



Financial Statements

For the Years Ended June 30, 2024, and 2023

BERGEN PERFORMING ARTS CENTER, INC.

Financial Statements

For the Years Ended June 30, 2024, and 2023

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Independent Auditors' Report

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

Opinion

We have audited the accompanying financial statements of Bergen Performing Arts Center, Inc.'s, which comprise the statements of financial position as of June 30, 2024, and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2024 and 2023, 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Bergen Performing Arts Center, Inc.'s 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 opinion.

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 Organization'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 consolidated 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 it 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2025, on our consideration of the Organization'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 solely 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 Organization's 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 the Organization's internal control over financial reporting and compliance.

Kelly Vitale Raffol, LLC

New York, New York
May 15, 2025

BERGEN PERFORMING ARTS CENTER, INC.

Statements of Financial Position

As of June 30, 2024, and 2023

| | <u>2024</u> | <u>2023</u> |
|---|----------------------|----------------------|
| Assets | | |
| Cash and cash equivalents | \$ 411,309 | \$ 1,632,080 |
| Cash - restricted | 727,318 | 698,948 |
| Investments | 9,006 | 11,495 |
| Inventory | 23,458 | 18,347 |
| Accounts receivable, net | 259,036 | 167,778 |
| Pledges receivable, net | 354,883 | 688,967 |
| Prepaid expenses | 634,679 | 474,165 |
| Property and equipment, net | 11,354,773 | 11,100,370 |
| Right of use asset, net | 25,848 | 32,740 |
| Total assets | <u>\$ 13,800,310</u> | <u>\$ 14,824,890</u> |
| Liabilities and net assets | | |
| Liabilities | | |
| Accounts payable and accrued expenses | \$ 162,681 | \$ 264,281 |
| Note payable - EIDL loan | 144,739 | 148,406 |
| Bond payable | 4,964,399 | 5,139,399 |
| Deferred revenue | 822,902 | 1,166,747 |
| Lease liability | 27,299 | 34,298 |
| Total liabilities | <u>6,122,020</u> | <u>6,753,131</u> |
| Net assets | | |
| Net assets without donor restrictions | 5,766,347 | 6,227,516 |
| Net assets with donor restrictions | 1,911,943 | 1,844,243 |
| Total net assets | <u>7,678,290</u> | <u>8,071,759</u> |
| Total liabilities and net assets | <u>\$ 13,800,310</u> | <u>\$ 14,824,890</u> |

See accompanying notes to financial statements

BERGEN PERFORMING ARTS CENTER, INC.

Statement of Activities

For the Year Ended June 30, 2024

| | <i>Without Donor Restrictions</i> | <i>With Donor Restrictions</i> | <i>Total</i> |
|--|---|--|--------------|
| <i>Support and revenue</i> | | | |
| Support: | | | |
| Individual contributions | \$ 168,141 | \$ 67,700 | \$ 235,841 |
| Corporate contributions | 321,242 | - | 321,242 |
| Foundation contributions | 106,000 | - | 106,000 |
| Government grants | 323,959 | - | 323,959 |
| Contributed goods and services | 31,150 | - | 31,150 |
| | <hr/> | | |
| <i>Total support</i> | 950,492 | 67,700 | 1,018,192 |
| Special events: | | | |
| Revenues | 189,830 | - | 189,830 |
| Less: cost of direct donor benefits | (48,661) | - | (48,661) |
| | <hr/> | | |
| <i>Net special event revenue</i> | 141,169 | - | 141,169 |
| Revenues: | | | |
| Performance revenues | 7,511,541 | - | 7,511,541 |
| Rental revenues | 565,414 | - | 565,414 |
| Education revenues | 577,144 | - | 577,144 |
| Investment activity, net | 69,439 | - | 69,439 |
| Concession stand income | 541,120 | - | 541,120 |
| | <hr/> | | |
| <i>Total revenues</i> | 9,264,658 | - | 9,264,658 |
| | <hr/> | | |
| <i>Total support and revenues</i> | 10,356,319 | 67,700 | 10,424,019 |
| <i>Expenses</i> | | | |
| Program services | 9,286,001 | - | 9,286,001 |
| General and administration | 1,246,188 | - | 1,246,188 |
| Fundraising | 285,299 | - | 285,299 |
| | <hr/> | | |
| <i>Total expenses</i> | 10,817,488 | - | 10,817,488 |
| | <hr/> | | |
| <i>Change in net assets</i> | (461,169) | 67,700 | (393,469) |
| <i>Net assets, beginning</i> | 6,227,516 | 1,844,243 | 8,071,759 |
| | <hr/> | | |
| <i>Net assets, ending</i> | \$ 5,766,347 | \$ 1,911,943 | \$ 7,678,290 |
| | <hr/> | | |

See accompanying notes to financial statements

BERGEN PERFORMING ARTS CENTER, INC.

