

GEORGE STREET PLAYHOUSE, INC.
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
George Street Playhouse, Inc.
New Brunswick, NJ

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, 2020 and 2019, 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, 2020 and 2019, 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.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, George Street Playhouse adopted Accounting Standards Update (ASU) No. 2018-18, *Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made*. My opinion is not modified with respect to this matter.

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 23, 2020 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 23, 2020
Hillsborough, NJ

GEORGE STREET PLAYHOUSE, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Assets		
Cash & cash equivalents	\$ 2,817,314	\$ 1,475,317
Certificate of deposit	200,200	200,600
Grants & accounts receivable, net of allowance for doubtful accounts of \$11,400	129,388	268,455
Pledges receivable	4,058,631	5,613,997
Prepaid expenses	560,547	139,423
	<u>7,766,080</u>	<u>7,697,792</u>
Property & equipment, net of accumulated depreciation	312,698	239,049
Other assets		
Deposits	15,933	13,234
	<u>\$ 8,094,711</u>	<u>\$ 7,950,075</u>
Liabilities & Net Assets (Deficit)		
Liabilities		
Accounts payable	\$ 206,028	\$ 62,780
Accrued payroll & payroll tax	32,921	34,539
Revenue received in advance		
Subscriptions & tickets	617,819	682,285
Grants received with conditions	912,428	286,691
Advance on line of credit	300,000	-
Loan payable to Small Business Administration	421,021	-
Naming pledge commitments	898,609	1,175,226
Rent security deposits	-	850
	<u>3,388,826</u>	<u>2,242,371</u>
Net assets (deficit)		
Without Donor Restrictions		
Undesignated	(408,546)	3,964
Board designated	-	45,048
	<u>(408,546)</u>	<u>49,012</u>
With Donor Restrictions	5,114,431	5,658,692
	<u>4,705,885</u>	<u>5,707,704</u>
	<u>\$ 8,094,711</u>	<u>\$ 7,950,075</u>

See accompanying notes to financial statements.

GEORGE STREET PLAYHOUSE, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2020 AND 2019

	2020		2019	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
Revenue				
Subscriptions	\$ 490,165	\$ -	\$ 490,165	\$ -
Ticket sales	474,708	-	474,708	-
Enhancement	430,151	-	430,151	-
Program advertising	19,000	-	19,000	-
Concession income	748	-	748	-
Tour & education fees	337,456	-	337,456	-
Rentals	8,721	-	8,721	-
Interest & dividends	1,051	9,573	10,624	3,474
Gain on sale of assets	-	-	-	780
Outside set construction	-	-	-	58
Other	15,898	-	15,898	130,234
	<u>1,777,898</u>	<u>9,573</u>	<u>1,787,471</u>	<u>56,061</u>
Grants & contributions				
Government grants	974,289	-	974,289	627,422
Contributions				
Foundation	850,388	-	850,388	669,500
Corporate	510,154	-	510,154	397,829
Individual	538,394	214,839	753,233	429,119
Benefit & special events, net of direct costs of \$19,831 and \$104,512	21,169	-	21,169	296,711
Donated materials & services	15,586	-	15,586	33,498
	<u>2,909,980</u>	<u>214,839</u>	<u>3,124,819</u>	<u>2,073,926</u>
Total revenue, grants & contributions	4,687,878	224,412	4,912,290	2,078,180
Net assets released from restriction	768,673	(768,673)	-	(927,547)
Expenses	5,456,551	(544,261)	4,912,290	1,150,633
Production	4,990,953	-	4,990,953	4,256,712
General & administrative	465,425	-	465,425	334,083
Fund raising	457,731	-	457,731	357,642
	<u>5,914,109</u>	<u>-</u>	<u>5,914,109</u>	<u>4,948,437</u>
Change in net assets	(457,558)	(544,261)	(1,001,819)	325,630
Net assets (deficit)				
Beginning of year	49,012	5,658,692	5,707,704	(276,618)
End of year	<u>\$ (408,546)</u>	<u>\$ 5,114,431</u>	<u>\$ 4,705,885</u>	<u>\$ 49,012</u>
				<u>\$ 5,658,692</u>
				<u>\$ 5,707,704</u>

See accompanying notes to financial statements.

