NEW JERSEY PERFORMING ARTS CENTER CORPORATION

Consolidated Financial Statements

June 30, 2020 and 2019

(With Independent Auditors' Report Thereon)

KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

The Board of Directors
New Jersey Performing Arts Center Corporation:

We have audited the accompanying consolidated financial statements of New Jersey Performing Arts Center Corporation (NJPAC), which comprise the consolidated balance sheets as of June 30, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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, we 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of New Jersey Performing Arts Center Corporation 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 U.S. generally accepted accounting principles.

KPMG LLP

October 29, 2020

NEW JERSEY PERFORMING ARTS CENTER CORPORATION

Consolidated Balance Sheets

June 30, 2020 and 2019

Assets		**2020**	**2019**
Cash and cash equivalents	$	7,882,568	2,657,609
Accounts receivable, net of allowance for doubtful accounts of $343,029 in 2020 and $105,141 in 2019		2,951,134	3,523,827
Contributions and grants receivable, net (notes 4 and 6)		42,335,700	23,315,414
Prepaid expenses and other assets (note 6)		2,727,254	3,156,869
Investments (note 3)		74,764,756	78,186,244
Property and equipment, net (note 5)		105,329,667	108,575,874
Total assets	$	235,991,079	219,415,837
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	2,234,975	3,706,490
Advance ticket sales and other deferred revenue		3,124,922	2,767,529
Loans payable (note 6)		10,045,975	9,912,203
Advance on conditional grant (note 10)		5,515,186	900,000
Other liabilities (notes 2, 6, and 7)		1,472,185	1,366,646
Total liabilities		22,393,243	18,652,868
Commitments and contingencies (notes 3 and 7)			
Net assets:			
Without donor restrictions:			
Designated for special purposes, including net investment in property and equipment		95,392,902	98,387,369
Operations		—	—
Total net assets without donor restrictions		95,392,902	98,387,369
With donor restrictions:			
Time or purpose restricted (note 8)		33,272,637	31,730,268
Endowment fund corpus (note 8)		84,932,297	70,645,332
Total net assets with donor restrictions		118,204,934	102,375,600
Total net assets		213,597,836	200,762,969
Total liabilities and net assets	$	235,991,079	219,415,837

See accompanying notes to consolidated financial statements.

NEW JERSEY PERFORMING ARTS CENTER CORPORATION

Consolidated Statement of Activities

Year ended June 30, 2020

	Without donor restrictions				
	Operations	**Designated for special purposes**	**Total**	**With donor restrictions**	**Total**
Operating expenses:					
Performance and performance related	$ 15,071,359	1,995,614	17,066,973	—	17,066,973
Arts education	3,425,432	400,943	3,826,375	—	3,826,375
Theater operations	9,410,927	1,835,161	11,246,088	—	11,246,088
Public affairs	2,463,796	175,500	2,639,296	—	2,639,296
Real estate	—	2,620,078	2,620,078	—	2,620,078
General and administrative	4,139,539	144,515	4,284,054	—	4,284,054
Development	2,255,873	651,464	2,907,337	—	2,907,337
Total operating expenses	36,766,926	7,823,275	44,590,201	—	44,590,201
Operating revenue and other support:					
Earned revenue and gains:					
Performance and performance related	14,857,810	—	14,857,810	—	14,857,810
Arts education	321,487	—	321,487	—	321,487
Investment income (loss), net (note 3)	3,640,000	—	3,640,000	(3,866,306)	(226,306)
Other business income	4,223,786	317,779	4,541,565	—	4,541,565
Total earned revenue and gains	23,043,083	317,779	23,360,862	(3,866,306)	19,494,556
Net contributed revenue:					
Contributions, net (notes 4 and 6)	3,040,003	4,022,318	7,062,321	26,357,140	33,419,461
Special events, net of expenses of $883,860	1,423,750	—	1,423,750	—	1,423,750
Government grants (note 4)	1,000,000	2,268,742	3,268,742	100,000	3,368,742
Net assets released from donor restrictions	5,911,500	850,000	6,761,500	(6,761,500)	—
Total net contributed revenue	11,375,253	7,141,060	18,516,313	19,695,640	38,211,953
Total operating revenue and other support	34,418,336	7,458,839	41,877,175	15,829,334	57,706,509
Nonoperating activities:					
Transfers to cover certain property and equipment activity	(1,104,965)	1,104,965	—	—	—
Transfer to COVID-19 fund (note 12)	3,079,914	(3,079,914)	—	—	—
Transfer from reserve funds	655,082	(655,082)	—	—	—
Change in fair value of interest rate swap (note 6)	(281,441)	—	(281,441)	—	(281,441)
Total nonoperating activities	2,348,590	(2,630,031)	(281,441)	—	(281,441)
(Decrease) increase in net assets	—	(2,994,467)	(2,994,467)	15,829,334	12,834,867
Net assets at beginning of year	—	98,387,369	98,387,369	102,375,600	200,762,969
Net assets at end of year	$ —	95,392,902	95,392,902	118,204,934	213,597,836

See accompanying notes to consolidated financial statements.

