

GEORGE STREET PLAYHOUSE, INC.
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

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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, 2019 and 2018, 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.

James M. Wood, Certified Public Accountant
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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, 2019 and 2018, 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 _____, 2019 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 16, 2019
Hillsborough, NJ

GEORGE STREET PLAYHOUSE, INC.
 STATEMENTS OF FINANCIAL POSITION
 JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Assets		
Cash & cash equivalents	\$ 1,475,317	\$ 691,241
Certificate of deposit	200,600	200,200
Grants & accounts receivable, net of allowance for doubtful accounts of \$11,400	268,455	264,495
Pledges receivable	5,613,997	5,450,170
Prepaid expenses	<u>139,423</u>	<u>85,223</u>
	7,697,792	6,691,329
Property & equipment, net of accumulated depreciation	239,049	281,031
Other assets		
Deposits	<u>13,234</u>	<u>13,234</u>
	\$ <u><u>7,950,075</u></u>	\$ <u><u>6,985,594</u></u>
Liabilities & Net Assets (Deficit)		
Liabilities		
Accounts payable	\$ 62,780	\$ 146,574
Accrued payroll & payroll tax	34,539	38,439
Revenue received in advance		
Subscriptions & tickets	682,285	476,334
Grants & other	286,691	262,836
Advance on line of credit	-	300,000
Note payable	-	250,000
Naming pledge commitments	1,175,226	1,279,045
Rent security deposits	<u>850</u>	<u>925</u>
	2,242,371	2,754,153
Net assets (deficit)		
Without Donor Restrictions		
Undesignated	3,964	(320,690)
Board designated	<u>45,048</u>	<u>44,072</u>
	49,012	(276,618)
With Donor Restrictions	<u>5,658,692</u>	<u>4,508,059</u>
	<u>5,707,704</u>	<u>4,231,441</u>
	\$ <u><u>7,950,075</u></u>	\$ <u><u>6,985,594</u></u>

See accompanying notes to financial statements.

GEORGE STREET PLAYHOUSE, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2019 AND 2018

	2019		2018	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
Revenue				
Subscriptions	\$ 561,239	\$ -	\$ 561,239	\$ -
Ticket sales	560,679	-	560,679	-
Co-production	-	-	-	-
Enhancement	50,000	-	50,000	-
Program advertising	15,750	-	15,750	-
Concession income	15,655	-	15,655	-
Tour & education fees	469,294	-	469,294	-
Rentals	31,007	-	31,007	-
Interest & dividends	2,464	3,474	5,938	2,605
Gain on sale of assets	58	780	838	3,183
Outside set construction	130,234	-	130,234	-
Other	56,061	-	56,061	-
	<u>1,892,441</u>	<u>4,254</u>	<u>1,896,695</u>	<u>1,682,922</u>
Grants & contributions				
Government grants	627,422	-	627,422	-
Contributions				
Foundation	669,500	1,891,705	2,561,205	45,000
Corporate	397,829	-	397,829	-
Individual	429,119	182,221	611,340	4,632,820
Benefit & special events, net of direct costs of \$104,512 and \$109,811	296,711	-	296,711	-
Donated materials & services	33,498	-	33,498	-
	<u>2,454,079</u>	<u>2,073,926</u>	<u>4,528,005</u>	<u>4,677,820</u>
Total revenue, grants & contributions	4,346,520	2,078,180	6,424,700	4,677,820
Assets released from restriction & designation	927,547	(927,547)	-	(506,695)
Expenses	5,274,067	1,150,633	6,424,700	4,891,498
Production	4,256,712	-	4,256,712	4,782,020
General & administrative	334,083	-	334,083	306,015
Fund raising	357,642	-	357,642	353,423
	<u>4,948,437</u>	<u>-</u>	<u>4,948,437</u>	<u>5,441,458</u>
Change in net assets	325,630	1,150,633	1,476,263	(549,960)
Net assets (deficit)	(276,618)	4,508,059	4,231,441	336,934
Beginning of year	\$ 49,012	\$ 5,658,692	\$ 5,707,704	\$ (276,618)
End of year				\$ 4,508,059
				\$ 4,231,441

See accompanying notes to financial statements.