Statement of Activities

For the Year Ended June 30, 2023

| | <i>Without Donor Restrictions</i> | <i>With Donor Restrictions</i> | <i>Total</i> |
|--|---|--|---------------------|
| <i>Support and revenue</i> | | | |
| Support: | | | |
| Individual contributions | \$ 203,515 | \$ 10,830 | \$ 214,345 |
| Corporate contributions | 437,820 | - | 437,820 |
| Foundation contributions | 206,041 | - | 206,041 |
| Government grants | 229,675 | - | 229,675 |
| Contributed goods and services | - | 404,347 | 404,347 |
| Net assets released from restrictions | 4,262,499 | (4,262,499) | - |
| <i>Total support</i> | 5,339,550 | (3,847,322) | 1,492,228 |
| Revenues: | | | |
| Performance revenues | 4,807,625 | - | 4,807,625 |
| Rental revenues | 347,506 | - | 347,506 |
| Education revenues | 505,401 | - | 505,401 |
| Advertising revenue | 33,349 | - | 33,349 |
| Investment activity, net | 59,014 | - | 59,014 |
| Concession stand income | 316,086 | - | 316,086 |
| <i>Total revenues</i> | 6,068,981 | - | 6,068,981 |
| <i>Total support and revenues</i> | 11,408,531 | (3,847,322) | 7,561,209 |
| <i>Expenses</i> | | | |
| Program services | 6,444,302 | - | 6,444,302 |
| General and administration | 1,154,831 | - | 1,154,831 |
| Fundraising | 265,125 | - | 265,125 |
| <i>Total expenses</i> | 7,864,258 | - | 7,864,258 |
| <i>Change in net assets</i> | 3,544,273 | (3,847,322) | (303,049) |
| <i>Net assets, beginning</i> | 2,683,243 | 5,691,565 | 8,374,808 |
| <i>Net assets, ending</i> | \$ 6,227,516 | \$ 1,844,243 | \$ 8,071,759 |

See accompanying notes to financial statements

BERGEN PERFORMING ARTS CENTER, INC.

Statements of Cash Flows

For the Years Ended June 30, 2024, and 2023

| | <u>2024</u> | <u>2023</u> |
|--|---------------------|---------------------|
| <i>Cash flows from operating activities:</i> | | |
| Change in net assets | \$ (393,469) | \$ (303,049) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 398,204 | 387,062 |
| Unrealized gains/losses | 2,489 | 1,451 |
| Change in: | | |
| Accounts receivable | (91,258) | 111,106 |
| Pledges receivable | 334,084 | 669,406 |
| Government contracts receivable | - | 29,069 |
| Prepaid expenses and other current assets | (160,514) | (75,570) |
| Right of use asset and lease liability | (107) | 1,558 |
| Accounts payable and accrued expenses | (101,600) | 194,909 |
| Deferred revenue | (343,845) | 273,976 |
| Inventory | (5,111) | - |
| | <hr/> | <hr/> |
| <i>Net cash used in operating activities</i> | (361,127) | 1,289,918 |
| <i>Cash flows from investing activities:</i> | | |
| Purchases of property and equipment | (652,607) | (6,369,559) |
| | <hr/> | <hr/> |
| <i>Net cash used in investing activities</i> | (652,607) | (6,369,559) |
| <i>Cash flows from financing activities:</i> | | |
| Note payable - bond loan | (175,000) | - |
| Proceeds from long-term debt obligations | - | 3,835,323 |
| Payments on long-term debt | (3,667) | (1,494) |
| | <hr/> | <hr/> |
| <i>Net cash used in financing activities</i> | (178,667) | 3,833,829 |
| <i>Net change in cash and cash equivalents</i> | (1,192,401) | (1,245,812) |
| <i>Cash and cash equivalents, beginning</i> | 2,331,028 | 3,576,840 |
| | <hr/> | <hr/> |
| <i>Cash and cash equivalents, ending</i> | \$ 1,138,627 | \$ 2,331,028 |
| | <hr/> | <hr/> |

See accompanying notes to financial statements

BERGEN PERFORMING ARTS CENTER, INC.