GEORGE STREET PLAYHOUSE, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2020 AND 2019

	2020			2019				
	Production	General & Administrative	Fund Raising	Total	Production	General & Administrative	Fund Raising	Total
Salaries	\$ 1,651,651	\$ 189,630	\$ 264,059	\$ 2,105,340	\$ 1,750,220	\$ 138,778	\$ 225,464	\$ 2,114,462
Payroll taxes	202,664	14,820	38,949	256,433	207,656	3,874	29,212	240,742
Employee benefits	231,026	47,961	18,980	297,967	222,254	23,694	16,465	262,413
	<u>2,085,341</u>	<u>252,411</u>	<u>321,988</u>	<u>2,659,740</u>	<u>2,180,130</u>	<u>166,346</u>	<u>271,141</u>	<u>2,617,617</u>
Direct production	484,420	-	-	484,420	321,156	-	-	321,156
Royalties	53,840	-	-	53,840	71,402	-	-	71,402
Theater playbill	18,525	-	-	18,525	15,908	-	-	15,908
Subscriptions	40,179	-	-	40,179	20,154	-	-	20,154
Marketing	271,385	-	-	271,385	184,350	-	-	184,350
Production supplies	50,317	-	-	50,317	133,143	-	-	133,143
Insurance	66,845	7,958	4,775	79,578	66,084	7,867	4,720	78,671
Telephone	2,817	770	766	4,353	6,364	1,310	2,188	9,862
Repairs & maintenance	17,074	739	4,436	22,249	25,006	1,276	7,654	33,936
Outside services	710,417	60,137	18,208	788,762	254,273	51,798	23,945	330,016
Miscellaneous	11,481	250	-	11,731	6,716	507	-	7,223
Concessions	-	-	-	-	4,308	-	-	4,308
Accommodations & travel	195,262	856	-	196,118	86,650	720	-	87,370
Office expenses	115,973	44,607	96,059	256,639	5,544	38,623	32,164	76,331
Dues & subscriptions	10,115	-	-	10,115	14,022	-	-	14,022
Professional fees	-	14,653	-	14,653	-	16,486	-	16,486
Interest	-	5,595	-	5,595	-	12,107	-	12,107
Rent & utilities	264,629	64,927	800	330,356	308,944	18,918	1,032	328,894
Credit card & bank charges	46,318	1,319	420	48,057	30,750	1,625	2,421	34,796
Tour/education program	363,472	-	-	363,472	461,222	-	-	461,222
Building transition expenses	126,935	-	-	126,935	-	-	-	-
Donated materials & services	12,832	439	2,315	15,586	25,098	2,100	6,300	33,498
Next Stage Campaign expenses	-	-	6,212	6,212	-	-	3,733	3,733
Accessibility services	4,375	-	-	4,375	6,173	-	-	6,173
Total expenses before depreciation	4,952,552	454,661	455,979	5,863,192	4,227,397	319,683	355,298	4,902,378
Depreciation	38,401	10,764	1,752	50,917	29,315	14,400	2,344	46,059
Total expenses	\$ 4,990,953	\$ 465,425	\$ 457,731	\$ 5,914,109	\$ 4,256,712	\$ 334,083	\$ 357,642	\$ 4,948,437

See accompanying notes to financial statements.

