

GEORGE STREET PLAYHOUSE, INC.  
FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2018 AND 2017

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
George Street Playhouse, Inc.

### **Report on the Financial Statements**

I have audited the accompanying financial statements of George Street Playhouse, Inc. (a nonprofit organization) which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

I believe that the audit evidence I obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of George Street Playhouse, Inc. as of June 30, 2018 and 2017, 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.

### **Other Matters**

My audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal and state financial awards is presented for the purpose of additional analysis, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my 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*, I have also issued a report dated September 26, 2018 on my consideration of George Street Playhouse, Inc.'s internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 George Street Playhouse, Inc.'s internal control over financial reporting and compliance.

James M. Wood, CPA

September 26, 2018  
Hillsborough, NJ

GEORGE STREET PLAYHOUSE, INC.  
 STATEMENTS OF FINANCIAL POSITION  
 JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<b>Assets</b>		
Cash & cash equivalents	\$ 691,241	\$ 939,304
Certificate of deposit	200,200	200,600
Grants & accounts receivable, net of allowance for doubtful accounts of \$11,400	264,495	146,720
Pledges receivable	5,450,170	-
Prepaid expenses	85,223	83,410
	<u>6,691,329</u>	<u>1,370,034</u>
Property & equipment, net of accumulated depreciation	281,031	219,476
Other assets		
Deposits	13,234	13,234
	<u>13,234</u>	<u>13,234</u>
	<u>\$ 6,985,594</u>	<u>\$ 1,602,744</u>
<b>Liabilities &amp; Net Assets (Deficit)</b>		
Liabilities		
Accounts payable	\$ 146,574	\$ 257,866
Accrued payroll & payroll tax	38,439	47,042
Revenue received in advance		
Subscriptions & tickets	476,334	401,447
Grants & other	262,836	84,263
Advance on line of credit	300,000	200,000
Note payable	250,000	-
Naming pledge commitments	1,279,045	-
Rent security deposits	925	1,850
	<u>2,754,153</u>	<u>992,468</u>
Net assets (deficit)		
Unrestricted		
Undesignated	(320,690)	(94,031)
Board designated	44,072	367,373
Temporarily restricted	4,171,125	-
Endowment		
Permanently restricted	336,934	336,934
	<u>4,231,441</u>	<u>610,276</u>
	<u>\$ 6,985,594</u>	<u>\$ 1,602,744</u>

See accompanying notes to financial statements.

GEORGE STREET PLAYHOUSE, INC.  
STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2018 AND 2017

	2018			2017			
	Unrestricted	Temporarily Restricted	Endowment Permanently Restricted	Unrestricted	Board Designated	Endowment Permanently Restricted	Total
Revenue							
Subscriptions	\$ 527,663	\$ -	\$ -	\$ 583,700	\$ -	\$ -	\$ 583,700
Ticket sales	520,896	-	-	472,093	-	-	472,093
Co-production	-	-	-	-	-	-	-
Enhancement	-	-	-	147,090	-	-	147,090
Program advertising	14,650	-	-	16,150	-	-	16,150
Concession income	15,776	-	-	15,519	-	-	15,519
Tour & education fees	511,152	-	-	421,438	-	-	421,438
Rentals	24,896	-	-	67,677	-	-	67,677
Interest & dividends	326	-	-	1,216	1,082	-	2,298
Gain on sale of assets	386	-	-	402	-	-	402
Outside set construction	31,582	-	-	1,506	-	-	1,506
Other	30,519	-	-	66,886	-	-	66,886
	<u>1,677,846</u>	<u>-</u>	<u>-</u>	<u>1,793,677</u>	<u>1,082</u>	<u>-</u>	<u>1,794,759</u>
Grants & contributions							
Government grants	627,187	-	-	671,187	-	-	671,187
Contributions							
Foundation	672,450	45,000	-	667,750	-	-	667,750
Corporate	687,497	-	-	485,592	-	-	485,592
Individual	405,548	4,632,820	-	394,917	213,889	-	608,806
Benefit & special events, net of direct costs of \$109,811 and \$98,992	267,784	-	-	291,314	-	-	291,314
Donated materials & services	41,415	-	-	51,452	-	-	51,452
	<u>2,701,881</u>	<u>4,677,820</u>	<u>-</u>	<u>2,562,212</u>	<u>213,889</u>	<u>-</u>	<u>2,776,101</u>
Total revenue, grants & contributions	4,379,727	4,677,820	-	4,355,889	214,971	-	4,570,860
Assets released from restriction & designation	835,072	(506,695)	-	228,239	(228,239)	-	-
	5,214,799	4,171,125	-	4,584,128	(13,268)	-	4,570,860
Expenses							
Production	4,782,020	-	-	3,898,076	-	-	3,898,076
General & administrative	306,015	-	-	314,216	-	-	314,216
Fund raising	353,423	-	-	330,481	-	-	330,481
	<u>5,441,458</u>	<u>-</u>	<u>-</u>	<u>4,542,773</u>	<u>-</u>	<u>-</u>	<u>4,542,773</u>
Change in net assets	(226,659)	4,171,125	-	41,355	(13,268)	-	28,087
Net assets (deficit)							
Beginning of year	(94,031)	-	336,934	(135,386)	380,641	336,934	582,189
End of year	<u>\$(320,690)</u>	<u>\$ 4,171,125</u>	<u>\$ 336,934</u>	<u>\$(94,031)</u>	<u>\$ 367,373</u>	<u>\$ 336,934</u>	<u>\$ 610,276</u>