Statement of Functional Expenses

For the Year Ended June 30, 2024

| | <i>Program Services</i> | <i>General and Administration</i> | <i>Fundraising</i> | <i>Total</i> |
|--|-----------------------------|---------------------------------------|--------------------------|-----------------------------|
| Cost of performances | \$ 6,743,684 | \$ - | \$ - | \$ 6,743,684 |
| Salaries, benefits and related payroll taxes | 929,779 | 972,042 | 211,314 | 2,113,135 |
| Depreciation expense | 318,563 | 59,731 | 19,910 | 398,204 |
| Utilities and telephone | 139,370 | 26,132 | 8,711 | 174,213 |
| Interest | 216,863 | 40,662 | 13,554 | 271,079 |
| Marketing and advertising | 708,602 | - | 18,169 | 726,771 |
| Professional fees | 32,215 | 96,644 | - | 128,859 |
| Insurance | 63,451 | 11,897 | 3,966 | 79,314 |
| Special events | - | - | 48,661 | 48,661 |
| Building maintenance | 31,045 | 5,821 | 1,940 | 38,806 |
| Bank card fees | 39,028 | - | - | 39,028 |
| Travel and entertainment | 4,037 | 8,072 | 4,037 | 16,146 |
| Supplies | 54,757 | 10,267 | 3,422 | 68,446 |
| Equipment rentals | 2,618 | 2,618 | 276 | 5,512 |
| Gallery activities | 419 | - | - | 419 |
| Licenses and permits | - | 7,478 | - | 7,478 |
| Dues and subscriptions | - | 4,824 | - | 4,824 |
| Other | 1,570 | - | - | 1,570 |
| <i>Total expenses</i> | <u>\$ 9,286,001</u> | <u>\$ 1,246,188</u> | <u>\$ 333,960</u> | <u>\$ 10,866,149</u> |
| Less expenses included with revenues on the statement of activities | | | | |
| Cost of direct donor benefits | - | - | (48,661) | (48,661) |
| <i>Total expenses</i> | <u>\$ 9,286,001</u> | <u>\$ 1,246,188</u> | <u>\$ 285,299</u> | <u>\$ 10,817,488</u> |

See accompanying notes to financial statements

BERGEN PERFORMING ARTS CENTER, INC.*Statement of Functional Expenses**For the Year Ended June 30, 2023*

| | <i>Program Services</i> | <i>General and Administration</i> | <i>Fundraising</i> | <i>Total</i> |
|--|-----------------------------|---------------------------------------|--------------------|---------------------|
| Cost of performances | \$ 4,458,933 | \$ - | \$ - | \$ 4,458,933 |
| Salaries, benefits and related payroll taxes | 933,227 | 975,646 | 212,097 | 2,120,970 |
| Depreciation expense | 309,650 | 58,059 | 19,353 | 387,062 |
| Utilities and telephone | 111,401 | 20,888 | 6,962 | 139,251 |
| Interest | 4,074 | 764 | 255 | 5,093 |
| Marketing and advertising | 427,578 | - | 10,964 | 438,542 |
| Professional fees | 14,943 | 44,829 | - | 59,772 |
| Insurance | 57,796 | 10,837 | 3,612 | 72,245 |
| Building maintenance | 35,192 | 6,599 | 2,200 | 43,991 |
| Bank card fees | 31,213 | - | - | 31,213 |
| Travel and entertainment | 6,138 | 12,276 | 6,138 | 24,552 |
| Supplies | 50,436 | 9,457 | 3,152 | 63,045 |
| Equipment rentals | 3,721 | 3,721 | 392 | 7,834 |
| Licenses and permits | - | 4,449 | - | 4,449 |
| Dues and subscriptions | - | 7,306 | - | 7,306 |
| <i>Total expenses</i> | \$ 6,444,302 | \$ 1,154,831 | \$ 265,125 | \$ 7,864,258 |

See accompanying notes to financial statements

BERGEN PERFORMING ARTS CENTER, INC.

