



NEW JERSEY PERFORMING ARTS CENTER CORPORATION

Consolidated Financial Statements

June 30, 2024 and 2023

(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:

Opinion

We have audited the consolidated financial statements of New Jersey Performing Arts Center Corporation (NJPAC), which comprise the consolidated balance sheets as of June 30, 2024 and 2023, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of NJPAC as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the NJPAC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the NJPAC's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the NJPAC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the NJPAC's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental information included in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the consolidated 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 2024 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2024 consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2024 consolidated financial statements or to the 2024 consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the 2024 consolidated financial statements as a whole.

KPMG LLP

New York, New York
October 31, 2024

NEW JERSEY PERFORMING ARTS CENTER CORPORATION

Consolidated Balance Sheets

June 30, 2024 and 2023

Assets	2024	2023
Cash and cash equivalents	\$ 86,268,539	30,742,938
Accounts receivable, net of allowance for doubtful accounts of of \$79,620 in 2024 and 2023	7,917,702	3,948,418
Contributions and grants receivable, net (notes 4 and 6)	30,060,322	31,025,657
Prepaid expenses and other assets (note 6)	4,624,395	3,080,155
Investments (note 3)	124,098,916	112,998,467
Notes receivable (note 12)	16,931,200	—
Property and equipment, net (note 5)	104,967,949	101,108,448
Total assets	\$ <u>374,869,023</u>	<u>282,904,083</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 7,894,284	5,560,899
Advance ticket sales and other deferred revenue	3,524,039	4,172,298
Loans payable (note 6)	77,385,039	3,239,090
Advance on conditional grants (note 10)	11,690,874	12,939,089
Other liabilities (notes 2 and 7)	668,422	665,149
Total liabilities	<u>101,162,658</u>	<u>26,576,525</u>
Commitments and contingencies (notes 3 and 7)		
Net assets:		
Net assets without donor restrictions:		
Designated for special purposes, including net investment in property and equipment	120,714,130	114,334,551
Operations	—	—
Total net assets without donor restrictions	<u>120,714,130</u>	<u>114,334,551</u>
Net assets with donor restrictions (note 8):		
Time or purpose restricted	49,559,178	39,784,137
Endowment fund corpus – endowment	103,433,057	102,208,870
Total net assets with donor restrictions	<u>152,992,235</u>	<u>141,993,007</u>
Total net assets	<u>273,706,365</u>	<u>256,327,558</u>
Total liabilities and net assets	\$ <u>374,869,023</u>	<u>282,904,083</u>

See accompanying notes to consolidated financial statements.

NEW JERSEY PERFORMING ARTS CENTER CORPORATION

Consolidated Statement of Activities

Year ended June 30, 2024

	Without restriction		Total	With restrictions	Total
	Operations	Designated for special purposes			
Operating expenses:					
Performance and performance related	\$ 33,521,990	1,896,237	35,418,227	—	35,418,227
Arts education	4,523,131	336,355	4,859,486	—	4,859,486
Theater operations	11,208,125	1,719,066	12,927,191	—	12,927,191
Marketing and communications	4,621,097	137,989	4,759,086	—	4,759,086
Real estate	—	3,937,023	3,937,023	—	3,937,023
General and administrative	6,226,914	81,978	6,308,892	—	6,308,892
Development	2,765,515	251,897	3,017,412	—	3,017,412
	<u>62,866,772</u>	<u>8,360,545</u>	<u>71,227,317</u>	<u>—</u>	<u>71,227,317</u>
Operating revenue and other support:					
Earned revenue and gains:					
Performance and performance related	33,924,904	—	33,924,904	—	33,924,904
Arts education	214,677	—	214,677	—	214,677
Investment income, net (note 3)	5,806,428	857,233	6,663,661	8,349,886	15,013,547
Other business income	5,989,174	1,810,304	7,799,478	—	7,799,478
Total earned revenue and gains	<u>45,935,183</u>	<u>2,667,537</u>	<u>48,602,720</u>	<u>8,349,886</u>	<u>56,952,606</u>
Net contributed revenue:					
Contributions, net (notes 4 and 6)	8,192,643	3,809,938	12,002,581	7,456,624	19,459,205
Special events, net of expenses of \$798,082	1,478,423	—	1,478,423	—	1,478,423
Government grants (note 4)	6,008,562	4,341,409	10,349,971	397,989	10,747,960
Net assets released from restrictions	5,205,271	—	5,205,271	(5,205,271)	—
Total net contributed revenue	<u>20,884,899</u>	<u>8,151,347</u>	<u>29,036,246</u>	<u>2,649,342</u>	<u>31,685,588</u>
	<u>66,820,082</u>	<u>10,818,884</u>	<u>77,638,966</u>	<u>10,999,228</u>	<u>88,638,194</u>
Nonoperating activities:					
Transfers to cover certain property and equipment activity	(346,306)	346,306	—	—	—
Transfer to special purpose fund	(547,222)	547,222	—	—	—
Transfer to reserve funds	(3,027,712)	3,027,712	—	—	—
Change in fair value of interest rate swap (note 6)	(32,070)	—	(32,070)	—	(32,070)
Total nonoperating activities	<u>(3,953,310)</u>	<u>3,921,240</u>	<u>(32,070)</u>	<u>—</u>	<u>(32,070)</u>
Increase in net assets	—	6,379,579	6,379,579	10,999,228	17,378,807
Net assets at beginning of year	—	114,334,551	114,334,551	141,993,007	256,327,558
Net assets at end of year	\$ <u>—</u>	<u>120,714,130</u>	<u>120,714,130</u>	<u>152,992,235</u>	<u>273,706,365</u>