See accompanying notes to financial statements.

GEORGE STREET PLAYHOUSE, INC.  
STATEMENTS OF FUNCTIONAL EXPENSES  
YEARS ENDED JUNE 30, 2018 AND 2017

	2018			2017			
	Production	General & Administrative	Fund Raising	Production	General & Administrative	Fund Raising	Total
Salaries	\$ 1,672,470	\$ 99,684	\$ 213,779	\$ 1,985,933	\$ 131,475	\$ 225,074	\$ 1,837,358
Payroll taxes	208,207	2,253	29,532	239,992	4,450	33,198	228,433
Employee benefits	201,451	11,748	15,620	228,819	47,577	13,427	261,000
	<u>2,082,128</u>	<u>113,685</u>	<u>258,931</u>	<u>2,454,744</u>	<u>183,502</u>	<u>271,699</u>	<u>2,326,791</u>
Direct production	361,815	-	-	361,815	-	-	354,588
Royalties	88,652	-	-	88,652	-	-	67,274
Theater playbill	17,928	-	-	17,928	-	-	19,855
Subscriptions	14,497	-	-	14,497	-	-	26,754
Marketing	210,128	-	-	210,128	-	-	185,598
Production supplies	89,508	-	-	89,508	-	-	25,762
Insurance	61,679	7,343	4,406	73,428	6,600	3,960	65,998
Telephone	6,888	1,133	2,396	10,417	2,450	2,592	12,434
Repairs & maintenance	38,971	2,555	15,330	56,856	894	5,367	25,660
Outside services	214,623	39,626	13,547	267,796	25,502	-	214,007
Miscellaneous	6,011	898	-	6,909	1,115	-	18,206
Concessions	5,101	-	-	5,101	-	-	6,988
Accommodations & travel	82,742	2,874	-	85,616	957	-	116,762
Office expenses	3,970	38,987	22,445	65,402	30,235	22,536	54,090
Dues & subscriptions	12,892	-	-	12,892	-	-	12,888
Professional fees	-	11,025	-	11,025	18,650	-	18,650
Interest	-	18,692	-	18,692	2,358	-	2,358
Rent & utilities	305,121	18,918	1,032	325,071	10,539	567	254,544
Credit card & bank charges	30,920	1,698	834	33,452	1,385	4,300	35,565
Tour/education program	548,712	-	-	548,712	-	-	364,967
Building transition expenses	538,968	28,977	11,591	579,536	11,358	4,543	227,157
Donated materials	-	-	-	-	-	-	-
& services	25,428	3,316	12,671	41,415	6,326	12,907	51,452
Next Stage Campaign expenses	-	-	7,589	7,589	-	-	-
Accessibility services	6,030	-	-	6,030	-	-	5,075
	<u>4,752,712</u>	<u>289,727</u>	<u>350,772</u>	<u>5,393,211</u>	<u>301,871</u>	<u>328,471</u>	<u>4,493,423</u>
Depreciation	29,308	16,288	2,651	48,247	12,345	2,010	49,350
	<u>\$ 4,782,020</u>	<u>\$ 306,015</u>	<u>\$ 353,423</u>	<u>\$ 5,441,458</u>	<u>\$ 314,216</u>	<u>\$ 330,481</u>	<u>\$ 4,542,773</u>

See accompanying notes to financial statements.