Notes to Financial Statements

For the Years Ended June 30, 2023, and 2024

Note 1. Organization

Bergen Performing Arts Center, Inc. (the Organization) is a not-for-profit organization created and operated for the purpose of providing cultural, performing arts, educational, and social activities for the general public. The Organization was incorporated as a 501(c)(3) nonprofit corporation in 2003 in the state of New Jersey.

To further its purposes and achieve its goals, the Organization engages in the following programs:

Performing Arts School: The Performing Arts School (the School) at Bergen PAC is northern New Jersey's premier arts education program. The School offers classes in a variety of performing arts disciplines and opportunities to participate in live performances and provides students of all ages and backgrounds with arts experiences that stimulate learning and spark creativity and imagination. This program was developed for young people, ages of 2 months to 21 years old and, since its inception, has served thousands of students.

Live Performances: The Organization presents or hosts approximately 170 live shows annually, including internationally acclaimed headliners, in a variety of genres and artistic disciplines.

Note 2. Summary of Significant Accounting Policies

Basis of Accounting and Financial Statement Presentation

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 (U.S. GAAP) established by the Financial Standards Board (FASB). 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.

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.

Cash, Cash Equivalents, and Restricted Cash

We consider all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

BERGEN PERFORMING ARTS CENTER, INC.

Notes to Financial Statements

For the Years Ended June 30, 2023, and 2024

Note 2. Summary of Significant Accounting Policies (continued)

Cash, Cash Equivalents, and Restricted Cash (continued)

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statements of financial position to the sum of the corresponding amounts within the statements of cash flows:

| | <u>2024</u> | <u>2023</u> |
|--|---------------------|---------------------|
| Cash and cash equivalents | \$ 411,309 | \$ 1,632,080 |
| Endowment Fund | 727,318 | 698,948 |
| Cash and cash equivalents, and restricted cash | <u>\$ 1,138,627</u> | <u>\$ 2,331,028</u> |

Accounts Receivables and Credit Policies

Accounts receivable consist primarily of noninterest-bearing amounts due for school tuition and performance tickets and program ads. We determine the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Management considers accounts receivable at June 30, 2024, and 2023, to be fully collectible. accordingly, no allowance for doubtful accounts has been recorded.

Pledges Receivable

When a donor has unconditionally promised to contribute funds in future periods, the Organization recognizes the fair value of the pledge receivable. Pledges expected to be collected within one year are recorded as a donation and receivable at net realizable value, which approximates fair value.

Pledges expected to be collected in future years are recorded as a donation and receivable at the present value of the expected future cash flows. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

The Organization had no bad debt expense for the years ended June 30, 2024, and 2023.

Inventory

Inventory consists of missions-related merchandise held for sale in the concession section of the theater. Inventory is stated at the lower of cost or market based on average cost.

BERGEN PERFORMING ARTS CENTER, INC.

Notes to Financial Statements

For the Years Ended June 30, 2023, and 2024

Note 2. Summary of Significant Accounting Policies (continued)

Revenue from Contracts with Customers

Revenue from contracts with customers is recognized when control of the promised goods or services is transferred to the Organization's customers, in an amount that reflects the consideration the Organization expects to be entitled to for those goods and services. All revenue from contracts with customers is derived from ticket sales. The performance obligation is satisfied as the service is rendered. The contracts have no significant financing component, and the consideration amount is not variable.

The Organization has prepared these financial statements on the accrual basis of accounting and has adopted Financial Accounting Standards Board (FASB) *Accounting Standards Codification (ASC) Topic 958, Not-for-Profit Entities, Section 205, Presentation of Financial Statements, and Section 605, Revenue Recognition*. ASC Section 958-605 establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into two net asset categories according to externally (donor) imposed restrictions. ASC Section 958-605 requires that unconditional promises to give (pledges) be recorded as receivables and revenue.

