination payable is classified as a current payable at June 30, 2023.

The following summarizes the items on the balance sheet as of June 30:

	<u>2023</u>	<u>2022</u>
Prepaid rent - facilities operating lease	\$ 3,225,000	\$ 3,405,000
Right-of-use asset - operating leases	\$ 1,626,94	\$ 1,737,519
Operating lease liability, current portion	\$ 100,918	\$ 98,921
Operating lease liability, non-current	<u>1,549,354</u>	<u>1,650,272</u>
Total operating lease liabilities	<u>\$ 1,650,272</u>	<u>\$ 1,749,193</u>

**THE STATE THEATRE REGIONAL ARTS CENTER AT NEW BRUNSWICK, INC.**  
**Notes to the Financial Statements**

Note 11 - Operating leases (continued)

Operating leases under Topic 842

The Theatre did not have access to the rate implicit in the lease, accordingly the Theatre utilized the risk-free rate as the discount rate. The following summarizes other information related to the leases on June 30, 2023:

	2023	2022
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 132,780	\$ 132,780
Right-of-use assets obtained in exchange for lease liabilities	-	1,846,156
Weighted-average remaining lease term in years for operating leases	12.83	13.83
Weighted-average discount rate for operating leases	2.00%	2.00%

Future minimum lease payments on June 30, 2023 are as follows:

	Operating
2024	\$ 132,780
2025	132,780
2026	134,704
2027	144,324
2028	144,324
Thereafter	1,188,258
Total lease payments	1,877,170
Less: present value discount	(226,898)
Total lease liabilities	\$ 1,650,272

Maturities of lease liabilities in this schedule include leases under renewal options, which, as of June 30, 2023, are reasonably assured of being exercised. The Organization elected the practical expedient that allows lessees to choose to separate lease and non-lease components by class of underlying asset. Non-lease components, such as common area maintenance, were excluded from the right-of-use asset and liability balances.

The components of lease expense are as follows on June 30:

	2023	2022
Operating lease expense	\$ 332,552	\$ 324,448
Variable lease expense	40,416	40,416
Total lease expense	\$ 372,968	\$ 364,864

**THE STATE THEATRE REGIONAL ARTS CENTER AT NEW BRUNSWICK, INC.**  
**Notes to the Financial Statements**

Note 12 - Net assets with donor restrictions

Capital campaign

The Theatre's Next Stage Campaign was established for renovations that dramatically improved accessibility, safety and operation of the nearly 100-year-old State Theatre building, which is owned by Middlesex County and operated by the Theatre under a long-term agreement. To fund the renovation costs, the Theatre raised support of approximately \$24.4 million, of which all was spent as of the year ended June 30, 2022. Renovations of the facilities involved two phases that were completed during fiscal 2022. Cash and promises to give were restricted to payment of the cost of renovating the facility. The Theatre's Next Stage Campaign continues to accept support from donors to help ensure the second 100 years.

Net assets with donor restrictions are composed of time or purpose restricted and endowment fund corpus net assets. The net asset balance on June 30 is as follows:

	2023	2022
Time or purpose restricted:		
Next Stage Campaign renovations and equipment	\$ 80,500	\$ -
General operations and continued investment	267,477	243,108
Education programs	7,500	196,250
Other programs, gala	200	4,678
Total time or purpose restricted net assets	355,677	444,036
Endowment fund corpus		
Income to be used for:		
Symphony Series	964,901	925,168
State Theatre programming	229,436	219,988
Total endowment fund corpus net assets	1,194,337	1,145,156
Total net assets with donor-restrictions	\$ 1,550,014	\$ 1,589,192

Note 13 - Endowment

Endowment description

The Organization's endowment consists of donor restricted individual funds established in support of the Theatre's long-term mission. Net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

In March 2021, the Board approved a formal endowment policy. The Policy states that in accordance with By-laws of the Theatre, the Board has the power to modify any restriction or condition imposed by a donor on the investment or distributions of assets by a 2/3 vote of the total members of Trustees if, in the sole judgment of the Board, such restriction or condition becomes illegal, unnecessary, uneconomical, impossible to perform, or inconsistent with the charitable needs of the community or area served taking into consideration the wishes of the donor.

**THE STATE THEATRE REGIONAL ARTS CENTER AT NEW BRUNSWICK, INC.**  
**Notes to the Financial Statements**

Note 13 - Endowment (continued)

Interpretation of relevant law

The Board of Trustees of the Theatre has interpreted the State of New Jersey Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Theatre classifies as net assets with donor restrictions (a) the original value of the gifts donated to the donor restricted endowment, (b) the original value of the subsequent gift to the donor restricted endowment, and (c) accumulations to the donor restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The investment income earned on the accumulations to the endowment fund corpus is classified as time or purpose restricted net assets until those amounts are appropriated for expenditure by the Theatre in a manner consistent with the standard of prudence prescribed by UPMIFA.