See accompanying notes to consolidated financial statements.

NEW JERSEY PERFORMING ARTS CENTER CORPORATION

Consolidated Statement of Activities

Year ended June 30, 2023

	Without restriction			With restrictions	Total
	Operations	Designated for special purposes	Total		
Operating expenses:					
Performance and performance related	\$ 33,223,347	1,762,841	34,986,188	—	34,986,188
Arts education	4,267,492	324,484	4,591,976	—	4,591,976
Theater operations	10,627,514	1,924,107	12,551,621	—	12,551,621
Marketing and communications	4,178,442	98,226	4,276,668	—	4,276,668
Real estate	—	1,921,660	1,921,660	—	1,921,660
General and administrative	5,700,546	136,523	5,837,069	—	5,837,069
Development	2,508,862	356,891	2,865,753	—	2,865,753
	<u>60,506,203</u>	<u>6,524,732</u>	<u>67,030,935</u>	<u>—</u>	<u>67,030,935</u>
Operating revenue and other support:					
Earned revenue and gains:					
Performance and performance related	31,507,481	—	31,507,481	—	31,507,481
Arts education	338,384	—	338,384	—	338,384
Investment income, net (note 3)	5,317,406	140,185	5,457,591	5,316,617	10,774,208
Other business income	6,971,211	1,018,417	7,989,628	—	7,989,628
Total earned revenue and gains	<u>44,134,482</u>	<u>1,158,602</u>	<u>45,293,084</u>	<u>5,316,617</u>	<u>50,609,701</u>
Net contributed revenue:					
Contributions, net (notes 4 and 6)	6,452,882	3,134,627	9,587,509	12,734,998	22,322,507
Special events, net of expenses of \$1,023,713	1,475,001	—	1,475,001	24,500	1,499,501
Government grants (note 4)	5,895,094	6,101,518	11,996,612	483,803	12,480,415
Net assets released from restrictions	5,502,884	—	5,502,884	(5,502,884)	—
Total net contributed revenue	<u>19,325,861</u>	<u>9,236,145</u>	<u>28,562,006</u>	<u>7,740,417</u>	<u>36,302,423</u>
	<u>63,460,343</u>	<u>10,394,747</u>	<u>73,855,090</u>	<u>13,057,034</u>	<u>86,912,124</u>
Nonoperating activities:					
Transfers to cover certain property and equipment activity	(232,833)	232,833	—	—	—
Transfer to special purpose fund	422,397	(422,397)	—	—	—
Transfer to Reserve funds	(3,162,912)	3,162,912	—	—	—
Change in fair value of interest rate swap (note 6)	19,208	—	19,208	—	19,208
Total nonoperating activities	<u>(2,954,140)</u>	<u>2,973,348</u>	<u>19,208</u>	<u>—</u>	<u>19,208</u>
Increase (decrease) in net assets	—	6,843,363	6,843,363	13,057,034	19,900,397
Net (deficit) assets at beginning of year	—	107,491,188	107,491,188	128,935,973	236,427,161
Net assets at end of year	\$ <u>—</u>	<u>114,334,551</u>	<u>114,334,551</u>	<u>141,993,007</u>	<u>256,327,558</u>

See accompanying notes to consolidated financial statements.