Contributions and Grants

Contributions are recognized at the earlier of when received or when the donor makes an unconditional promise to give to the Organization. Donor-restricted contributions 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 has been satisfied or expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

The Organization recognizes contributions when cash, securities, other assets, and unconditional promises to give, or notification of a beneficial interest are received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

Exchange transactions

Reciprocal transfers in which each party receives and sacrifices goods or services with approximate commensurate value are recognized as exchange transactions. The Organization adopted *Accounting Standards Codification (ASC) Topic 606, Revenue from Contracts with Customers* using the modified retrospective method applied to all contracts not completed as of the date of the adoption. The core principle is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps: (I) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract and (v) recognize revenue when (or as) the entity satisfies a performance obligation.

BERGEN PERFORMING ARTS CENTER, INC.

Notes to Financial Statements

For the Years Ended June 30, 2023, and 2024

Note 2. Summary of Significant Accounting Policies (continued)

Exchange transactions (continued)

The Organization applies *Topic 606* to exchange transactions in which it receives consideration for products or services offered. Under U.S. GAAP, these arrangements are exchange transactions between the revenues recognized when control of the promised goods or services is transferred to customers in an amount that reflects the consideration the Organization expects to be entitled to receive in exchange for those goods and services. The Organization applies the five-step revenue model under FASB *ASC Topic 606* to determine when revenue is recognized.

Tuition Revenue

Tuition represents income received for customer participation in education programs. Fees for tuition services are set forth in the agreements with customers. Fees for tuition will vary based on program selection. Payments received in advance for education programs are recorded as contract liabilities. Advanced education payments are recorded as revenues when the education programs are completed.

Advertising

The Organization expenses advertising costs as they are incurred.

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 out, 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.

BERGEN PERFORMING ARTS CENTER, INC.

Notes to Financial Statements

For the Years Ended June 30, 2023, and 2024

Note 2. Summary of Significant Accounting Policies (continued)

Deferred Revenue

The Organization recognizes revenues as earned. Amounts received in advance of the period in which the service is rendered are recorded as a liability under deferred revenue. These are amounts paid in advance for performances such as tickets sales and deposits on School tuition.

Investments

Investments are recorded at fair value. Gains and losses in market value adjustments are recognized for market fluctuations.

Reclassifications

Certain prior-year amounts have been reclassified for consistency with the current-year presentation. These reclassifications have no effect on previously reported changes in net assets.

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 net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Property and Equipment

Property and equipment are stated at cost, or, if donated, at fair market value on the 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, 2023, and 2024

Note 2. Summary of Significant Accounting Policies (continued)

Property and Equipment (continued)

The Organization reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized as equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends, and prospects, as well as the effects of obsolescence, demand, competition, and other economic factors.

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.

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, considering 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.

The allocated expenses including the following:

| | <u>Method of Allocation</u> |
|-----------------------|-----------------------------|
| Expense: | |
| Salaries and benefits | Time and effort |
| Occupancy | Head count |
| Office expenses | Head count |
| Depreciation | Estimated usage |
| Interest expense | Estimated usage |

BERGEN PERFORMING ARTS CENTER, INC.

Notes to Financial Statements

For the Years Ended June 30, 2023, and 2024

Note 2. Summary of Significant Accounting Policies (continued)

Adopted Accounting Pronouncements

ASU 2016-02, *Leases (Topic 842)*, sets out the principles for the recognition, measurement, presentation, and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today.

Note 3. Government Funding

The Organization has government revenue which is subject to subsequent reviews and renegotiations by the respective government agencies. Any changes in the amount of the reimbursements are recorded in the period when finally determined.

| | <u>2024</u> | <u>2023</u> |
|--|-------------------|-------------------|
| New Jersey State Council on the Arts | 217,687 | 204,100 |
| New Jersey Office of Emergency Management/FEMA | 106,272 | |
| New Jersey Economic Development Authority | - | 20,575 |
| Bergen County American Rescue Plan | - | 5,000 |
| | <u>\$ 323,959</u> | <u>\$ 229,675</u> |

Note 4. Deferred Revenue

Deferred revenue represents the amounts received as follows:

| | <u>2024</u> | <u>2023</u> |
|--|-------------------|---------------------|
| Advance ticket sales | \$ 808,512 | \$ 1,104,959 |
| Rental deposits | 150 | 26,828 |
| Performing Arts School, tuition deposits | 14,240 | 34,960 |
| | <u>\$ 822,902</u> | <u>\$ 1,166,747</u> |

Note 5. Net Assets with Donor Restrictions

Net assets with donor restrictions at year-end are restricted as to time. The balance for the years ended June 30, 2024, and 2023 are \$1,911,943 and \$1,844,243, respectively.