GEORGE STREET PLAYHOUSE, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2019 AND 2018

	2019			2018			
	Production	General & Administrative	Fund Raising	Production	General & Administrative	Fund Raising	Total
Salaries	\$ 1,750,220	\$ 138,778	\$ 225,464	\$ 1,672,470	\$ 99,684	\$ 213,779	\$ 1,985,933
Payroll taxes	207,656	3,874	29,212	208,207	2,253	29,532	239,992
Employee benefits	222,254	23,694	16,465	201,451	11,748	15,620	228,819
	<u>2,180,130</u>	<u>166,346</u>	<u>271,141</u>	<u>2,082,128</u>	<u>113,685</u>	<u>258,931</u>	<u>2,454,744</u>
Direct production	321,156	-	-	361,815	-	-	361,815
Royalties	71,402	-	-	88,652	-	-	88,652
Theater playbill	15,908	-	-	17,928	-	-	17,928
Subscriptions	20,154	-	-	14,497	-	-	14,497
Marketing	184,350	-	-	210,128	-	-	210,128
Production supplies	133,143	-	-	89,508	-	-	89,508
Insurance	66,084	7,867	4,720	61,679	7,343	4,406	73,428
Telephone	6,364	1,310	2,188	6,888	1,133	2,396	10,417
Repairs & maintenance	25,006	1,276	7,654	38,971	2,555	15,330	56,856
Outside services	254,273	51,798	23,945	214,623	39,626	13,547	267,796
Miscellaneous	6,716	507	-	6,011	898	-	6,909
Concessions	4,308	-	4,308	5,101	-	-	5,101
Accommodations & travel	86,650	720	-	82,742	2,874	-	85,616
Office expenses	5,544	38,623	32,164	3,970	38,987	22,445	65,402
Dues & subscriptions	14,022	-	-	12,892	-	-	12,892
Professional fees	-	16,486	-	-	11,025	-	11,025
Interest	-	12,107	-	-	18,692	-	18,692
Rent & utilities	308,944	18,918	1,032	305,121	18,918	1,032	325,071
Credit card & bank charges	30,750	1,625	2,421	30,920	1,698	834	33,452
Tour/education program	461,222	-	-	548,712	-	-	548,712
Building transition expenses	-	-	-	538,968	28,977	11,591	579,536
Donated materials & services	25,098	2,100	6,300	25,428	3,316	12,671	41,415
Next Stage Campaign expenses	-	-	3,733	-	-	7,589	7,589
Accessibility services	6,173	-	-	6,030	-	-	6,030
Total expenses before depreciation	4,227,397	319,683	355,298	4,752,712	289,727	350,772	5,393,211
Depreciation	29,315	14,400	2,344	29,308	16,288	2,651	48,247
	<u>\$ 4,256,712</u>	<u>\$ 334,083</u>	<u>\$ 357,642</u>	<u>\$ 4,782,020</u>	<u>\$ 306,015</u>	<u>\$ 353,423</u>	<u>\$ 5,441,458</u>

See accompanying notes to financial statements.

GEORGE STREET PLAYHOUSE, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Increase in net assets	\$ 1,476,263	\$ 3,621,165
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	46,059	48,247
Pledges received with restrictions	(2,073,926)	(4,677,820)
(Increase) decrease in		
Grants and accounts receivable	(3,960)	(117,775)
Prepaid expenses	(54,200)	(1,813)
Increase (decrease) in		
Accounts payable	(83,794)	(111,292)
Accrued payroll & payroll tax	(3,900)	(8,603)
Revenue received in advance	229,806	253,460
Rent security deposits	(75)	(925)
	<hr/>	<hr/>
Net cash used in operating activities	(467,727)	(995,356)
Cash flows from investing activities		
Proceeds from maturity of certificate of deposit	200,200	200,600
Acquisition of certificate of deposit	(200,600)	(200,200)
Acquisition of fixed assets	(4,077)	(109,802)
	<hr/>	<hr/>
Net cash used in investing activities	(4,477)	(109,402)
Cash flows from financing activities		
Collections on pledges receivable with restrictions	2,367,280	506,695
Remittance to New Brunswick Performing Arts Center	(561,000)	-
Repayment of note payable	(250,000)	-
Repayment of line of credit	(300,000)	-
Proceeds from note payable	-	250,000
Advance on line of credit	-	100,000
	<hr/>	<hr/>
Net cash provided by financing activities	1,256,280	856,695
Net increase (decrease) in cash & cash equivalents	784,076	(248,063)
Cash & cash equivalents		
Beginning of year	<hr/> 691,241	<hr/> 939,304
End of year	\$ <u>1,475,317</u>	\$ <u>691,241</u>
Supplemental Disclosure:		
Cash paid for interest	\$ 12,107	\$ 18,692