At June 30, 2023 the endowment fund is composed of:

Amounts required to be invested in perpetuity	\$ 1,180,978
Subject to appropriation for donor-specific restrictions	13,459
Total donor-restricted endowment fund	<u>\$ 1,194,437</u>

At June 30, 2022 the endowment fund was composed of:

Amounts required to be invested in perpetuity	\$ 1,180,978
Cumulative net losses creating the underwater status	(35,722)
Total donor-restricted endowment fund	<u>\$ 1,145,256</u>

Endowment spending policy

The goal of the Theatre is to fund its operations with internally generated cash flows from earned income and contributed income streams. When such cash flows must be supplemented by investment earnings, the Theatre will apply such earnings in an amount authorized by the Board of Trustees which, in its judgment, is necessary for the support of the Theatre's operations and programming. Where applicable, such expenditures shall conform with donor restrictions. The distributions in any fiscal year may be made up to 4% of total funds, with the intention to draw from the endowment annually an amount that is less than the average amount earned each year. Extraordinary distributions may be made by a 2/3 vote of the total number of Trustees and approved by a majority vote.

For the years ended June 30, 2023 and 2022, the total amount spent on the Theatre programs through the endowment spending policy was \$0 and \$0, respectively.

**THE STATE THEATRE REGIONAL ARTS CENTER AT NEW BRUNSWICK, INC.**  
**Notes to the Financial Statements**

Note 13 - Endowment (continued)

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Theatre to retain as a fund of perpetual duration.

Endowment investment policies

The Theatre follows an investment policy that balances total return with a prudently acceptable level of risk. The policy objectives stress safety and diversification as the foundation for achieving long-term growth of principal as a primary objective, with sensitivity to preservation of capital, current income and risk adjusted returns that will serve to support the Theatre's operations and programming. Actual returns in any given year may vary.

The Theatre relies on an asset allocation strategy that combines different asset types providing varying levels of performance based on the nature of the investments and the nature of the markets. This approach moderates the investment risk and is intended to ensure a more stable and predictable level of results over the long term.

Under the provisions of the UPMIFA and U.S. GAAP, losses in the market value of donor restricted endowment funds are required to be offset by reductions in net assets with donor restrictions, net assets without donor restrictions, or both. An endowment fund that has become underwater will therefore result in decreases in net assets with donor restrictions or net assets without donor restrictions, despite the absence of any legal obligation to restore the endowment fund for such losses. Net assets without donor restrictions that have been reduced because of this requirement will be restored from future gains for that reduction.

Under the provisions of the UPMIFA and U.S. GAAP, losses in the market value of donor restricted endowment funds are required to be offset by reductions in net assets with donor restrictions, net assets without donor restrictions, or both. An endowment fund that has become underwater will therefore result in decreases in net assets with donor restrictions or net assets without donor restrictions, despite the absence of any legal obligation to restore the endowment fund for such losses. Net assets without donor restrictions that have been reduced because of this requirement will be restored from future gains for that reduction.

Endowment net assets on July 1, 2022	\$ 1,145,256
Contributions	-
Investment income	60,894
Net realized and unrealized losses	(5,156)
Transfers to non-endowment investment account	-
Appropriation for expenditures	-
Broker fees	(6,657)
Endowment net assets on June 30, 2023	<u>\$ 1,194,437</u>

**THE STATE THEATRE REGIONAL ARTS CENTER AT NEW BRUNSWICK, INC.**  
**Notes to the Financial Statements**

Note 13 - Endowment (continued)  
Funds with deficiencies (continued)

Endowment net assets on July 1, 2021	\$	1,278,564
Contributions		-
Investment income		48,530
Net realized and unrealized losses		(175,832)
Transfers to non-endowment investment account		-
Appropriation for expenditures		-
Broker fees		(6,006)
Endowment net assets on June 30, 2022	\$	1,145,256

Note 14 - Availability of financial assets  
The following reflects the Theatre's financial assets as of the balance sheet date, reduced by amounts not available for general use because of donor-imposed restrictions within one year of the balance sheet date.

Financial assets at June 30:

	2023	2022
Cash and cash equivalents	\$ 825,439	\$ 585,173
Accounts receivable	89,515	142,229
Employee Retention Credit receivable	-	97,119
Grants receivable	196,731	192,804
Investments - non endowment	6,450,062	5,301,078
Total financial assets	7,561,747	6,318,403
Less those unavailable for general expenditures within one year, due to:		
Donor-restricted for general operations	(267,477)	(243,108)
Donor-restricted for education programs	(7,500)	(196,250)
Donor-restricted for other programs, gala	(200)	(4,678)
Donor-restricted for capital-campaign (non endowment)	(80,500)	-
Financial assets available to meet cash needs for general expenditure within one year	\$ 7,206,070	\$ 5,874,367

The Theatre's goal is generally to maintain financial assets to meet operating expenses as they come due. To manage liquidity, the Theatre invests cash in excess of daily requirements in interest-bearing savings accounts and short-term investments. In addition, the Theatre has a \$2,200,000 and a \$1,000,000 line of credit that can be drawn down as needed, of which \$146,009 and \$1,000,000, respectively, were available for use at June 30, 2023.