NEW JERSEY PERFORMING ARTS CENTER CORPORATION

Consolidated Statement of Activities

Year ended June 30, 2019

	Without donor restrictions				
	Operations	Designated for special purposes	Total	With donor restrictions	Total
Operating expenses:					
Performance and performance related	$ 23,989,166	2,243,594	26,232,760	—	26,232,760
Arts education	3,593,480	482,611	4,076,091	—	4,076,091
Theater operations	9,779,470	1,639,025	11,418,495	—	11,418,495
Public affairs	2,398,574	169,100	2,567,674	—	2,567,674
Real estate	—	1,092,728	1,092,728	—	1,092,728
General and administrative	4,318,959	268,317	4,587,276	—	4,587,276
Development	2,490,641	522,846	3,013,487	—	3,013,487
Total operating expenses	46,570,290	6,418,221	52,988,511	—	52,988,511
Operating revenue and other support:					
Earned revenue and gains:					
Performance and performance related	27,267,014	—	27,267,014	—	27,267,014
Arts education	564,832	—	564,832	—	564,832
Investment income (loss), net (note 3)	3,522,423	—	3,522,423	(691,927)	2,830,496
Other business income	5,178,515	403,416	5,581,931	—	5,581,931
Total earned revenue and gains	36,532,784	403,416	36,936,200	(691,927)	36,244,273
Net contributed revenue:					
Contributions, net (notes 4 and 6)	4,565,012	999,977	5,564,989	6,512,441	12,077,430
Special events, net of expenses of $855,037	1,643,724	—	1,643,724	—	1,643,724
Government grants (note 4)	1,000,000	2,544,881	3,544,881	100,000	3,644,881
Net assets released from donor restrictions	5,408,500	124,998	5,533,498	(5,533,498)	—
Total net contributed revenue	12,617,236	3,669,856	16,287,092	1,078,943	17,366,035
Total operating revenue and other support	49,150,020	4,073,272	53,223,292	387,016	53,610,308
Nonoperating activities:					
Transfers to cover certain property and equipment activity	(1,693,488)	1,693,488	—	—	—
Transfer from nonoperating funds	14,086	(14,086)	—	—	—
Change in fair value of interest rate swap (note 6)	(127,091)	—	(127,091)	—	(127,091)
Total nonoperating activities	(1,806,493)	1,679,402	(127,091)	—	(127,091)
Increase (decrease) in net assets	773,237	(665,547)	107,690	387,016	494,706
Net (deficit) assets at beginning of year, as previously reported	(310,637)	99,052,916	98,742,279	101,988,584	200,730,863
Impact of change of accounting policies (note 2(q))	(462,600)	—	(462,600)	—	(462,600)
Balance as of beginning of year, as restated	(773,237)	99,052,916	98,279,679	101,988,584	200,268,263
Net assets at end of year	$ —	98,387,369	98,387,369	102,375,600	200,762,969

See accompanying notes to consolidated financial statements.

NEW JERSEY PERFORMING ARTS CENTER CORPORATION

Consolidated Statement of Functional Expenses

Year ended June 30, 2020
(with comparative totals for 2019)

	Performance and performance related	Arts education	Theater operations	Public affairs	Real estate	General and administrative	Development	Total expenses 2020	Total expenses 2019
Salaries	$ 2,572,576	2,157,207	3,087,022	1,664,212	648,294	2,626,764	1,717,549	14,473,624	14,817,138
Benefits	677,611	380,974	1,272,975	330,981	134,365	269,621	335,136	3,401,663	3,352,527
Fees	6,274,366	401,750	49,903	256,166	1,348,621	492,223	166,979	8,990,008	12,285,041
Promotion expenses	2,055,198	126,732	7,417	98,913	278,392	18,939	170,216	2,755,807	3,423,690
Utilities and maintenance	722,248	54,342	1,688,006	12,371	1,850	15,573	1,829	2,496,219	3,281,899
Travel, conferences, and publications	582,174	150,044	66,872	53,558	13,075	80,819	69,149	1,015,691	1,363,780
Printing and reproduction	1,774	4,452	3,856	14,589	33	12,215	119,901	156,820	227,459
Office and building supplies	5,711	29,580	177,987	16,217	26,392	22,475	11,149	289,511	376,551
Telecommunications	—	57	1,920	720	210	162,490	—	165,397	155,393
Insurance	48,929	534	521,783	—	6,150	195	—	577,591	507,326
Production expense	936,798	32,755	181,713	2,258	100,090	8,029	268	1,261,911	3,075,406
Credit card and ticket processing	8,966	1,690	525,080	220	—	385	17,459	553,800	853,848
Interest expense	202,176	16,178	34,148	5,996	54,655	5,736	4,693	323,582	323,848
Parking and lease-related expenses	766,539	—	1,774,662	—	—	—	—	2,541,201	2,883,113
Provision for doubtful accounts	—	18,370	—	—	—	150,000	90,000	258,370	88,737
Miscellaneous	216,293	50,767	109,250	7,595	7,951	291,434	98,973	782,263	1,187,682
	15,071,359	3,425,432	9,502,594	2,463,796	2,620,078	4,156,898	2,803,301	40,043,458	48,203,438
Special purpose activities:									
Depreciation	1,988,533	400,376	1,742,298	175,290	—	126,955	103,872	4,537,324	4,777,897
Interest expense	7,081	567	1,196	210	—	201	164	9,419	7,176
	$ 17,066,973	3,826,375	11,246,088	2,639,296	2,620,078	4,284,054	2,907,337	44,590,201	52,988,511
Special events expenses								883,860	855,037
Total expenses								$ 45,474,061	53,843,548

See accompanying notes to consolidated financial statements.

NEW JERSEY PERFORMING ARTS CENTER CORPORATION

Consolidated Statement of Functional Expenses

Year ended June 30, 2019

	Performance and performance related	Arts education	Theater operations	Public affairs	Real estate	General and administrative	Development	Total expenses
Salaries	$ 3,090,738	2,229,527	2,975,422	1,619,752	402,024	2,838,654	1,661,021	14,817,138
Benefits	829,255	391,038	1,161,610	314,073	80,078	265,425	311,048	3,352,527
Fees	10,591,359	420,795	39,811	214,601	338,593	508,021	171,861	12,285,041
Promotion expenses	2,912,920	157,330	19,211	104,049	—	35,952	194,228	3,423,690
Utilities and maintenance	1,415,926	58,633	1,780,301	7,625	138	13,642	5,634	3,281,899
Travel, conferences, and publications	806,106	173,593	82,611	63,494	27,658	98,704	111,614	1,363,780
Printing and reproduction	3,205	6,805	4,600	17,835	55	21,389	173,570	227,459
Office and building supplies	19,214	42,765	243,040	20,799	25,543	22,051	3,139	376,551
Telecommunications	505	439	2,055	441	—	151,953	—	155,393
Insurance	66,475	351	419,461	68	20,810	161	—	507,326
Production expense	2,726,499	16,860	193,715	18,233	100,330	15,548	4,221	3,075,406
Credit card and ticket processing	15,705	1,212	806,779	35	—	39	30,078	853,848
Interest expense	179,539	21,096	47,776	5,899	59,278	5,643	4,617	323,848
Parking and lease-related expenses	962,417	—	1,920,696	—	—	—	—	2,883,113
Provision for doubtful accounts	—	14,043	—	—	—	—	74,694	88,737
Miscellaneous	369,303	58,993	82,382	11,670	38,221	472,185	154,928	1,187,682
	23,989,166	3,593,480	9,779,470	2,398,574	1,092,728	4,449,367	2,900,653	48,203,438
Special purpose activities:								
Depreciation	2,238,724	482,039	1,637,729	168,940	—	137,756	112,709	4,777,897
Interest expense	4,870	572	1,296	160	—	153	125	7,176
	$ 26,232,760	4,076,091	11,418,495	2,567,674	1,092,728	4,587,276	3,013,487	52,988,511
Special events expenses								855,037
Total expenses								$ 53,843,548

See accompanying notes to consolidated financial statements.