See accompanying notes to financial statements.

GEORGE STREET PLAYHOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

(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. As of August 2019, 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. When a donor-imposed restriction is fulfilled, net assets with donor restrictions are reported in the statement of activities as a release from restrictions.

Grants and revenue

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.

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.

GEORGE STREET PLAYHOUSE, INC.
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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 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 2018 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, 2016 through 2019 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

During the year ended June 30, 2019, the Company implemented Financial Accounting Standards Board (FASB) Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958). Accordingly, unrestricted net assets have been re-titled as net assets without donor restrictions. Temporarily restricted net assets have been re-titled as net assets with donor restrictions. Additional disclosures are included in the areas of liquidity and net assets, both with and without donor restrictions.

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.

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.

The Financial Accounting Standards Board (FASB) issued Update No. 2018-08, *Not-for-Profit Entities* (Topic 958) *Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made*, in June 2018. 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 amendments in this update are effective for fiscal years beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Management is evaluating the impact the updated standard will have on the financial statements.

GEORGE STREET PLAYHOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

(3) **Certificate of Deposit**

As of June 30, 2019, the Company holds one certificate of deposit of \$200,600 bearing interest at .20% and maturing on January 1, 2020. As of June 30, 2018, the Company held one certificate of deposit of \$200,200 bearing interest at .20% which matured on January 1, 2019.

(4) **Pledges Receivable**

During the year ended June 30, 2018, the Company launched the Campaign for George Street Playhouse. Pledges from the Campaign for George Street Playhouse, received with donor restrictions, 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, 2019 and 2018, pledges receivable are as follows:

	<u>2019</u>	<u>2018</u>
Gross pledges receivable	\$6,210,584	\$6,127,364
Less unamortized discount	<u>286,058</u>	<u>370,826</u>
Present value of pledges	5,924,526	5,756,538
Less reserve for uncollectible pledges	<u>310,529</u>	<u>306,368</u>
Net pledges receivable	<u>\$5,613,997</u>	<u>\$5,450,170</u>

As of June 30, 2109, gross pledges receivable in future years, based on donor pledge payment schedules, are as follows for years ending June 30:

2020	\$1,641,784
2021	1,589,850
2022	1,573,850
2023	<u>1,405,100</u>
	<u>\$6,210,584</u>

(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, 2019, the net liability due to NBPAC is as follows:

	<u>2019</u>	<u>2018</u>
Gross amount due to NBPAC	\$1,291,712	\$1,422,600
Less unamortized discount	<u>56,090</u>	<u>72,424</u>
Present value of amount due NBPAC	1,235,622	1,350,176
Less reserve for uncollectible pledges	<u>60,396</u>	<u>71,131</u>
Net liability	<u>\$1,175,226</u>	<u>\$1,279,045</u>

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

2020	\$ 394,652
2021	310,020
2022	307,020
2023	<u>280,020</u>
	<u>\$1,291,712</u>

GEORGE STREET PLAYHOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

(6) **Pledge Revenue**

Pledge revenue recognized during the years ended June 30, 2019 and 2018 relating to the Campaign for George Street Playhouse is recorded as follows:

	<u>2019</u>	<u>2018</u>
Gross pledges received	\$2,450,500	\$6,634,059
Adjustments:		
Discount	-	(370,826)
Amortization of discount	84,667	-
Allowance for uncollectible pledges	(4,161)	(306,368)
Net liability due to NBPAC	(457,080)	(1,279,045)
Net pledge revenue	<u>\$2,073,926</u>	<u>\$4,677,820</u>

(7) **Property & Equipment**

Property & equipment at June 30, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Leasehold improvements	\$ 7,500	\$ 7,500
Office equipment	246,513	243,632
Capital improvements	25,895	25,895
Theater equipment	<u>775,272</u>	<u>774,076</u>
	1,055,180	1,051,103
Less accumulated depreciation	<u>816,131</u>	<u>770,072</u>
	<u>\$ 239,049</u>	<u>\$ 281,031</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, 2020.

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, 2019. As of June 30, 2019 and 2018, outstanding advances were \$0 and \$300,000, 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 was retired during the year ended June 30, 2019 in advance of its maturity 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 expired on August 31, 2019 and has been extended through October 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 which expired in April 2019. The lease has been extended on a month-to-month basis. The Company also leases a postage meter with quarterly payments of \$390; the lease expires in September 2020.

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 expiring in January 2020.

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

2020	\$136,288
2021	90,291
2022	91,600
2023	91,600
Thereafter	<u>15,333</u>
	<u>\$425,112</u>

Rent expense for the years ended June 30, 2019 and 2018 totaled \$236,691 and \$235,560, 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.

Beginning in October 2019, the Company will occupy 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 will be obligated to pay \$5 per ticket sold in lieu of rent. Administrative space will be located in the same building and will be leased from Middlesex County. As of the date of these financial statements, the occupancy arrangements have not been finalized.

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YEARS ENDED JUNE 30, 2019 AND 2018

(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.

(14) **Insured Deposits**

As of June 30, 2019 and 2018, cash exceeding federally insured limits in one depository institution totaled \$224,501 and \$0 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. The cumulative amounts total \$45,048 and \$44,072 as of June 30, 2019 and 2018, respectively.

With Donor Restrictions

The nature of net assets with donor restrictions, is as follows as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Campaign for George Street Playhouse	\$5,321,758	\$4,171,125
Endowment	<u>336,934</u>	<u>336,934</u>
	<u>\$5,658,692</u>	<u>\$4,508,059</u>

Net assets released from donor imposed restrictions by incurring expenses satisfying the restricted purpose are as follows for the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Campaign for George Street Playhouse	<u>\$927,547</u>	<u>\$506,695</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 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. 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.

GEORGE STREET PLAYHOUSE, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

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.

(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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Cash & cash equivalents	\$1,475,317	\$ 691,241
Certificate of deposit	200,600	200,200
Grants & accounts receivable	267,931	264,495
Pledges receivable	<u>5,614,521</u>	<u>5,450,170</u>
Financial assets	7,558,369	6,606,106
Less:		
Pledges receivable subject to donor-imposed restrictions	5,614,521	5,450,170
Endowment assets	<u>336,934</u>	<u>336,934</u>
Financial assets available for general expenditure	<u>\$1,606,914</u>	<u>\$ 819,002</u>

As part of the Company's liquidity management plan, cash in excess of daily requirements is invested in interest-bearing demand deposits.

(17) Subsequent Events

The Company has evaluated subsequent events through September 16, 2019, 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, 2019

Grantor	Pass-through Grantor	Program Title	Federal CFDA 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	1904X010039	7/1/18-6/30/19	\$ 24,000	\$ 136,687	\$ 24,000	\$ 136,687	\$ 160,687
	Arts Education Special Initiative			1915B040012	7/1/18-6/30/19	-	15,000	-	15,000	15,000
						<u>\$ 24,000</u>	<u>\$ 151,687</u>	<u>\$ 24,000</u>	<u>\$ 151,687</u>	<u>\$ 175,687</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, 2019 and the related notes to the financial statements and have issued my report thereon dated
, 2019.

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 16, 2019
Hillsborough, NJ