GEORGE STREET PLAYHOUSE, INC.  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<b>Cash flows from operating activities</b>		
Increase in net assets	\$ 3,621,165	\$ 28,087
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	48,247	49,350
Pledges received with restrictions	(4,677,820)	-
(Increase) decrease in		
Grants and accounts receivable	(117,775)	21,087
Prepaid expenses	(1,813)	(11,366)
Deposits	-	120
Increase (decrease) in		
Accounts payable	(111,292)	162,862
Accrued payroll & payroll tax	(8,603)	8,488
Revenue received in advance	253,460	(93,926)
Rent security deposits	(925)	55
	<u>(995,356)</u>	<u>164,757</u>
<b>Net cash provided by operating activities</b>		
<b>Cash flows from investing activities</b>		
Proceeds from maturity of certificate of deposit	200,600	200,200
Acquisition of certificate of deposit	(200,200)	(200,600)
Acquisition of fixed assets	(109,802)	(106,170)
	<u>(109,402)</u>	<u>(106,570)</u>
<b>Net cash used in investing activities</b>		
<b>Cash flows from financing activities</b>		
Collections on pledges receivable with restrictions	506,695	-
Proceeds from note payable	250,000	-
Advance on line of credit	100,000	200,000
	<u>856,695</u>	<u>200,000</u>
<b>Net cash provided by financing activities</b>		
<b>Net increase (decrease) in cash &amp; cash equivalents</b>	(248,063)	258,187
<b>Cash &amp; cash equivalents</b>		
Beginning of year	<u>939,304</u>	<u>681,117</u>
End of year	<u>\$ 691,241</u>	<u>\$ 939,304</u>
<b>Supplemental Disclosure:</b>		
Cash paid for interest	\$ 18,692	\$ 2,358

accompanying notes to financial statements.



GEORGE STREET PLAYHOUSE, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2018 AND 2017

(1) **Nature of Organization**

George Street Playhouse, Inc. (the Company) is a non-profit Equity theater in New Brunswick, New Jersey, presenting new and established plays and musicals.

George Street Playhouse, Inc. was a resident company of the New Brunswick Cultural Center through May 31, 2017. It is currently occupying temporary space on the campus of Rutgers University. In the summer of 2019, George Street Playhouse, Inc. will become a resident company of the New Brunswick Performing Arts Center, currently under construction, and located at 9 Livingston Avenue, New Brunswick, New Jersey.

(2) **Summary of Significant Accounting Policies**

*Basis of presentation*

The financial statements of the Company have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

The Company is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets - net assets not subject to donor-imposed stipulations, and therefore, expendable for operating purposes. Unrestricted net assets include both designated and undesignated funds.

Temporarily restricted net assets - net assets subject to donor-imposed stipulations that must be expended for a specific use and/or by the passage of time.

Permanently restricted net assets - net assets subject to donor-imposed stipulations that they be maintained permanently by the Company. Generally, the donors of these assets permit the Company to use all or part of the income earned on the related assets for general purposes.

*Contributions*

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

Awards, grants, sponsorships, and operating revenue are recognized as income during the period intended by the grantor or purchaser. Ticket sales revenue received prior to the fiscal year to which it applies is not recognized as revenue until the year earned.

*Certificates of deposit*

Certificates of deposit are carried at cost plus accrued interest which approximates fair value.

*Cash*

For the purposes of the statement of cash flows, cash includes cash in demand deposit accounts.

GEORGE STREET PLAYHOUSE, INC.  
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*Fixed assets*

Fixed assets are stated at cost less accumulated depreciation. Depreciation is provided over the estimated useful lives of the respective assets on a straight line basis.

*Donated materials & services*

Donated materials and services are recorded as contributions at fair market value at the date of receipt. Expense values are recorded at an amount equal to the gift in kind contributions, except for capitalized furniture and equipment contributions with a remaining economic life in excess of one year.