NEW JERSEY PERFORMING ARTS CENTER CORPORATION

Consolidated Statements of Cash Flows

Years ended June 30, 2020 and 2019

		2020	2019
Cash flows from operating activities:			
Increase in net assets	$	12,834,867	494,706
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:			
Depreciation		4,537,324	4,777,897
Provision for doubtful accounts		258,370	88,737
Change in asset retirement obligation		7,578	109,739
Amortization of fixed rent		(317,784)	(317,784)
Net realized and unrealized investment loss (gains)		1,345,468	(1,603,014)
Change in fair value of interest rate swap		281,441	127,091
Contributions and investment income for endowment		(14,286,965)	(112,435)
Contributions for capital		(1,188,828)	(2,171,259)
Changes in operating assets and liabilities:			
Accounts receivable		314,323	201,601
Contributions and grants receivable		(4,564,579)	(2,662,995)
Prepaid expenses and other assets		747,399	102,405
Accounts payable and accrued expenses		(1,471,515)	477,165
Advance ticket sales and other deferred revenue		357,393	(2,505,673)
Advance on conditional grant		4,615,186	900,000
Other liabilities		(74,196)	84,724
Net cash provided by (used in) operating activities		3,395,482	(2,009,095)
Cash flows from investing activities:			
Investment in property and equipment		(1,291,117)	(3,719,234)
Proceeds from sales of investments		35,699,636	54,507,349
Purchases of investments		(33,623,616)	(52,184,404)
Net cash provided by (used in) investing activities		784,903	(1,396,289)
Cash flows from financing activities:			
Repayment of loans		(12,141,395)	(4,117,497)
Proceeds from loans		12,275,167	5,000,000
Repayment of capital lease		(109,284)	(106,347)
Cash received for endowment		100,000	1,250,000
Cash received for capital		920,086	2,171,259
Net cash provided by financing activities		1,044,574	4,197,415
Net increase in cash and cash equivalents		5,224,959	792,031
Cash and cash equivalents at beginning of year		2,657,609	1,865,578
Cash and cash equivalents at end of year	$	7,882,568	2,657,609
Supplemental disclosure of cash flow information:			
Cash paid during the year for interest	$	390,594	325,555

See accompanying notes to consolidated financial statements.

(1) Organization

New Jersey Performing Arts Center Corporation (NJPAC) is a not-for-profit corporation organized under the laws of the State of New Jersey and is generally exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. NJPAC's mission is the following: The New Jersey Performing Arts Center, by celebrating diversity, shall be America's foremost presenter of arts and entertainment, a creative and effective leader in arts education for children, a convener of useful and enlightening civic engagement events, and catalyst in the economic development of its home city of Newark.

To achieve its mission, NJPAC performs the following activities:

Performances – NJPAC produces and presents a wide array of artistic programs at NJPAC's facilities and at other facilities in the community, which include orchestra, recital, dance, jazz, spoken word, and a variety of performances by local, national, and international artists targeted at a diverse audience base.

Arts education – NJPAC conducts in-school, on-site, and community-based programs and performances dedicated to children, parents, and educators. Such programs include in-school residency training in dance, theater, and music; arts training; performances for schools and families; and professional development workshops.

Theater operations – NJPAC provides services for the management, operation, and maintenance of NJPAC, parking facilities, and Theater Square.

Public affairs – NJPAC keeps the public and the media fully informed about NJPAC's programs, events, and educational activities.

Real estate activities – NJPAC works with local and state entities, as well as with the real estate development community, to develop and implement plans to enliven and enhance downtown Newark.

Included in the accompanying consolidated financial statements of NJPAC are the financial statements of a separate but affiliated corporation, The Arts Education Endowment Fund in Honor of Raymond G. Chambers (the Fund). The Fund is also a not-for-profit and a Section 501(c)(3) tax-exempt corporation. The Fund's Board of Directors is identical to that of NJPAC. In accordance with the terms of the Fund, interest and investment income earned on the Fund's assets are to be transferred to NJPAC to partially support NJPAC's arts education programs.

Also included in the accompanying consolidated financial statements of NJPAC are the financial statements of two limited liability companies named the Theater Square Development Company, LLC (TSDC) and Hip Hop Nutcracker Tour, LLC (HHNT). NJPAC is the sole member of these companies. NJPAC is also a partner in a two-member limited liability company (LLC) named Carefree, LLC (Carefree), which is accounted for under the equity method. The single-member LLCs are treated as disregarded entities for federal tax purposes, whereas the two-member LLC is treated as a partnership. The purpose of TSDC is to provide services and support relating to the development and operation of real estate owned or leased by NJPAC in furtherance of NJPAC's charitable purposes. The purposes of HHNT and Carefree are to produce and present touring performances of The Hip Hop Nutcracker and Carefree: Dancin' with Fred & Ginger, respectively. HHNT was formed in June 2015 and started operations in July 2015. Carefree, which was formed and started operations in June 2016, was dormant in 2020 and 2019.

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NJPAC formed three additional single-member LLCs named NJ Media Production Stages, NJ Media Production Studios, and NJ Media Production Holdings in June 2019. A fourth LLC named NJ Media Production Management was formed in September 2019. These four interrelated LLCs were created for the purpose of leasing television production studio space and providing related services to television production companies. NJ Media Production Studios incurred expenses totaling $1,108,576 and $93,080 during 2020 and 2019, respectively. There has been no activity in the other three LLCs to date.

(2) Summary of Significant Accounting Policies

(a) Financial Statement Presentation

These consolidated financial statements are presented on the accrual basis of accounting. Net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of NJPAC and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations

Net assets with donor restrictions – Net assets that are subject to donor-imposed stipulations, which include net assets that require the passage of time, the occurrence of a specified event, or are maintained permanently (endowment fund corpus net assets). Endowment fund corpus net assets permit NJPAC to use or expend part or all of the income derived from the donated assets for general or specific purposes in accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

Accordingly, NJPAC records gifts of cash and other assets as contributions with donor restrictions if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from donor restrictions. Expenses are recorded as decreases in net assets without donor restrictions. Donor-restricted contributions that are received and released from restriction in the same fiscal year are recorded as revenue without donor restrictions. Conditional contributions are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met.