NEW JERSEY PERFORMING ARTS CENTER CORPORATION

Consolidated Statement of Functional Expenses

Year ended June 30, 2024
(with comparative totals for 2023)

	Performance and performance related	Arts education	Theater operations	Marketing and communications	Real estate	General and administrative	Development	Total expenses	
								2024	2023
Salaries	\$ 3,982,015	2,767,526	3,167,013	2,809,927	—	3,126,022	1,836,490	17,688,993	16,146,223
Benefits	1,005,225	503,320	1,236,270	539,359	—	959,568	358,153	4,601,895	3,850,624
Fees	17,730,564	591,729	77,426	860,659	—	772,852	44,607	20,077,837	21,009,158
Promotion expenses	4,096,544	144,206	7,345	121,728	—	9,866	179,475	4,559,164	3,746,685
Utilities and maintenance	1,059,131	106,806	2,267,962	121,474	—	10,353	4,004	3,569,730	3,216,243
Travel, conferences, and publications	1,092,722	244,880	165,611	104,111	—	181,087	76,286	1,864,697	1,602,504
Printing and reproduction	1,116	3,914	6,272	2,705	—	4,465	34,468	52,940	208,644
Office and building supplies	25,433	73,334	212,035	47,360	—	193,363	11,448	562,973	533,975
Telecommunications	—	—	720	—	—	149,691	(30)	150,381	228,903
Insurance	53,674	890	792,744	—	—	—	—	847,308	763,066
Production expense	2,981,299	19,009	255,802	4,772	—	26,122	4,236	3,291,240	3,801,688
Credit card and ticket processing	2,393	110	1,105,312	332	—	1,560	34,484	1,144,191	1,139,261
Interest expense	13,928	1,634	2,095	410	—	19,298	375	37,740	2,652
Parking and lease-related expenses	1,240,529	—	1,769,812	—	—	—	—	3,010,341	2,868,261
Provision for doubtful accounts	—	—	—	—	—	—	31,105	31,105	80,000
Miscellaneous	237,417	65,773	141,706	8,260	—	772,667	150,414	1,376,237	1,308,316
	<u>33,521,990</u>	<u>4,523,131</u>	<u>11,208,125</u>	<u>4,621,097</u>	<u>—</u>	<u>6,226,914</u>	<u>2,765,515</u>	<u>62,866,772</u>	<u>60,506,203</u>
Special purpose activities:									
Depreciation	1,896,237	336,355	1,719,066	137,989	—	81,978	77,666	4,249,291	4,276,487
Salaries and benefits	—	—	—	—	400,017	—	90,231	490,248	572,750
Professional fees	—	—	—	—	1,642,842	—	84,000	1,726,842	1,509,687
Other	—	—	—	—	1,894,164	—	—	1,894,164	165,808
	<u>\$ 35,418,227</u>	<u>4,859,486</u>	<u>12,927,191</u>	<u>4,759,086</u>	<u>3,937,023</u>	<u>6,308,892</u>	<u>3,017,412</u>	<u>71,227,317</u>	<u>67,030,935</u>
Special events expenses								798,082	1,023,713
Total expenses								<u>\$ 72,025,399</u>	<u>68,054,648</u>

See accompanying notes to consolidated financial statements.