*Functional allocation of expenses*

The costs of providing the various programs and other activities have been summarized on a functional basis in the schedule of functional expenses. Direct costs are charged to production or fund raising. Indirect costs and general support items are charged to general and administrative. Certain costs have been allocated among functions based on the benefit derived.

*Use of estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

*Reclassifications*

Certain items in the 2017 financial statements have been reclassified to conform with current year presentation.

*Concentrations of credit and market risk*

Financial instruments that potentially expose the Company to concentrations of credit and market risk consist primarily of cash equivalents and investments. Cash equivalents are maintained at high-quality financial institutions, and credit exposure is limited to any one institution. The Company has not experienced any losses on its cash equivalents. The Company's investments do not represent significant concentrations of market risk inasmuch as the investment portfolio is invested in a certificate of deposit.

*Accounting for uncertainty in income taxes*

The Company's accounting policy is to provide liabilities for uncertain tax positions when a liability is probable and estimable. Management is not aware of any violation of tax status or exposure to uncertain tax positions that could require accrual or which could affect its liquidity or future cash flows. The Company's exempt organization filings for the years ended June 30, 2015 through 2018 are subject to examination by the Internal Revenue Service and the State of New Jersey. Further, the Internal Revenue Service may examine the Company's financial activities for income and unrelated business income tax for those years.

GEORGE STREET PLAYHOUSE, INC.  
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*New accounting pronouncements*

The Financial Accounting Standards Board (FASB) issued Update No. 2016-02, *Leases* (Topic 842), in February 2016. Under this guidance, lessees are required to record most leases on their balance sheets but recognize expenses in the income statement. All entities will classify leases to determine how to recognize lease-related revenue and expense. In applying this guidance, entities must also determine whether an arrangement contains a lease or service agreement. Disclosures are required by lessees and lessors to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The amendments in this Update are effective for fiscal years beginning after December 15, 2019 and for interim periods within fiscal years beginning after December 15, 2020. Management is evaluating the impact of this updated guidance on its financial statements.

The Financial Accounting Standards Board (FASB) issued Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), in August 2016. Under this guidance, not-for-profit entities will report *net assets with donor restrictions* and *net assets without donor restrictions* instead of the currently-required three classes. Not-for-profit entities will also provide enhanced disclosures regarding board designations, composition of net assets with donor restrictions, management of liquid resources available to meet cash needs, cost allocation among program and support functions, and underwater endowment funds. The guidance requires reporting of investment returns net of investment expenses and clarifies accounting and disclosure for gifts restricted to the acquisition or construction of long-lived assets. The amendments in this Update are effective for years beginning after December 15, 2017 and for interim periods within fiscal years beginning after December 15, 2018. Management is evaluating the impact of this updated guidance on its financial statements.

In May 2014, the FASB issued ASU 2014-19, *Revenue from Contracts with Customers* (Topic 606), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in the U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers* (Topic 606) - *Deferral of the Effective Date*, which defers the effective date of ASU 2014-09 by one year. The updated standard will be effective for annual reporting periods beginning after December 15, 2018 and interim periods within annual periods beginning after December 15, 2019. Early adoption is permitted on as of annual reporting periods beginning after December 15, 2016. The Company has not yet selected a transition method and is currently evaluating the effect, if any, the updated standard will have on the financial statements.

**(3) Certificate of Deposit**

As of June 30, 2018, the Company holds one certificate of deposit of \$200,200 bearing interest at .20% and maturing on January 1, 2019. As of June 30, 2017, the Company held one certificate of deposit of \$200,600 bearing interest at .20% which matured on January 1, 2018.

GEORGE STREET PLAYHOUSE, INC.  
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(4) **Pledges Receivable**

During the year ended June 30, 2018, the Company launched the Next Stage Campaign Part 2. Pledges from the Next Stage Campaign Part 2, classified as temporarily restricted, will finance the transition of the Company from downtown New Brunswick to temporary space and back for the duration of new theatre construction.