The consolidated statements of activities distinguish between operating and special purpose activities. Special purpose activities are the building-related activities that include depreciation, interest, other expenses, support related to capital projects, the Innovation Fund (note 4), the Strategic Reserve Fund (note 4), Theater Square Development Company, LLC, and the COVID-19 Fund (note 12).

(b) Cash and Cash Equivalents

NJPAC considers all highly liquid investments purchased with original maturities of three months or less that are to be used for operating purposes to be cash equivalents. Cash equivalents may consist of certificates of deposits, money market funds, and investments in obligations of the U.S. Government and its agencies.

(c) Investments

NJPAC's investments in fixed-income securities, equity funds, and equity securities are reported at fair value based on quoted market prices. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Alternative investments consist of shares or units in investment funds as opposed to direct interests in the funds' underlying holdings, which may be marketable. NJPAC's investments in alternative investments are stated, as a practical expedient, at the net asset value (NAV), as provided by the investment manager and evaluated for reasonableness by NJPAC's management.

(d) Capital Acquisitions and Depreciation

Expenditures for property and equipment are capitalized at cost, when purchased or constructed, and are capitalized at fair value when contributed. Depreciation is computed using the straight-line method over the shorter of estimated useful lives or the term of the lease of the related assets.

Land under capital lease	98 years
Theater building	50 years
Parking garage	50 years
Other building	30 years
Furniture, fixtures, and improvements	5 to 10 years

(e) Conditional Asset Retirement Obligations

Conditional asset retirement obligations are to be recognized if a legal obligation exists to perform asset retirement activities and a reasonable estimate of the fair value of the obligation can be made. Remediation took place during the years ended June 30, 2020 and 2019 in the amount of $8,305 and $20,669, respectively. The conditional asset retirement obligation included in other liabilities is $910,166 and $902,588 at June 30, 2020 and 2019, respectively, which has been adjusted for the accretion of the discount.

(f) Ticket Sales

Ticket sales are recognized as performance and performance related revenue on a specific performance basis. Advance ticket sales for the receipt of payment for future performances are reported in advance ticket sales and other deferred revenue in the consolidated balance sheets. Such amounts were approximately $3.0 million and $2.4 million in 2020 and 2019, respectively, and will be recognized as revenue in the subsequent period.

(g) Derivative Instruments

Derivative financial instruments are employed to manage risks. NJPAC has entered into interest rate swap agreements to manage its exposure to interest rate changes. NJPAC recognizes all derivative instruments in the consolidated balance sheets at fair value. Fair value is estimated based on pricing models that utilize significant observable inputs, such as relevant interest rates, that reflect assumptions market participants would use in pricing the instruments. These inputs fall within Level 2 of the fair value hierarchy. Changes in the fair value of derivatives are recognized within changes in net assets without donor restrictions in the consolidated statements of activities.

(Continued)

(h) Contributions

Unconditional promises to give are recognized initially at fair value as contributions revenue in the period such promises are made by donors. Fair value is estimated giving consideration to anticipated future cash receipts (after allowance is made for uncollectible contributions, if necessary) and discounting such amounts at a risk-adjusted rate commensurate with the duration of the donor's payment plan. In subsequent periods, the discount rate is unchanged and the allowance for uncollectible contributions is reassessed and adjusted, if necessary. Amortization of the discounts is recorded as additional contributions revenue. The discount rate used for contributions received during the years ended June 30, 2020 and 2019 was 1.20% and 2.52%, respectively. Amortization of the discount is included in contributions revenue.

(i) Contributed Goods and Services

Volunteers and other companies and organizations have donated significant amounts of their time and services in support of NJPAC's operations. Only those amounts for which an objective basis is available to measure the value of such services and which meet certain criteria are reflected in the accompanying consolidated financial statements. Contributed goods and services, which include advertising, piano rental, airfare and legal services in the amount of $260,349 and $425,471 for the years ended June 30, 2020 and 2019, respectively, are recorded as contributions revenue and asset or expense in the accompanying consolidated financial statements.

(j) Other Business Income

Other business income consists of food services commission, merchandise sales commission, reimbursement of special event costs, nonperformance parking and facilities rentals for which revenue is recognized when the space is utilized, other nonrecurring miscellaneous revenues, and ground lease rental income, which is recorded on a straight-line basis.

(k) Fair Value Hierarchy

Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices or published net asset values in active markets for identical assets or liabilities.

Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liabilities.

Fair value estimates are made at a specific point in time based on available market information and judgments about the financial asset, including estimates of timing, amount of expected future cash flows and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets. In addition, the disclosed fair value may not be realized in the immediate settlement of the financial asset. Potential taxes and other expenses that would be incurred in an actual sale or settlement are not reflected in amounts disclosed.

(l) Advertising Expenses

Advertising expenses related to future performances are expensed as incurred. Advertising expenses amount to approximately $1,533,000 and $2,249,000 in 2020 and 2019, respectively.

(m) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include the valuation of alternative investments, the reserves for uncollectible contributions, grants and accounts receivable, the present value of multi-year contributions receivables, liabilities for conditional asset retirement obligations, and the allocation of functional expenses. Management reviews the assumptions each year to determine the reasonableness of these estimates.

(n) Tax Status

NJPAC is exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. NJPAC has been classified as a public charity under Section 509(a) of the Internal Revenue Code.

There are certain transactions that could be deemed unrelated business income and would result in a tax liability. Management reviews such transactions to estimate potential tax liabilities using a threshold of more likely than not. It is management's estimation that there are no material tax liabilities that need to be recorded at June 30, 2020 or 2019.

(o) Functional Classification of Expenses

NJPAC allocates expenses to its functional areas based on time, effort, and usage.

(p) Reclassifications

Certain reclassifications of 2019 amounts have been made to conform to the 2020 presentation.

(q) Recently Adopted Accounting Pronouncements

During 2020, NJPAC adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The standard clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The amendments in this ASU assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of ASC Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. Adoption of this standard did not have a material effect on NJPAC's consolidated financial statements.

During 2020, NJPAC adopted FASB ASU No. 2016-18, *Statement of Cash Flows: Restricted Cash*. The new guidance requires presentation of the total change in cash, cash equivalents, and restricted cash and cash equivalents in the statement of cash flows. Adoption of this standard had no effect on NJPAC's consolidated financial statements.