GEORGE STREET PLAYHOUSE, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
(Decrease) increase in net assets	\$ (1,001,819)	\$ 1,476,263
Adjustments to reconcile (decrease)increase in net assets to net cash used in operating activities:		
Depreciation	50,917	46,059
Pledges received with restrictions	(214,839)	(2,073,926)
Small Business Administration loan recognized as income (partial)	(187,079)	
(Increase) decrease in		
Grants and accounts receivable	139,067	(3,960)
Prepaid expenses	(421,124)	(54,200)
Deposits	(2,699)	-
Increase (decrease) in		
Accounts payable	143,248	(83,794)
Accrued payroll & payroll tax	(1,618)	(3,900)
Revenue received in advance	(64,466)	205,951
Grants received with conditions	625,737	23,855
Rent security deposits	(850)	(75)
	<u>(935,525)</u>	<u>(467,727)</u>
Net cash used in operating activities		
Cash flows from investing activities		
Proceeds from maturity of certificate of deposit	200,600	200,200
Acquisition of certificate of deposit	(200,200)	(200,600)
Acquisition of property & equipment	(124,566)	(4,077)
	<u>(124,166)</u>	<u>(4,477)</u>
Net cash used in investing activities		
Cash flows from financing activities		
Collections on pledges receivable with restrictions	1,803,898	2,367,280
Remittance to New Brunswick Performing Arts Center	(310,310)	(561,000)
Repayment of note payable	-	(250,000)
Repayment of line of credit	-	(300,000)
Proceeds from Small Business Administration loan	608,100	-
Advance on line of credit	300,000	-
	<u>2,401,688</u>	<u>1,256,280</u>
Net cash provided by financing activities		
Net increase in cash & cash equivalents	1,341,997	784,076
Cash & cash equivalents		
Beginning of year	<u>1,475,317</u>	<u>691,241</u>
End of year	<u>\$ 2,817,314</u>	<u>\$ 1,475,317</u>
Supplemental Disclosure:		
Cash paid for interest	\$ 5,595	\$ 12,107

See accompanying notes to financial statements.

GEORGE STREET PLAYHOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

(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. is a resident company of the New Brunswick Performing Arts Center located at 11 Livingston Avenue, New Brunswick, New Jersey.

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

Basis of presentation

In accordance with generally accepted accounting principles in the United States, the Company reports its financial position and activities on the accrual basis of accounting and according to two classes of net assets: without donor restrictions and with donor restrictions. Revenue with donor restrictions which is expended in the year of recognition is presented as without donor restrictions for financial statement presentation.

Contributions

Contributions received are recorded without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor-imposed conditions.

Grants

Grants received from foundations and corporations are treated as contributions and are recorded as without or with donor restrictions depending on the nature of any donor imposed conditions. Grants which are conditional in nature are recognized when the underlying conditions are substantially satisfied.

Grants received from government agencies are recognized as income when the terms and conditions of each grant award are substantially met.

Revenue

Revenue from performance and educational activities is recognized when the related service or event has occurred.

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.

Property & equipment

Property & equipment 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.

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Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement 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.

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, 2017 through 2020 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.

New accounting pronouncements

During the year ended June 30, 2020, the Company implemented Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2018-08, Not-for-Profit Entities (Topic 958) *Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in the update assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) with the scope of Topic 958 or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The Update was adopted on a modified prospective basis resulting in no changes to income recognition. Due to the adoption of this Update, \$9,000 was recognized as additional grant income during the year ended June 30, 2020.

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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, 2020. Management is evaluating the impact of this updated guidance on its financial statements.

(3) Certificate of Deposit

As of June 30, 2020, the Company holds one certificate of deposit of \$200,200 bearing interest at .20% and maturing on January 1, 2021. As of June 30, 2019, the Company held one certificate of deposit of \$200,600 bearing interest at .20% which matured on January 1, 2020.

(4) Pledges Receivable

During the year ended June 30, 2018, the Company launched the Campaign for George Street Playhouse. Related pledges received with donor restrictions, have financed the transition of the Company from downtown New Brunswick to temporary space and back and will provide financial support in its new venue at the New Brunswick Performing Arts Center.

As of June 30, 2020 and 2019, pledges receivable are as follows:

	<u>2020</u>	<u>2019</u>
Gross pledges receivable	\$4,455,034	\$6,210,584
Less unamortized discount	<u>173,651</u>	<u>286,058</u>
Present value of pledges	4,281,383	5,924,526
Less reserve for uncollectible pledges	<u>222,752</u>	<u>310,529</u>
Net pledges receivable	<u>\$4,058,631</u>	<u>\$5,613,997</u>

As of June 30, 2020, gross pledges receivable in future years, based on donor pledge payment schedules, are as follows for years ending June 30:

2021	\$1,488,700
2022	1,559,234
2023	<u>1,407,100</u>
	<u>\$4,455,034</u>

GEORGE STREET PLAYHOUSE, INC.
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(5) Naming Pledge Commitments

The Company has received pledges for naming opportunities in the Campaign for George Street Playhouse for specific areas of the New Brunswick Performing Arts Center (NBPAC). As a 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, 2020 and 2019 respectively, the net liability due to NBPAC is as follows:

	<u>2020</u>	<u>2019</u>
Gross amount due to NBPAC	\$ 985,202	\$1,291,712
Less unamortized discount	<u>34,912</u>	<u>56,090</u>
Present value of amount due NBPAC	950,290	1,235,622
Less reserve for uncollectible pledges	<u>51,681</u>	<u>60,396</u>
Net liability	<u>\$ 898,609</u>	<u>\$1,175,226</u>

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

2021	\$ 307,335
2022	350,847
2023	<u>327,020</u>
	<u>\$ 985,202</u>

(6) Pledge Revenue

Pledge revenue recognized during the years ended June 30, 2020 and 2019 relating to the Campaign for George Street Playhouse is recorded as follows:

	<u>2020</u>	<u>2019</u>
Gross pledges received	\$ 45,748	\$2,450,500
Adjustments:		
Amortization of discount	112,407	84,667
Allowance for uncollectible pledges	87,777	(4,161)
Net liability due to NBPAC	<u>(31,093)</u>	<u>(457,080)</u>
Net pledge revenue	<u>\$214,839</u>	<u>\$2,073,926</u>

(7) Property & Equipment

Property & equipment at June 30, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Leasehold improvements	\$ -	\$ 7,500
Office equipment	104,456	246,513
Capital improvements	25,895	25,895
Theater equipment	<u>712,247</u>	<u>775,272</u>
	842,598	1,055,180
Less accumulated depreciation	<u>529,900</u>	<u>816,131</u>
	<u>\$ 312,698</u>	<u>\$ 239,049</u>

During the year ended June 30, 2020, the Company moved from temporary space to its new permanent home in downtown New Brunswick. Certain fully depreciated leasehold improvements and equipment were disposed in connection with that move.

GEORGE STREET PLAYHOUSE, INC.
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(8) Lines of Credit

Letter of credit - Amboy Bank

The Company maintains a letter of credit in the amount of \$51,700 with Amboy 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, 2021.

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, 2020. As of June 30, 2020 and 2019, outstanding advances were \$300,000 and \$0, respectively.

(9) Small Business Administration Loan

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which has spread throughout the United States. In response to the pandemic, the United States Congress passed the Coronavirus Aid, Relief and Economic Security Act (CARES) which provides direct economic assistance and loans to business entities. In May 2020, the Company received a loan of \$608,100 under the Paycheck Protection Program (PPP) which is a component of the CARES Act. If certain criteria are met, all or a portion of the loan may be forgiven. As of June 30, 2020, the outstanding balance is \$421,021, repayable over 5 years at a rate of 1%; \$187,079 was recognized as grant income during the year ended June 30, 2020, having met the forgiveness criteria for that portion of the loan. Management expects to meet the forgiveness criteria for the remaining portion of the loan during the year ending June 30, 2021 and recognize \$421,021 as revenue during that period.

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(10) Operating Leases

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.

Administrative space

The company leases its administrative office space in downtown New Brunswick from Middlesex County. The lease expires in October 2024 with monthly lease payments of \$10,025.

46 Paterson Street

The Company leases a costume storage space in New Brunswick. The terms of the lease call for monthly payments of \$1,350; the lease expired July 15, 2020 and has been extended on a month-to-month basis.

Office equipment

The Company leases a copier under an operating lease. The terms of the lease call for monthly payments of \$194 for sixty months; the lease expires in October 2024. The Company also leases a postage meter with quarterly payments of \$390; the lease expires in December 2024.

285 George Street

The Company leases an apartment for its actors in New Brunswick. The terms of the lease call for monthly payments of \$1,547; the lease expired June 30, 2020 and has been extended on a month-to-month basis.

Minimum future base rental payments for years ending June 30 are:

2021	\$213,787
2022	215,787
2023	215,787
2024	139,520
Thereafter	<u>41,567</u>
	<u>\$826,448</u>

Rent expense for the years ended June 30, 2020 and 2019 totaled \$204,582 and \$236,691, respectively.

(11) Related Parties

Beginning in October 2019, the Company occupies performance and administrative space in the New Brunswick Performing Arts Center. The Company has an arrangement with the New Brunswick Performing Arts Center wherein it is obligated to pay \$5 per ticket sold in lieu of rent. Administrative space is located in the same building and is being leased from Middlesex County.