As of June 30, 2018, pledges receivable are as follows:

Gross pledges receivable	\$6,127,364
Less unamortized discount	<u>370,826</u>
Present value of pledges	5,756,538
Less reserve for uncollectible pledges	<u>306,368</u>
Net pledges receivable	<u>\$5,450,170</u>

Based on donor pledge payment schedules, pledges are receivable as follows in future years ending June 30:

2019	\$1,417,754
2020	1,331,110
2021	1,199,750
2022	1,173,750
2023	<u>1,005,000</u>
	<u>\$6,127,364</u>

(5) **Naming Pledge Commitments**

The Company has received pledges for naming opportunities in the Next Stage Campaign Part 2 for specific areas of the New Brunswick Performing Arts Center (NBPAC). As a future resident company of NBPAC, the Company has agreed to share 20% of these pledge collections with NBPAC through Cultural Center Redevelopment Associates Urban Renewal LLC and has recorded a related liability in conjunction with the underlying pledge revenue. As of June 30, 2018, the amount due to NBPAC is as follows:

Gross amount due to NBPAC	\$1,422,600
Less unamortized discount	<u>72,424</u>
Present value of liability	1,350,176
Less reserve for uncollectible pledges	<u>71,131</u>
Net liability	<u>\$1,279,045</u>

Based on anticipated collections from donors, amounts due to NBPAC will be payable as follows in future years ending June 30:

2019	\$ 505,328
2020	258,272
2021	232,000
2022	227,000
2023	<u>200,000</u>
	<u>\$1,422,600</u>

GEORGE STREET PLAYHOUSE, INC.  
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**(6) Pledge Revenue**

Pledge revenue recognized during the year ended June 30, 2018 relating to the Next Stage Campaign Part 2 is recorded as follows:

Gross pledges received	\$6,334,059
Less:	
Unamortized discount	370,826
Allowance for uncollectible pledges	306,368
Net liability due to NBPAC	<u>1,279,045</u>
Net pledge revenue	<u>\$4,377,820</u>

**(7) Property & Equipment**

Property & equipment at June 30, 2018 and 2017 consist of the following:

	<u>2018</u>	<u>2017</u>
Leasehold improvements	\$ 7,500	\$ 7,500
Office equipment	243,632	243,632
Capital improvements	25,895	25,895
Theater equipment	<u>774,076</u>	<u>671,974</u>
	1,051,103	949,001
Less accumulated depreciation	<u>770,072</u>	<u>729,525</u>
	<u>\$ 281,031</u>	<u>\$ 219,476</u>

**(8) Lines of Credit**

*Letter of credit - Amboy National Bank*

The Company maintains a letter of credit in the of amount of \$51,700 with Amboy National Bank, secured by a minimum in Asset Management Business Account in the same amount. The letter is extended to the Actors' Equity Association to guarantee Equity members a minimum of two weeks' salary in accordance with Actors' Equity Association regulations. The letter expires July 31, 2019.

*Line of credit - PNC Bank*

The Company maintains a \$300,000 line of credit with PNC Bank to provide for working capital requirements. Amounts borrowed on the line bear interest at .50% below the highest prime rate as published by the Wall Street Journal. Outstanding balances are secured by a \$200,000 certificate of deposit; the line matures on December 12, 2018. As of June 30, 2018 and 2017, there were outstanding advances of \$300,000 and \$200,000, respectively.

**(9) Note Payable**

During the year ended June 30, 2018, the Company obtained a note payable in the amount of \$250,000 from PNC Bank to assist with cash flow needs during its residence in temporary quarters. Interest is payable monthly at a rate of 4.5%. The note matures on November 28, 2018; the outstanding principal balance is due on that date.

GEORGE STREET PLAYHOUSE, INC.  
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(10) **Operating Leases**

*103 College Farm Road*

The Company leases its performance and administrative space in New Brunswick, New Jersey from Rutgers University. The lease expires on August 31, 2019. Monthly lease payments are \$10,474.

*1470 Jersey Avenue*

The Company leases space for its scene-shop located at 1470 Jersey Avenue, North Brunswick, New Jersey, expiring in August 2023. Monthly lease payments are \$7,466.

*Office equipment*

The Company leases a copier under an operating lease. The terms of the lease call for monthly payments of \$195 for thirty-six months, expiring in April 2019. The Company also leases a postage meter with quarterly payments of \$390; the lease expires in March 2019.