(r) Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842), which supersedes FASB Accounting Standards Codification (ASC), *Leases* (Topic 840), and requires lessees to recognize most leases on the balance sheet with a right-of-use asset and a lease liability and additional qualitative and quantitative disclosures. Leases will be classified as either finance or operating leases, which will impact the expense recognition of such leases over the lease term. The ASU also modifies the lease classification criteria for lessors and eliminates some of the real estate leasing guidance previously applied for certain leasing transactions. NJPAC expects to adopt this ASU in fiscal year 2023.

(3) Investments

Overall Investment Objective

The overall investment objective of NJPAC is to invest its assets in a prudent manner that will achieve a long-term rate of return sufficient to fund a portion of its annual operating activities and increase investment value after inflation. NJPAC diversifies its investments among various asset classes incorporating multiple strategies and managers and has limits on the amount of credit exposure to any one entity. Investment decisions are authorized by the Board's Investment Committee, which oversees NJPAC's investment program in accordance with established guidelines.

The following tables summarize NJPAC's investments by major category in the fair value hierarchy as of June 30, 2020 and 2019:

		June 30, 2020		
	Total	**Level 1**	**Level 2**	**Level 3**
Investments:				
Cash equivalents	$ 7,910,299	7,910,299	—	—
U.S. corporate debt	9,870,114	9,870,114	—	—
Mutual funds and stocks:				
Preferred stocks	884,740	884,740	—	—
Traditional domestic equity funds	15,271,689	15,271,689	—	—
Traditional international equity funds	11,833,778	11,833,778	—	—
Large cap growth funds	10,070,724	10,070,724	—	—
Small-mid cap funds	6,153,518	6,153,518	—	—
Total	61,994,862	$ 61,994,862	—	—
Alternative investment funds reported at net asset value:				
Hedged strategies (a)	5,824,439			
Private equity (b)	5,129,602			
Commingled trust (c)	1,815,853			
Total	12,769,894			
Total investments	$ 74,764,756			

	June 30, 2019			
	Total	**Level 1**	**Level 2**	**Level 3**
Investments:				
Cash equivalents	$ 9,420,456	9,420,456	—	—
U.S. corporate debt	5,596,232	5,596,232	—	—
Mutual funds and stocks:				
Preferred stocks	941,186	941,186	—	—
Traditional domestic equity funds	18,006,926	18,006,926	—	—
Traditional international equity funds	14,657,106	14,657,106	—	—
Large cap growth funds	10,203,177	10,203,177	—	—
Small-mid cap funds	5,653,639	5,653,639	—	—
Total	64,478,722	$ 64,478,722	—	—
Alternative investment funds reported at net asset value:				
Hedged strategies (a)	5,824,439			
Private equity (b)	5,129,602			
Total	10,954,041			
Total investments	$ 75,432,763			

(a) NJPAC's alternative investments in five hedged strategy funds amounted to $5,824,439 at June 30, 2020 and $8,232,190 at June 30, 2019. These include $96,547 in 2020 and $169,151 in 2019 which were invested in special situation accounts. Special situation accounts generally are not available for redemption until the respective investments are liquidated. The other hedged strategy funds of $5,727,892 in 2020 have no redemption restrictions and may be redeemed quarterly with 30 day notice. Hedged strategies involve funds whose managers have the authority to invest in various asset classes at their discretion, including the ability to invest long and short. Funds with hedged strategies generally hold securities or other financial instruments for which a ready market exists and may include stocks, bonds, put or call options, swaps, currency hedges, and other instruments, and are valued accordingly. NJPAC has a future capital call commitment of $527,372 to one hedged strategy fund as of June 30, 2020.

(b) NJPAC's alternative investment funds in private equity of $5,129,602 and $5,475,332 at June 30, 2020 and 2019, respectively, were made through four limited partnerships in 2020 and 2019. Three partnerships have limited existence and provide for annual extensions for the purpose of disposing portfolio positions and returning capital to investors. However, depending on market conditions or other factors, managers may extend the terms of the partnerships beyond their originally anticipated existence or may wind it down prematurely. NJPAC cannot anticipate such changes because they generally arise from unforeseeable events, but should they occur, they could reduce liquidity or originally anticipated investment returns. The timing and amount of future capital or income distributions of funds are up to the discretion of the fund manager. For the fourth partnership, NJPAC may request redemptions of all or a portion of its shares on a monthly basis with seven days written notice. Private equity funds employ buyout and venture capital strategies and focus on investments in turn-around situations. Other strategies may require the estimation of fair values by the fund managers in the absence of readily determinable market values. As of June 30, 2020, NJPAC has a future capital call commitment of $106,847 to one private equity fund.

(c) NJPAC's investment in one commingled trust fund amounted to $1,815,853 at June 30, 2020. The fund invests primarily in long-term investments in international equities and offers monthly redemptions with 30 day notice.

As of June 30, 2020, NJPAC has an additional future capital call commitment of $1,000,000 to a fund.

The following summarizes investment income (loss) components for the years ended June 30, 2020 and 2019:

		2020	2019
Investment (loss) income, net:			
Interest and dividends	$	1,119,162	1,227,482
Net realized gains		2,387,055	3,094,039
Net unrealized losses in fair value of investments		(3,732,523)	(1,491,025)
Investment (loss) income	$	(226,306)	2,830,496

(4) Contributions and Grants Receivable

Contributions and grants receivable at June 30, 2020 and 2019 are scheduled to be collected as follows:

		2020	2019
Amounts due in:			
One year	$	31,026,990	11,619,568
Two to five years		10,512,020	12,482,332
More than five years		2,096,413	437,500
Total contributions and grants receivable		43,635,423	24,539,400
Less:			
Adjustment to reflect contributions and grants receivable at discounted value 0.88% to 4.83%		1,299,723	1,223,986
Contributions and grants receivable, net	$	42,335,700	23,315,414

The New Jersey State Council on the Arts awarded NJPAC grants of $1,000,000 for fiscal years 2020 and 2019, for general operating support. Grant receivables of $250,000 for these awards are included in contributions and grants receivable in the accompanying consolidated balance sheets at June 30, 2019.