BERGEN PERFORMING ARTS CENTER, INC.

Notes to Financial Statements

For the Years Ended June 30, 2023, and 2024

Note 6. Property and Equipment

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

| | <u>2024</u> | <u>2023</u> |
|--------------------------------|----------------------|----------------------|
| Land | \$ 227,047 | \$ 227,047 |
| Building and improvements | 12,469,415 | 11,845,673 |
| Equipment | 1,309,879 | 1,306,014 |
| Furniture and fixtures | 211,956 | 186,956 |
| | <u>14,218,297</u> | <u>13,565,690</u> |
| Less: Accumulated depreciation | <u>(2,863,524)</u> | <u>(2,465,320)</u> |
| | <u>\$ 11,354,773</u> | <u>\$ 11,100,370</u> |

Depreciation expenses were \$398,204 and \$387,062 for the years ended June 30, 2024, and 2023, respectively. The capitalization policy applies to any acquisition over \$1,500.

Note 7. Fair Value Measurements

Financial Accounting Standards Board (FASB) *Accounting Standards Codification (ASC) Topic 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. The level 1 investments for the year ended June 30, 2024, and 2023 were \$9,006 and \$11,495, respectively.

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

BERGEN PERFORMING ARTS CENTER, INC.

Notes to Financial Statements

For the Years Ended June 30, 2023, and 2024

Note 7. Fair Value Measurements (continued)

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

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

| | | 2024 | | | | |
|--------------|-----------------|---|--|--|--|--|
| | | <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> | | | | | | |
| Money market | \$ 791 | \$ 791 | \$ - | \$ - | | |
| Equities | 8,215 | 8,215 | - | - | | |
| Total | \$ 9,006 | \$ 9,006 | \$ - | \$ - | | |

| | | 2023 | | | | |
|--------------|------------------|---|--|--|--|--|
| | | <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> | | | | | | |
| Money market | \$ 633 | \$ 633 | \$ - | \$ - | | |
| Equities | 10,862 | 10,862 | - | - | | |
| Total | \$ 11,495 | \$ 11,495 | \$ - | \$ - | | |

Note 8. Liquidity and Availability of Financial Assets

The Organization receives contributions with donor restrictions to be used in accordance with the associated purpose restrictions. Contributions may include gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund programs or support operations.

In addition, the Organization considers investment income without donor restrictions, appropriated earnings from donor-restricted endowments, contributions without donor restrictions, and contributions with donor restrictions for use in programs that are ongoing, major, and central to its annual operations as available to meet cash needs for general expenditures. General expenditure includes general and administrative expenses, fundraising expenses, and grant commitments expected to be paid in the subsequent year. Annual operations are defined as total expense related to both program services and supporting services activities.

BERGEN PERFORMING ARTS CENTER, INC.

Notes to Financial Statements

For the Years Ended June 30, 2023, and 2024

Note 8. Liquidity and Availability of Financial Assets (continued)

The Organization manages its cash available to meet general expenditures through the following three guiding principles:

- Operating within a prudent range of financial soundness and stability
- Maintaining adequate liquid assets
- Maintaining sufficient reserves to provide reasonable assurance that long-term agreements or other commitments and obligations under endowments with donor restrictions will continue to be met, thereby ensuring the sustainability of the Organization.

Operating liquidity comes from performance, contracts, and contributions. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Organization monitors its liquidity so that it is able to meet its operating needs while maximizing the investment of any of its excess operating cash.