**THE STATE THEATRE REGIONAL ARTS CENTER AT NEW BRUNSWICK, INC.**  
**Notes to the Financial Statements**

Note 15 - Supplemental disclosure of cash flow information  
Cash paid during the years ended June 30 was as follows:

	2023	2022
Interest	\$ 77,478	\$ 104,677

Note 16 - Contributed non-financial assets  
The Organization also receives donated materials and services to support fundraising and other efforts. Donated services are reflected as contributions with a corresponding expense in the accompanying statements at their estimated values at the date of service. Contributed non-financial assets as of June 30 were as follows:

	2023	2022
Advertising	\$ 290,058	\$ 162,819
Meals and entertainment	12,575	-
Lodging	20,773	11,471
Travel - Tessitura and other conferences	15,575	2,450
Auction items received	16,631	-
Other	453	1,140
Total	\$ 356,065	\$ 177,880

Note 17 - Subsequent events  
In July 2023, the Organization was awarded a \$1 million grant from the NJ State Council on the Arts, of which \$750,000 was received in January 2024. The grant will cover capital expenditures related to continued improvements to the Theatre, including the complete replacement of the roof of the building, 110-ton HVAC unit and replacement of the dimming systems.

The Theatre's Management has determined that no other material events or transactions occurred subsequent to June 30, 2023 and February 27, 2024, the date of the Theatre's financial statement issuance, which require additional disclosure in the Theatre's financial statements.

**THE STATE THEATRE REGIONAL ARTS CENTER AT NEW BRUNSWICK, INC.**  
**Schedule of Expenditures of State and County Financial Assistance**  
**For the Year Ended June 30, 2023**

Grantor/Program Title	State Grant Account Number	Grant Award Period	Grant Award	Grant Expenditures
State of New Jersey				
Division of Travel and Tourism	TRAV-2023-CMP-00060	09/30/22-12/31/23	\$ 19,500	\$ 19,500
State Council on the Arts				
Capital Arts Program	C-2217X390046	06/01/22-12/31/23	110,808	-
Operating Support Grant	C-2317X010070	07/01/22 - 06/30/23	392,100	392,100
Total State Council on the Arts				<u>392,100</u>
Middlesex County				
Operating Support Grant	22-133-R	01/01/22-12/31/22	155,750	155,750
Operating Support Grant	23-54-R	01/01/23-12/31/23	311,500	155,750
Technical Assistance Grant	22-909-R	07/21/22-12/31/22	5,000	5,000
Total Middlesex County				<u>316,500</u>
Total State and County Financial Assistance				<u><u>\$ 728,100</u></u>

See independent auditors' report and notes to schedules of expenditures of state and county financial assistance.

**THE STATE THEATRE REGIONAL ARTS CENTER AT NEW BRUNSWICK, INC.**  
**Notes to Schedules of Expenditures of Federal, State and County Financial Assistance**

Note 1 - Basis of presentation

The accompanying Schedules of Expenditures of State and County Financial Assistance includes the award activity of the Theatre for the year-ended June 30, 2023, and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with Government Auditing Standards. Because the Schedule presents only a select portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

Note 2 - Summary of significant accounting policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting.

**THE STATE THEATRE REGIONAL ARTS CENTER AT NEW BRUNSWICK, INC.**  
**Supplemental Schedule of NJSCA Grant Eligible Expenditures**  
**For the Year Ended June 30, 2023**

	Unaudited Budgeted	Actual Total	Expenditures from NJSCA
A. Personnel			
Administrative	\$ 1,901,534	\$ 1,778,708	\$ 218,700
Technical/production	989,848	1,092,615	-
Fringe benefits	705,958	730,599	-
B. Outside fees and services			
Artistic fees	4,432,177	4,376,055	99,700
Other	517,309	644,543	-
C. Capital expenditures			
Acquisitions	-	-	-
D. Other operating expenses			
Space rental	380,000	372,968	-
Marketing	1,473,652	974,640	43,800
Travel and transportation	19,200	20,206	-
Phone and postage	32,000	31,263	-
Facility maintenance	380,146	453,789	-
Rentals	1,000	-	-
Supplies and materials	1,000	3,723	-
Insurance	145,566	142,380	-
Technical/ production	440,851	453,994	29,900
Repayment of loans	-	-	-
Other operating expenses	492,899	618,611	-
E. Totals	\$ 11,913,140	11,694,094	\$ 392,100
Investment return loss, net		(5,899)	
		\$ 11,688,195	

See independent auditors' report.



Certified Public Accountants, PC

[www.bkc-cpa.com](http://www.bkc-cpa.com)

---

**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 of  
The State Theatre Regional Arts Center  
at New Brunswick, Inc.  
New Brunswick, New Jersey

We have audited, 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, the financial statements of The State Theatre Regional Arts Center at New Brunswick, Inc. (the Theatre) ( a nonprofit organization), which comprise the Statements of Financial Position as of June 30, 2023, and the related Statements of Activities and Cash Flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 27, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Theatre's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Theatre's internal control. Accordingly, we do not express an opinion on the effectiveness of the Theatre's internal control.

*A deficiency 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 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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Theatre'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 financial statements. 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 result of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Theatre's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Theatre's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**BKC, CPAs, PC**

February 27, 2024  
Flemington, New Jersey