The New Jersey Cultural Trust (The Trust) was created in July 2000 to provide funding to qualified organizations for certain purposes. In January 2002, NJPAC was designated a qualified organization by The Trust, making NJPAC eligible for The Trust's 20% match of certain endowment gifts. The Trust awarded a total matching gift of $3,915,000 to NJPAC. At June 30, 2020 and 2019, contributions receivable from The Trust was $1,168,840 and $1,268,840, respectively. Management anticipates that the contributions receivable will be paid in the future, and therefore, it is reflected in the consolidated financial statements at discounted present value. The matching gifts from The Trust were based on certified private donations to NJPAC's endowment. These certified donations totaling $19,575,000, as well as The Trust's matching amount of $2,646,160, are held and managed by NJPAC and recorded as net assets with donor restrictions.

NJPAC maintains a Strategic Reserve Fund to account for contributions without donor restrictions that may only be used for extraordinary operational needs as recommended by management and approved by the executive committee of the Board of Directors. As of June 30, 2020 and 2019, the Strategic Reserve Fund balance was $3,452,978 and $1,508,171, respectively. Contributions to the Strategic Reserve Fund are reported as net assets without donor restrictions in the consolidated statements of activities.

In fiscal year 2016, NJPAC established the Innovation Fund to account for contributions with the purpose of providing seed funding for new innovative initiatives with the potential of creating ongoing revenue. The Innovation Fund balance as of June 30, 2020 was $732,569, of which $495,211 is reported as net assets without donor restrictions and $237,358 as net assets with donor restrictions in the 2020 consolidated statement of activities. The Innovation Fund balance as of June 30, 2019 was $1,933,055, of which $1,195,697 is reported as net assets without donor restrictions and $737,358 as net assets with donor restrictions in the 2019 consolidated statement of activities.

Contributions from members of the Board of Directors amounted to approximately $1,410,000 and $1,245,000 for the years ended June 30, 2020 and 2019, respectively.

In fiscal year 2020, NJPAC received a large donor gift that increased the concentration of credit risk. At June 30, 2020, 47% of contributions and grants receivable were due from one donor, compared to 24% at June 30, 2019. Additionally, 52% of contributions revenue for the year ended June 30, 2020 were from one donor, compared to 10% at June 30, 2019. This payment has been received subsequent to year end.

(5) Property and Equipment

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

		2020	2019
Land	$	22,725,341	22,725,341
Theater building		137,514,506	137,514,502
Parking garage		10,421,794	10,421,794
Other building		4,708,360	4,708,360
Furniture, fixtures, and improvements		24,294,539	23,245,268
		199,664,540	198,615,265
Less accumulated depreciation		94,334,873	90,039,391
Property and equipment, net	$	105,329,667	108,575,874

(6) Loans Payable

Loans payable at June 30, 2020 and 2019 consist of the following:

		2020	2019
TD Bank:			
Term loan matured on March 29, 2020. Loan was payable in specified monthly installments. Interest was 2.17% (LIBOR plus 2.0%). (a)(c)	$	—	254,728
Term loan with a due date of March 30, 2023. Loan is payable in specified monthly installments of interest and principal. Interest at June 30, 2020 is 3.96%. (a)		961,757	1,216,823
Term loan with a due date of October 2, 2026. Loan is payable in specified monthly installments. Interest at June 30, 2020 is 1.97% (LIBOR plus 1.8%). (a)(d)		2,158,787	2,406,981
Term loan with a due date of December 15, 2026. Loan is payable in specified monthly installments. Interest at June 30, 2020 is 2.17% (LIBOR plus 2.0%). (a)(d)		2,907,843	—
Borrowings under a working capital line of credit of up to $4,000,000 through December 31, 2019. Interest at June 30, 2020 is 2.17% (LIBOR plus 2.0%). (a)		—	4,000,000
Prudential Foundation:			
Term loan with a due date of August 15, 2024. Loan is payable in equal monthly installments of $13,333 plus interest at 3.5%. (b)		654,921	814,921

		2020	2019
Borrowings under an unsecured line of credit of up to $1,000,000 through March 29, 2022. Interest at June 30, 2020 is 3.17% (LIBOR plus 3%). (e)	$	—	1,000,000
The City of Newark Office of the Urban Enterprise Zone:			
Borrowings under a loan agreement to finance certain real estate predevelopment costs with a due date of January 31, 2020. Loan is payable in specified quarterly installments plus interest at 5%.		87,500	218,750
Paycheck Protection Program Loan under the CARES Act:			
Borrowings under a loan agreement to finance certain expenses related to COVID-19 with a due date of April 16, 2022. Loan is payable in monthly installments plus interest at 1% (f).		3,275,167	—
Total	$	10,045,975	9,912,203

(a) Collateral for these loans and line of credit consist of certain revenues and unrestricted contributions and grants receivable. The loan agreement contains various covenants, including, among other things, limitations and restrictions on additional indebtedness and the achievement of certain financial results.

(b) Collateral for this loan consists of the Broadcast Center equipment and any amounts payable to NJPAC in connection with Broadcast Center services. The loan agreement contains various covenants, including, among other things, limitations and restrictions on additional indebtedness and the achievement of certain financial results.

(c) Effective March 29, 2013, NJPAC entered into an interest rate swap agreement with TD Bank with the intention of fixing its effective interest rates on the variable rate term loan of $904,068. Under the terms of the agreement, NJPAC pays interest at a fixed rate of 3.25% and receives a variable rate of LIBOR plus 2%. The interest swap matured consistent with the loan.

(d) Effective October 14, 2016, NJPAC entered into an interest rate swap agreement with TD Bank with the intention of fixing its effective interest rates on the variable rate term loan of $2,968,000. Under the terms of the agreement, NJPAC pays interest at a fixed rate of 3.27% and receives a variable rate of LIBOR plus 1.8%, (1.97% at June 30, 2020). The term of this interest swap is ten years.

(e) Effective January 1, 2020, NJPAC entered into an interest rate swap agreement with TD Bank with the intention of fixing its effective interest rates on the variable rate term loan of $3,000,000. Under the terms of the agreement, NJPAC pays interest at a fixed rate of 3.825% and receives a variable rate of LIBOR plus 2.0%, (2.17% at June 30, 2020). The term of this interest swap is ten years.