NEW JERSEY PERFORMING ARTS CENTER CORPORATION

Consolidated Statement of Functional Expenses

Year ended June 30, 2023

	Performance and performance related	Arts education	Theater operations	Marketing and communications	Real estate	General and administrative	Development	Total expenses 2023
Salaries	\$ 3,443,047	2,453,487	3,027,152	2,597,841	—	3,237,027	1,387,669	16,146,223
Benefits	892,796	447,856	1,171,625	507,599	—	573,494	257,254	3,850,624
Fees	18,685,965	726,523	28,281	703,667	—	774,723	89,999	21,009,158
Promotion expenses	3,384,301	132,169	10,582	54,595	—	18,326	146,712	3,746,685
Utilities and maintenance	893,402	89,188	2,092,949	121,496	—	14,855	4,353	3,216,243
Travel, conferences, and publications	881,524	176,737	149,957	114,223	—	194,365	85,698	1,602,504
Printing and reproduction	3,818	10,844	11,864	17,368	—	1,733	163,017	208,644
Office and building supplies	52,720	143,173	203,684	44,731	—	76,034	13,633	533,975
Telecommunications	360	—	1,519	—	—	226,664	360	228,903
Insurance	49,210	1,309	710,818	—	—	1,729	—	763,066
Production expense	3,495,374	50,263	230,173	7,651	—	17,997	230	3,801,688
Credit card and ticket processing	6,055	55	1,098,785	375	—	502	33,489	1,139,261
Interest expense	1,950	237	345	59	—	61	—	2,652
Parking and lease-related expenses	1,097,084	—	1,771,177	—	—	—	—	2,868,261
Provision for doubtful accounts	—	—	—	—	—	—	80,000	80,000
Miscellaneous	335,741	35,651	118,603	8,837	—	563,036	246,448	1,308,316
	<u>33,223,347</u>	<u>4,267,492</u>	<u>10,627,514</u>	<u>4,178,442</u>	<u>—</u>	<u>5,700,546</u>	<u>2,508,862</u>	<u>60,506,203</u>
Special purpose activities:								
Depreciation	1,762,841	324,484	1,924,107	98,226	—	93,159	73,670	4,276,487
Salaries and benefits	—	—	—	—	373,529	—	199,221	572,750
Professional fees	—	—	—	—	1,425,687	—	84,000	1,509,687
Other	—	—	—	—	122,444	43,364	—	165,808
	<u>\$ 34,986,188</u>	<u>4,591,976</u>	<u>12,551,621</u>	<u>4,276,668</u>	<u>1,921,660</u>	<u>5,837,069</u>	<u>2,865,753</u>	<u>67,030,935</u>
Special events expenses								<u>1,023,713</u>
Total expenses								<u>\$ 68,054,648</u>

See accompanying notes to consolidated financial statements.

NEW JERSEY PERFORMING ARTS CENTER CORPORATION

Consolidated Statements of Cash Flows

Years ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Increase in net assets	\$ 17,378,807	19,900,397
Adjustments to reconcile increase in net assets to net cash (used in) provided by operating activities:		
Depreciation	4,249,291	4,276,487
Provision for doubtful accounts	31,105	80,000
Change in asset retirement obligation	8,528	8,280
Amortization of fixed rent	(1,018,005)	(317,784)
Net realized and unrealized investment gains	(11,648,858)	(9,079,459)
Change in fair value of interest rate swap	32,070	(19,208)
Contributions and investment income for endowment	(1,224,187)	(2,771,230)
Contributions for capital	(7,500,000)	(1,809,223)
Changes in operating assets and liabilities:		
Accounts receivable	(2,982,384)	1,645,939
Contributions and grants receivable	(735,918)	(5,722,809)
Prepaid expenses and other assets	(1,544,240)	(800,981)
Accounts payable and accrued expenses	2,333,385	1,919,877
Advance ticket sales and other deferred revenue	(648,259)	1,291,662
Advance on conditional grant	(1,248,215)	4,169,937
Other liabilities	9,983	275,575
Net cash (used in) provided by operating activities	<u>(4,506,897)</u>	<u>13,047,460</u>
Cash flows from investing activities:		
Investment in property and equipment	(8,108,792)	(5,624,896)
Proceeds from sales of investments	37,036,128	17,985,487
Purchases of investments	<u>(36,487,719)</u>	<u>(16,916,101)</u>
Net cash used in investing activities	<u>(7,560,383)</u>	<u>(4,555,510)</u>
Cash flows from financing activities:		
Repayment of loans	(340,907)	(329,767)
Proceeds from loans	74,486,856	621,464
Proceeds for note receivable	(16,931,200)	—
Repayment of capital lease	(47,308)	(70,471)
Cash received for endowment	2,925,440	2,607,179
Cash received for capital	<u>7,500,000</u>	<u>1,809,223</u>
Net cash provided by financing activities	<u>67,592,881</u>	<u>4,637,628</u>
Net increase in cash and cash equivalents	55,525,601	13,129,578
Cash and cash equivalents at beginning of year	<u>30,742,938</u>	<u>17,613,360</u>
Cash and cash equivalents at end of year	\$ <u>86,268,539</u>	\$ <u>30,742,938</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 18,870	2,706

See accompanying notes to consolidated financial statements.