*285 George Street*

The Company leases an apartment for its actors in New Brunswick. The terms of the lease call for monthly payments of \$1,497 expiring in August 2019.

Minimum future base rental payments for years ending June 30 are:	
2019	\$236,691
2020	114,265
2021	89,600
2022	89,600
Thereafter	<u>104,933</u>
	<u>\$635,089</u>

Rent expense for the years ended June 30, 2018 and 2017 totaled \$235,560 and \$144,285, respectively.

(11) **Related Parties**

George Street Playhouse, Inc. is a resident company of the New Brunswick Cultural Center. Through May 31, 2017, the Company occupied space located at 9 Livingston Avenue, New Brunswick, New Jersey which was owned and operated by New Brunswick Cultural Center. As of the date of these financial statements, that space has been vacated by the Company, demolished, and is being replaced by a state-of-the-art facility. The Company is currently occupying temporary space, leased from Rutgers University. George Street Playhouse expects to perform in the new space at 9 Livingston Avenue beginning in the fall of 2019.

(12) **Income Taxes**

The Company is exempt from income taxes as a non-profit corporation under Internal Revenue Code Section 501(c)(3) and, accordingly, the financial statements do not reflect a provision for federal or state income taxes. All applicable returns for the exempt organization are filed in a timely manner. The Company is liable for payment of payroll taxes as an employer; all such amounts are paid in a timely manner as required by state and federal regulations.

(13) **Retirement Plan**

The Company sponsors a salary reduction plan under Section 403(b) of the Internal Revenue Code wherein employees may make elective contributions.

GEORGE STREET PLAYHOUSE, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2018 AND 2017

(14) **Insured Deposits**

As of June 30, 2018 and 2017, cash exceeding federally insured limits in one depository institution totaled \$0 and \$354,421 respectively.

(15) **Net Assets**

Board designated net assets

During the year ended June 30, 2010, the Company launched the Next Stage Campaign for the purpose of financing new works, building artistic excellence, creating an educational scholarship fund, increasing cash reserves, and improving lighting, sound and information technology. The resulting pledges are administered at the discretion of the Board of Trustees.

Temporarily restricted net assets

As of June 30, 2018, temporarily restricted assets consist of pledge revenue recorded in connection with the Next Stage Campaign Part 2. See notes 4, 5 and 6.

Permanently restricted net assets

Permanently restricted net assets consist of an endowment fund established in 2002 to support the ongoing activities of the Company. Contributions to the endowment fund are subject to donor restrictions that stipulate the original principal of the gift is to be held and invested by the Company indefinitely, and income from the fund is to be expended on operations. Contributions to the endowment fund are classified as permanently restricted net assets; the historic dollar value of those contributions must be maintained inviolate. The donor-restricted endowment fund is invested in money market funds and certificates of deposit.

(16) **Subsequent Events**

The Company has evaluated subsequent events through September 26, 2018, the date which the financial statements were available to be issued.

GEORGE STREET PLAYHOUSE, INC.  
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE FINANCIAL AWARDS  
 YEAR ENDED JUNE 30, 2018

Grantor	Pass-through Grantor	Program Title	Federal Number	Contract Number	Grant Period	Award Amount		Period Expenditures		
						Federal	State	Federal	State	Total
	New Jersey State Council on the Arts	General Operating Support	45.025	1804X010052	7/1/17-6/30/18	\$ 24,000	\$ 136,687	\$ 24,000	\$ 136,687	\$ 160,687
	Arts Education Special Initiative			1815B04004	7/1/17-6/30/18	-	15,000	-	15,000	15,000
						\$ 24,000	\$ 151,687	\$ 24,000	\$ 151,687	\$ 175,687





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*

Independent Auditor's Report

To the Board of Trustees  
George Street Playhouse, Inc.

I 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 George Street Playhouse, Inc., as of and for the year ended June 30, 2018 and the related notes to the financial statements and have issued my report thereon dated September 26, 2018.

**Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered George Street Playhouse, Inc.'s internal control over financial reporting (internal control) to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, I do not express an opinion on the effectiveness of George Street Playhouse Inc.'s internal control.

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 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.

My 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 my audit, I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the organization's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance 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 my testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

James M. Wood, CPA

September 26, 2018  
Hillsborough, NJ