(Continued)

(f) Effective April 17, 2020, NJPAC borrowed $3,275,167 from the Paycheck Protection Program (PPP) under the CARES Act. The loan, which was in the form of a note dated April 17, 2020 issued by TD Bank, matures on April 16, 2022 and bears interest at a rate of 1.0% per annum, payable monthly commencing on November 17, 2020. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. NJPAC intends to use the entire loan amount for qualifying expenses. The note may be prepaid by NJPAC at any time prior to maturity with advanced notice to TD Bank and no prepayment penalties.

NJPAC has recorded the change in the fair value of interest rate swaps of $281,441 and $127,091 in the consolidated statements of activities for the years ended June 30, 2020 and 2019, respectively, as a change in unrestricted net assets in the non-operating section. The fair value of the interest rate swaps of $(261,647) has been recorded in other liabilities and $19,798 has been recorded in prepaid expenses and other assets in the consolidated balance sheets as of June 30, 2020 and 2019, respectively.

Interest expense for the years ended June 30, 2020 and 2019 was $333,001 and $331,024, respectively.

Required principal payments for the aforementioned loans at June 30, 2020 are as follows:

	Amount
Year ending June 30:	
2021	$ 3,048,137
2022	2,851,065
2023	1,165,859
2024	935,009
2025	818,775
Thereafter	1,227,130
	$ 10,045,975

(7) Leases

(a) Property Lease

In August 1996, NJPAC entered into a superseding 99-year sublease, as amended, with the State of New Jersey for properties on NJPAC's site. In September 2016, title to one of the leased tracts of land, designated as Two Center Street, was transferred to Theater Square Development Company, LLC at a cost of $150,000. Consequently, this tract was leased from Theater Square Development Company, LLC to Two Center Street Urban Renewal, LLC, for the construction of a multi-story residential tower referred to as One Theater Square. In November 2018, the State of New Jersey conveyed additional property to NJPAC at a cost of $430,000. The conveyed property will be used for future commercial and mission related development.

Under the terms of the above superseding lease, rent is payable to the State of New Jersey by NJPAC annually in the amount of any operating surplus, as defined, remaining after $500,000 is transferred to a board-designated endowment fund. The maximum cumulative rent payment due over the life of the lease is $44,000,000, with a maximum annual rent of $1,700,000. Once such board-designated endowment fund reaches a balance of $10,000,000, the Board of Directors shall in good faith allocate any operating surplus between the annual rent and the endowment fund. As of June 30, 2020 and June 30, 2019, no rent was required to be paid by NJPAC to the State of New Jersey.

(b) Parking Garage Lease

In 1997, NJPAC entered into a 50-year sublease, as amended, for the Military Park Garage in Newark from the Parking Authority of the City of Newark (the Authority). In accordance with the sublease, NJPAC was to remit operating proceeds to the Authority in the amount of $283,073 to offset the debt service on a $5 million bond issued by the City of Newark to fund one half of the cost of renovating the facility. In 2017, NJPAC obtained a ten-year term loan, the proceeds of which were used to retire the outstanding balance of the City of Newark bonds. As a result, in 2020, NJPAC deducted $343,776 from the operating proceeds for the debt service on the loan. Of the remaining proceeds, NJPAC paid 45% to the Authority, which amounted to $315,437 and $596,137 in 2020 and 2019, respectively. The lease is a net sublease, and all expenses of operation and repair are paid by NJPAC.

(c) Capital Leases

NJPAC maintains two capital lease agreements for office equipment and production equipment. The value of the equipment leased is $558,254 and is included in property and equipment. The present value of the net minimum lease payments is included in other liabilities in the amounts of $277,317 at June 30, 2020 and $386,601 at June 30, 2019.

(d) Operating Leases

NJPAC leases office equipment under various operating leases. Rent for the operating leases amounted to $14,198 and $12,704 for the years ended June 30, 2020 and 2019, respectively.

(e) Ground Lease

In September 2016, NJPAC, through its wholly owned subsidiary, Theater Square Development Company LLC, entered into an amended and restated ground lease with Two Center Street Urban Renewal, LLC for the development, use, and occupancy of the land and building designated as Two Center Street Tract on NJPAC premises. The term of the lease is 97 years, commencing on September 8, 2016, with no renewal option. Rent is payable to NJPAC in the forms of a fixed, percentage and supplemental rents. Fixed rent is payable at varying annual amounts starting from $100,000 to $350,000, rent payments started in March 2020, as agreed, upon rent commencement date of eighteen months after issuance of certificate of occupancy and satisfaction of certain other requirements. Percentage rent is payable at 2% of gross apartment rental receipts starting on the agreed upon commencement date of sixty months after issuance of certificate of occupancy. Supplemental rent is payable upon the occurrence of a certain specified event. On August 13, 2020, NJPAC was paid $1,250,000 in supplemental rent. NJPAC amortizes the fixed rent due from Two Center Street Urban Renewal LLC under the straight line method at $317,784 annually.

The following is a schedule of minimum future fixed rental receipts under the ground lease:

Year ending June 30:		
2021	$	1,350,000
2022		100,000
2023		100,000
2024		100,000
2025		100,000
Later years		30,275,000

(8) Net Assets with Donor Restrictions

Net assets with donor restrictions is composed of time or purpose restricted and endowment fund corpus net assets. The net asset balances at June 30, 2020 and 2019 are as follows:

		2020	2019
Time or purpose restricted:			
Future operations	$	23,571,912	22,678,845
Programming		815,579	3,175,584
Arts education		1,510,281	1,152,601
Other programs		7,374,865	4,723,238
Total time or purpose restricted net assets		33,272,637	31,730,268
Endowment fund corpus:			
Income to be used for:			
Unrestricted		54,957,522	40,393,983
Programming		9,461,284	9,739,703
Arts education		11,480,480	11,478,635
Other programs		9,033,011	9,033,011
Total endowment fund corpus net assets		84,932,297	70,645,332
Total net assets with donor restrictions	$	118,204,934	102,375,600

NJPAC’s endowment consists of seventy-four funds that have been established to support general operations and certain programs. These funds are invested by NJPAC. As required by GAAP, net assets associated with endowment funds are classified and reported based upon the existence or absence of donor-imposed restrictions.

(a) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires NJPAC to retain as a fund of perpetual duration. There were four funds with deficiencies as of June 30, 2020, amounting to $(29,382). The corpus amount of these funds at June 30, 2020 was $1,161,310.