NEW JERSEY PERFORMING ARTS CENTER CORPORATION

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

(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, civic engagement, 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, virtual, 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.

Marketing and communications – 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 or AEE 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. The single-member LLCs are treated as disregarded entities for federal tax purposes. 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 purpose of HHNT is to produce and present touring performances of The Hip Hop Nutcracker. HHNT was formed in June 2015 and started operations in July 2015.

NEW JERSEY PERFORMING ARTS CENTER CORPORATION

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

In fiscal year 2024, NJPAC established TS 2 Development Corporation (TS2) as a supporting organization of NJPAC to acquire, lease, renovate and improve real estate and to acquire public financing and tax credit financing. Specifically, TS2 was created to develop the Cooperman Family Arts Education and Community Center (Cooperman) and to contract as necessary to participate in federal and State of New Jersey investment tax credits.

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 \$27,500 during 2023. 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), and Theater Square Development Company, LLC.

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(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 an 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, 2024 and 2023 for \$23,427 and \$26,295, respectively. The conditional asset retirement obligation included in other liabilities is \$440,790 and \$455,689 at June 30, 2024 and 2023, 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 \$2.1 million and \$3.2 million in 2024 and 2023, respectively, and will be recognized as revenue in the subsequent period.

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(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.

(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, 2024 and 2023 was 4.54% and 3.89%, 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 professional services in the amount of \$661,993 and \$182,508 for the years ended June 30, 2024 and 2023, 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.

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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 the amounts disclosed.

(l) Advertising Expenses

Advertising expenses related to future performances are expensed as incurred. Advertising expenses amount to approximately \$3,241,000 and \$2,341,000 in 2024 and 2023, 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. 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.

Certain transactions 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. Management estimates that there are no material tax liabilities that need to be recorded on June 30, 2024, or 2023.

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(o) Functional Classification of Expenses

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

(p) Leases

NJPAC assesses contracts at inception to determine whether an arrangement includes a lease. Right of use operating lease assets represents NJPAC's right to use the underlying assets and right of use operating lease liability represents NJPAC's obligation to make lease payments for the use of the leased asset. NJPAC has elected the short-term lease exemption for leases with a term of twelve months or less. NJPAC recognizes right of use assets and lease liabilities based on the present value of lease payments over the lease term at commencement date. The rate implicit in NJPAC's leases typically is not readily determinable. As a result, a risk free rate of a comparable time period is used.

(q) Reclassifications

Certain reclassifications of 2024 amounts have been made to conform to the 2023 presentation.

(r) Newly Adopted Accounting Pronouncement

During 2024, NJPAC adopted Accounting Standards Update (ASU) 2016-13: *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, effective for NJPAC's fiscal year ending June 30, 2024, which required NJPAC to review and update its methodology for assessing credit losses for its assets, and the estimated allowance for doubtful accounts. The Standard requires that the estimate incorporate current conditions and reasonable and supportable forecasts and not rely solely on historical loss experience. Management has evaluated its estimate of credit loss on its assets in accordance with the ASU and has determined that this ASU did not have a significant impact on NJPAC's consolidated financial statements.

(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.

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The following tables summarize NJPAC's investments by major category in the fair value hierarchy as of June 30, 2024 and 2023:

		June 30, 2024			
		Total	Level 1	Level 2	Level3
Investments:					
Cash equivalents	\$	14,669,884	14,669,884	—	—
Mutual funds and stocks:					
Common Stock – US		15,925,071	15,925,071	—	—
Mutual funds		64,869,945	64,869,945	—	—
Total		95,464,900	\$ 95,464,900	—	—
Alternative investment funds:					
Hedged strategies (a)		14,991,542			
Private equity (b)		11,479,022			
Commingled trust (c)		2,163,452			
Total		28,634,016			
Total investments	\$	124,098,916			