(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.

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(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.

(14) **Insured Deposits**

As of June 30, 2020, cash exceeding federally insured limits in five depository institutions totaled \$1,121,234. As of June 30 2019, cash exceeding federally insured limits in 2 depository institutions totaled \$224,501.

(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. The designation was removed by the Board of Trustees during the year ended June 30, 2020. The cumulative amounts total \$0 and \$45,048 as of June 30, 2020 and 2019, respectively.

With Donor Restrictions

The nature of net assets with donor restrictions, is as follows as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Campaign for George Street Playhouse	\$4,777,497	\$5,321,758
Endowment restricted in perpetuity	<u>336,934</u>	<u>336,934</u>
	<u>\$5,114,431</u>	<u>\$5,658,692</u>

Net assets released from donor imposed restrictions by incurring expenses satisfying the restricted purpose are as follows for the years ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Campaign for George Street Playhouse	<u>\$768,673</u>	<u>\$927,547</u>

Net assets relating to the Campaign for George Street Playhouse carry donor-imposed restrictions relating to the Company's move from downtown New Brunswick to temporary space and back to the New Brunswick Performing Arts Center.

Net assets relating to the endowment restricted in perpetuity, established in 2002, consist of contributions received with donor-imposed restrictions, specifying the gift is to be held in perpetuity and invested by the Company. The income from the fund is to be expended on operations. 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.

Management has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) to require standard care that is reasonable and prudent over its endowed funds. The Company classifies net assets with donor restrictions to be maintained in perpetuity at the original value of the gifts. Investment earnings on those funds are available for general expenditure.

GEORGE STREET PLAYHOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

(16) **Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are as follows as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash & cash equivalents	\$2,817,314	\$1,475,317
Certificate of deposit	200,200	200,600
Grants & accounts receivable	129,388	268,455
Pledges receivable	<u>4,058,631</u>	<u>5,613,997</u>
Financial assets	7,205,533	7,558,369
Less:		
Net assets with restrictions	<u>5,114,431</u>	<u>5,658,692</u>
Financial assets available for general expenditure	<u>\$2,091,102</u>	<u>\$1,899,677</u>

As part of the Company's liquidity management plan, cash in excess of daily requirements is invested in interest-bearing demand deposits. Additionally, the Company has an available line of credit in the amount of \$300,000 to assist with cash flow requirements (see Note 8).

(17) **Subsequent Events**

Coronavirus

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which has spread throughout the United States. On March 21, 2020, the governor of New Jersey declared a health emergency and issued an order to close all nonessential businesses and activities until further notice. The Company suspended all performances and educational activities at that time; accordingly, related revenue ceased. As of the date of these financial statements, those activities remain suspended. Further, the coronavirus pandemic may affect donors' and grantors' ability to contribute to the Company. The overall impact on the Company's operations, earnings, cash flows and financial position cannot be reasonably estimated as of the date of these financial statements.

GEORGE STREET PLAYHOUSE, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE FINANCIAL AWARDS
 YEAR ENDED JUNE 30, 2020

Grantor	Pass-through Grantor	Program Title	Federal CFDA Number	Contract Number	Grant Period	Award Amount		Period Expenditures			
						Federal	State	Federal	State	Total	Total
	New Jersey State Council on the Arts	General Operating Support	45.025	2004X010116	7/1/19-6/30/20	\$ 24,000	\$ 136,687	\$ 24,000	\$ 136,687	\$ 160,687	\$ 160,687
	Arts Education Special Initiative			2015B040008	7/1/19-6/30/20	-	15,000	-	15,000	15,000	15,000
	New Jersey Council for the Humanities	Civic Voices	45.129	2020-01	7/1/19-6/30/20	24,000	151,687	24,000	151,687	175,687	175,687
						5,000	-	5,000	-	5,000	5,000
						<u>\$ 29,000</u>	<u>\$ 151,687</u>	<u>\$ 29,000</u>	<u>\$ 151,687</u>	<u>\$ 180,687</u>	<u>\$ 180,687</u>



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, 2020 and the related notes to the financial statements and have issued my report thereon dated September, 23, 2020.

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*.

James M. Wood, Certified Public Accountant
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jmwood@jmwoodcpa.com

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 23, 2020
Hillsborough, NJ