(b) Interpretation of Relevant Law

The Board of Directors of NJPAC has interpreted the State of New Jersey Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring a prudent spending policy (referenced below) that contributes to the preservation of capital in donor-restricted endowment funds. Absent specific donor stipulations to the contrary, the act allows for spending below the fair value of the original gift, consistent with a prudent spending policy. NJPAC classifies as endowment fund corpus net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The investment income earned on the accumulations to the endowment fund corpus is classified as time or purpose restricted net assets until the donor-imposed restrictions have been met.

(c) Spending Policy

NJPAC's endowment spending policy is based on 5% of the trailing 20 quarterly average fair value as of March 31 of the preceding fiscal year. In fiscal year 2019, the Board of Directors amended the policy, allowing the annual transfer to be based on the June 30 value of new gifts (those received during fiscal year 2019 and beyond), in year one, and the average of the accumulated trailing quarterly values in years two through five. In fiscal year 2020, the Board of Directors amended the policy to reduce the annual spending rate from 5% to 4.75% over 5 years. In fiscal year 2021, the spending policy will be 4.94% of the trailing 20 quarterly average fair value. Certain endowment gifts require earnings in excess of the spending rate to be held for long-term investment.

The appropriation for endowment spending for fiscal year 2021 is $3,630,000.

(d) Return Objectives and Risk Parameters

NJPAC has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of income and growth, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that NJPAC must hold in perpetuity. Under this policy, as approved by NJPAC's Board of Directors, the endowment assets are invested in a manner that is intended to produce moderate to high rates of return while assuming a moderate to low level of investment risk.

NJPAC has no board-designated endowment funds. The following represents NJPAC's donor-restricted endowment funds at June 30, 2020 and 2019:

	June 30, 2020		
	With donor restrictions		
	Accumulated gains	Original gift	Total
Donor-restricted endowment funds	$ 11,736,105	84,932,297	96,668,402

		June 30, 2019		
		With donor restrictions		
		Accumulated gains	Original gift	Total
Donor-restricted endowment funds	$	15,326,949	70,645,332	85,972,281

The following table presents changes in endowments for the years ended June 30, 2020 and 2019:

		With donor restrictions		
		Accumulated gains	Original gift	Total
Endowment net assets at June 30, 2018	$	15,978,470	70,532,897	86,511,367
Investment income (loss)		1,238,824	(18,453)	1,220,371
Net realized and unrealized gains (loss)		1,619,655	(24,126)	1,595,529
Contributions, net		—	155,014	155,014
Appropriation for expenditure		(3,510,000)	—	(3,510,000)
Endowment net assets at June 30, 2019		15,326,949	70,645,332	85,972,281
Investment income (loss)		1,209,084	(92,878)	1,116,206
Net realized and unrealized loss		(1,159,928)	(185,540)	(1,345,468)
Contributions, net		—	14,565,383	14,565,383
Appropriation for expenditure		(3,640,000)	—	(3,640,000)
Endowment net assets at June 30, 2020	$	11,736,105	84,932,297	96,668,402

(9) Retirement Savings Plan

NJPAC has a 401(k) retirement savings plan that covers substantially all regular salaried employees who have attained 21 years of age and completed three months of service. The plan provides for NJPAC matching contributions based on the amount of employees' contributions. Expenses related to this plan, including the match, amounted to approximately $182,300 and $203,500 for the years ended June 30, 2020 and 2019, respectively.

NJPAC has instituted a Supplemental 457(b) Retirement Plan that is available to key employees of the organization. This plan is funded by voluntary employee salary deferrals in accordance with regulations established under Section 457(b) of the Internal Revenue Code.

(10) Advance on Conditional Grant

In 2019, a donor made a $20 million pledge to NJPAC to fund the design and construction of a multi-purpose education and community center (the Center) and the creation of an endowment to support the operating costs of the Center. Of the $20 million pledge, $19.5 million is subject to certain construction-related conditions. The remaining $0.5 million was unconditional and recorded as contributions revenue in the consolidated statement of activities in 2019. Through June 30, 2020, $6 million was received on this pledge. Of the $6 million received, $5.5 million remains conditional at June 30, 2020 and was therefore recorded as an advance on conditional grant in the consolidated balance sheets.

(11) Liquidity and Availability

NJPAC manages its liquidity by developing annual operating and capital budgets that provide sufficient funds for general expenditures. As of June 30, financial asset and liquidity resources available within one year for general expenditures, such as operating expenses and capital are as follows:

		2020	2019
Cash and cash equivalents	$	1,833,631	2,657,609
Contributions and grants receivable, due within one year		9,858,149	11,619,568
Accounts receivable, net		2,951,134	3,523,827
Balance of Board approved endowment spending not yet funded as of June 30		3,630,000	2,640,000
Total financial assets available for general expenditures within one year		18,272,914	20,441,004
Liquidity resources available:			
Special use reserve funds, available for operations upon approval		3,452,978	1,598,689
Total financial assets and liquidity resources available within one year	$	21,725,892	22,039,693

Although NJPAC does not intend to spend from its endowment investment gains, other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from NJPAC’s unappropriated endowment investment gains balance of $8,106,105 as of June 30, 2020 could be made available, if necessary, and in accordance with UPMIFA.

In response to uncertainty around NJPAC’s ability to resume normal operations, the Executive Committee approved a $3,000,000 endowment loan to operations, if needed, to offset the negative financial impact of an extended pandemic related closure.

(12) Impact of COVID-19

The spread of COVID-19 around the world during 2020 has caused significant volatility in U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and as such, NJPAC is unable to definitively determine the long-term impact to its financial status. On March 16, 2020, NJPAC ceased all public in-person events in response to a City of Newark order designed to contain the spread of COVID-19. The closure resulted in operational losses that were funded by a $1,079,914 State of New Jersey (State) grant and proceeds from a $3,275,167 PPP loan under the Federal CARES Act (note 6). At June 30, 2020, both the $1,079,914 restricted State grant and $3,079,914 of related expenses are classified as special purpose activities within the consolidated financial statements. In fiscal year 2021, the forgiven portion of the PPP loan will be applied against the remaining fund balance. During the year, a major donor released the restriction on a $6,000,000 endowment gift, and the funds were reclassified from net assets with donor restrictions – endowment fund corpus to net assets with donor restrictions – time or purpose restricted, of which $2,000,000 was received in 2020 and released from donor restrictions.

(13) Subsequent Events

NJPAC evaluated events subsequent to June 30, 2020 and through October 29, 2020, the date on which the consolidated financial statements were available to be issued and determined that no additional disclosures were required.