		June 30, 2023			
		Total	Level 1	Level 2	Level 3
Investments:					
Cash equivalents	\$	9,967,723	9,967,723	—	—
Redemption receivable		5,200,000	5,200,000	—	—
Mutual funds and stocks:					
Common Stock – US		12,039,949	12,039,949	—	—
Mutual funds		60,654,027	60,654,027	—	—
Total		87,861,699	\$ 87,861,699	—	—
Alternative investment funds:					
Hedged strategies (a)		13,859,492			
Private equity (b)		9,268,198			
Commingled trust (c)		2,009,078			
Total		25,136,768			
Total investments	\$	112,998,467			

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- (a) NJPAC’s alternative investments in four hedged strategy funds amounted to \$14,991,542 at June 30, 2024 and \$13,859,492 at June 30, 2023. These include \$10,286 in 2024 and \$13,728 in 2023 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 \$14,981,256 in 2024 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.
- (b) NJPAC’s alternative investment funds in private equity of \$11,479,022 and \$9,268,198 at June 30, 2024 and 2023, respectively, were made through twelve limited partnerships in 2024 and nine limited partnerships in 2023. Certain partnerships have limited existence and provide for annual extensions for the purpose of disposing of 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. In other partnerships, 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, 2024, NJPAC has potential future capital call commitments of approximately \$6,089,081 to these private equity funds.
- (c) NJPAC’s investment in one commingled trust fund amounted to \$2,163,452 and \$2,009,078 at June 30, 2024 and 2023, respectively. The fund invests primarily in long-term investments in international equities and offers monthly redemptions with 30-day notice.

The following summarizes investment income components for the years ended June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Investment income, net:		
Interest and dividends	\$ 3,364,689	1,694,749
Net realized gains	67,351	2,250,760
Net unrealized gains in fair value of investments	<u>11,581,507</u>	<u>6,828,699</u>
	<u>\$ 15,013,547</u>	<u>10,774,208</u>

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(4) Contributions and Grants Receivable

Contributions and grants receivable at June 30, 2024 and 2023 are scheduled to be collected as follows:

	2024	2023
Amount due in:		
One year	\$ 14,198,536	11,031,544
Two to five years	15,441,000	16,216,000
More than five years	1,669,502	4,922,563
Total contributions and grants receivable	31,309,038	32,170,107
Less:		
Adjustment to reflect contributions and grants receivable at discounted value 3.59% to 4.54%	1,248,716	1,144,450
Contributions and grants receivable, net	\$ 30,060,322	31,025,657

During fiscal year 2024, NJPAC recognized revenue of \$13.5 million in State and Federal appropriated funds, of which \$8.9 million of State funding was designated for general operations, capital projects, and the state-wide “North-to-Shore” concert series.

In total, the New Jersey State Council on the Arts awarded NJPAC grants of \$1,433,100 and \$1,330,000 for fiscal years 2024 and 2023, respectively, for general operating support. Grant receivables of \$348,275 and \$357,500 for these awards are included in contributions and grants receivable in the accompanying consolidated balance sheets at June 30, 2024 and 2023, respectively.

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. On June 30, 2024 and 2023, contributions receivable from The Trust were \$756,641. 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 \$3,158,360, 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, 2024 and 2023, the Strategic Reserve Fund balance was \$19,906,402 and \$16,878,690, respectively. Contributions to the Strategic Reserve Fund are reported as net assets without donor restrictions in the consolidated statements of activities.

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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, 2024 was \$1,210,059 of which \$620,211 is reported as net assets without donor restrictions and \$598,848 as net assets with donor restrictions in the 2024 consolidated statement of activities. Fund balance as of June 30, 2023 was \$1,161,375 of which \$620,211 is reported as net assets without donor restrictions and \$541,164 as net assets with donor restrictions in the 2023 consolidated statement of activities.

Contributions from members of the Board of Directors amounted to approximately \$1,735,000 and \$1,466,000 for the years ended June 30, 2024 and 2023, respectively.

At June 30, 2024, 22% of contributions and grants receivables were due from one donor, compared to 25% at June 30, 2023. Additionally, 11% of contributions revenue for the year ended June 30, 2024 were from one donor, compared to 14% for the year ended June 30, 2023.