The following reflects the Organization's financial assets as of June 30,

| <i>Financial assets at June 30,</i> | <u>2024</u> | <u>2023</u> |
|---|----------------------------|--------------------------|
| Cash, cash equivalents | \$ 411,309 | \$ 1,632,080 |
| Pledges receivable, net current | 354,883 | 688,967 |
| Accounts receivable, net | <u>259,036</u> | <u>167,778</u> |
| <i>Total financial assets</i> | <u>1,025,228</u> | <u>2,488,825</u> |
| Less: Net assets with donor restrictions | <u>(1,911,943)</u> | <u>(1,844,243)</u> |
| <i>Financial assets available to meet general expenditures</i> | <u><u>\$ (886,715)</u></u> | <u><u>\$ 644,582</u></u> |

Note 9. Facility Bonds

On May 1, 2022, the Bergen County Improvement Authority (the Authority) issued \$5,520,000 of Series 2022A Bonds (the County Guaranteed Revenue Bonds). The Bonds are special limited obligations of the Authority and are payable solely out of the amounts received by the Authority from the Organization pursuant to the terms and provisions of the indenture and agreement. The Trustee is the Manufacturers and Traders Trust Company. The Bond is a 20-year serial bond maturing on May 1, 2042, with a coupon rate of 5% interest. The proceeds of the bond are required to be used by the Organization to pay for the costs of the renovation project. The annual trustee fee is \$3,000 per year.

BERGEN PERFORMING ARTS CENTER, INC.

Notes to Financial Statements

For the Years Ended June 30, 2023, and 2024

Note 9. Facility Bonds (continued)

The future minimum payments on these obligations are as follows:

| <i>Years ending June 30,</i> | | |
|------------------------------|-----------|------------------|
| 2025 | \$ | 185,000 |
| 2026 | | 190,000 |
| 2027 | | 200,000 |
| 2028 | | 210,000 |
| 2029 | | 225,000 |
| Thereafter | | 3,954,399 |
| Total | \$ | 4,964,399 |

Note 10. Other Commitments and Contingencies

Regulatory agencies may initiate administrative proceedings alleging that the Organization programs, employees, or agents violate statutes and regulations and seek to impose monetary penalties on the Organization. The Organization could be required to incur significant costs to respond to regulatory investigations or defend against civil lawsuits and, if the Organization does not prevail the Organization could be required to pay substantial amounts of money in damages, settlement amounts or penalties.

The Organization is also subject to potential lawsuits under the False Claims Act and other federal and state whistleblower statutes designed to combat fraud and abuse. The Organization is also subject to employee-related claims under state and federal laws, and claims for discrimination, wrongful discharge, or retaliation. The Organization's policy is to accrue for all probable and estimable claims using information available at the time the financial statements are issued. Actual claims could settle in the future at materially different amounts due to the nature of the litigation.

Note 11. Contributed Goods and Services

For the year ended June 30, 2024, the Organization received \$31,150 in contributed goods and services.

BERGEN PERFORMING ARTS CENTER, INC.

Notes to Financial Statements

For the Years Ended June 30, 2023, and 2024

Note 12. Right-of-use asset and liability

| | <u>2024</u> | <u>2023</u> |
|--|-------------------------|-------------------------|
| Lease cost | \$ 7,917 | \$ 6,252 |
| Weighted-average remaining lease term, years | 4.55 | 4.55 |
| Weighted-average discount rate | 3.00% | 3.00% |
| Right-of-use asset | \$ 25,849 | \$ 39,453 |
| Less: accumulated amortization | <u>(6,892)</u> | <u>(6,713)</u> |
| <i>Right-of-use asset, net</i> | <u>\$ 18,957</u> | <u>\$ 32,740</u> |
| Years ending June 30: | | |
| 2025 | | \$ 8,304 |
| 2026 | | 8,304 |
| 2027 | | 8,304 |
| Thereafter | | <u>3,842</u> |
| Total undiscounted lease payments | | 28,754 |
| Less: discount to net present value | | <u>(1,455)</u> |
| <i>Present value of lease liability</i> | | <u>\$ 27,299</u> |

Note 13. Subsequent Events

The Organization's management has evaluated events after June 30, 2024, through May 15, 2025, which is the date the financial statements were available to be issued. There were no material subsequent events as of that date which would require disclosure in or adjustment to these financial statements.



**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, 2024, and have issued our report thereon dated May 15, 2025. 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. 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 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. Given these limitations, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weakness, as defined above. However, material weaknesses or significant deficiencies may exist that were not identified.

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*.

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 the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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.

Kelly Vitale Raffol, LLC

New York, New York
May 15, 2025