(5) Property and Equipment

Property and equipment consist of the following at June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Land	\$ 22,975,341	22,975,341
Theater building	137,514,502	137,514,502
Parking garage	10,421,794	10,421,794
Other building	4,708,360	4,708,360
Furniture, fixtures, and improvements	31,277,917	29,457,342
Work in progress	<u>9,501,562</u>	<u>3,213,345</u>
	216,399,476	208,290,684
less accumulated depreciation	<u>(111,431,527)</u>	<u>(107,182,236)</u>
Property and equipment, net	\$ <u>104,967,949</u>	<u>101,108,448</u>

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(6) Loans Payable

Loans payable at June 30, 2024 and 2023 consist of the following:

	2024	2023
TD Bank:		
Term loan with a due date of December 31, 2026. Loan is payable in specified monthly installments of interest and principal. Interest at June 30, 2024 is 7.13%. (a)(b)(d)	\$ 885,039	1,225,946
Borrowings under a working capital line of credit of up to \$4,000,000 through March 31, 2025. Interest at June 30, 2024 is 7.34% (SOFR plus 2%). (a)	—	—
Tax Exempt Bond with a due date of March 21, 2034. Consecutive monthly payments of interest-only for 36 months. Interest at June 30, 2024 is 5.53%. (e)	50,000,000	—
Prudential Foundation:		
Borrowings under an unsecured line of credit of up to \$2,500,000 through November 12, 2025. Interest at June 30, 2024 is 2.0%. (c)	2,500,000	2,013,144
Borrowings under an unsecured line of credit of up to \$1,000,000 through March 29, 2025. Interest at June 30, 2024 is 8.45% (LIBOR plus 3%). (a)	—	—
NJPAC Cooperman Investment Fund, LLC		
A promissory note with a 30 year term loan. Interest only quarterly payments due now until 2031. After 2031 principal and interest payment will continue through completion in 2054. Interest at June 30, 2024 is 1.0972%. (f)	24,000,000	—
Total	\$ 77,385,039	3,239,090

- (a) Collateral for these loans and lines of credit consists 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) 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 SOFR plus 1.8%, (6.96% at June 30, 2024). The term of this interest swap is ten years.
- (c) Effective November 12, 2020, NJPAC secured funding of up to \$2,500,000 for pre-development costs on certain construction projects from the Prudential Foundation. Collateral for this loan consists of a continuing security interest in all Lot A development project property.

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- (d) NJPAC has recorded the change in the fair value of interest rate swaps of \$32,070 and \$19,208 in the consolidated statements of activities for the years ended June 30, 2024 and 2023, respectively, as a change in net assets without donor restriction in the non-operating section. The fair value of the interest rate swaps of \$33,412 and \$65,481 have been recorded in other assets, in the consolidated balance sheets as of June 30, 2024 and 2023.
- (e) Effective, March 21, 2024, NJPAC secured a \$50M tax-exempt bond issued by the New Jersey Economic Development Authority to undertake a project generally consisting of the development of a new Cooperman Family Arts Education and Community Center, along with renovations and improvements on NJPAC's existing campus. As well as the acquisition and renovation of 31 Mulberry Street building.
- (f) Effective, March 21, 2024, TS2 entered into an agreement with NJPAC Cooperman Investment Fund Inc. (an entity wholly owned by the tax credit investor), to borrow \$24 million for construction purposes.

Interest expense for the years ended June 30, 2024 and 2023 was \$18,820 and \$37,790, respectively.

Required principal payments for the aforementioned loans at June 30, 2024 are as follows:

	<u>Amount</u>
Year ending June 30:	
2025	\$ 349,573
2026	2,830,760
2027	550,429
2028	1,385,109
2029	6,229,931
Thereafter	<u>66,039,237</u>
	<u>\$ 77,385,039</u>

(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

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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, 2024 and June 30, 2023, 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 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. In 2024 and 2023, the total due to/(from) the Parking Authority of the City of Newark amounted to (\$90,881) and \$92,131, respectively. The lease is a net sublease, and all expenses of operation and repair are paid by NJPAC.

(c) Capital Leases

NJPAC maintains one capital lease agreement for office equipment. The value of the equipment leased is \$355,413 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 \$227,632 at June 30, 2024 and \$274,941 at June 30, 2023.

(d) 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 the rent commencement date of eighteen months after issuance of a 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 the 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:		
2025	\$	800,281
2026		800,281
2027		875,281
2028		975,281
2029		1,025,281
Later years		93,825,875

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(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, 2024 and 2023 are as follows:

	2024	2023
Time or purpose restricted:		
Future operations	\$ 36,645,879	27,530,316
Programming	3,066,215	1,846,795
Arts education	2,198,986	759,200
Other programs	7,648,098	9,647,826
Total time or purpose restricted net assets	49,559,178	39,784,137
Endowment fund corpus:		
Income to be used for:		
Unrestricted	67,747,771	66,636,056
Programming	9,989,435	9,721,786
Arts education	15,457,825	15,443,166
Other programs	10,238,026	10,407,862
Total endowment fund corpus net assets	103,433,057	102,208,870
Total net assets with donor restrictions	\$ 152,992,235	141,993,007

NJPAC's endowment consists of seventy-eight 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 on 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, 2024, amounting to (\$52,228) with a corpus amount of \$2,405,000. There were eight funds with deficiencies as of June 30, 2023, amounting to (\$374,330). The corpus amount of these funds was \$5,648,444.

(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 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

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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 was 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 2024, the spending policy was 4.75% of the trailing 20 quarterly average fair value on gifts received before June 30, 2019, plus 4.82% of the average rate on June 30, 2023 for gifts received after June 30, 2019. 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 2025 is \$5,376,000.

(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, 2024 and 2023:

	June 30, 2024		
	With donor restrictions		
	Accumulated gains	Original gift	Total
Donor-restricted endowment funds	\$ 26,932,191	103,433,057	130,365,248
	June 30, 2023		
	With donor restrictions		
	Accumulated gains	Original gift	Total
Donor-restricted endowment funds	\$ 18,661,124	102,208,868	120,869,992

NEW JERSEY PERFORMING ARTS CENTER CORPORATION

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

The following table presents changes in endowments for the years ended June 30, 2024 and 2023:

	With donor restrictions		
	Accumulated gains	Original gift	Total
Endowment net assets at June 30, 2022	\$ 12,441,339	99,437,639	111,878,978
Investment income	1,639,543	27,766	1,667,309
Net realized and unrealized gains	8,607,600	145,771	8,753,371
Contributions, net	—	2,597,692	2,597,692
Reclassification	1,147,642	—	1,147,642
Appropriation for expenditure	<u>(5,175,000)</u>	<u>—</u>	<u>(5,175,000)</u>
Endowment net assets at June 30, 2023	18,661,124	102,208,868	120,869,992
Investment income	2,124,864	12,611	2,137,475
Net realized and unrealized gains	11,155,533	66,210	11,221,743
Contributions, net	—	1,145,367	1,145,367
Reclassification	150,670	—	150,670
Appropriation for expenditure	<u>(5,160,000)</u>	<u>—</u>	<u>(5,160,000)</u>
Endowment net assets at June 30, 2024	<u>\$ 26,932,191</u>	<u>103,433,056</u>	<u>130,365,247</u>

(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 \$266,923 and \$252,467 for the years ended June 30, 2024 and 2023, respectively.

NJPAC has a Supplemental 457(b) Retirement Plan 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.

NJPAC instituted a Supplement Executive Retirement Plan (SERP) to provide eligible employees deferred compensation benefits in accordance with regulations established under Section 457(f) of the Internal Revenue Code. Expenses related to this plan amounted to \$300,000 and \$60,000 for the years ended June 30, 2024 and 2023 respectively.

NEW JERSEY PERFORMING ARTS CENTER CORPORATION

Notes to Consolidated Financial Statements

June 30, 2024 and 2023

(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, 2024, \$11.0 million was received on this pledge. Of the \$11 million received, \$10.5 million remains conditional at June 30, 2024 and was therefore recorded as an advance on conditional grants in the consolidated balance sheets along with interest earned.

(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 assets and liquidity resources available within one year for general expenditures, such as operating expenses and capital are as follows:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 5,178,550	20,383,179
Contributions and grants receivable, due within one year	12,292,070	9,000,544
Accounts receivable, net	6,994,299	2,210,227
Balance of Board approved endowment spending not yet funded as of June 30	<u>5,376,000</u>	<u>5,160,000</u>
Total financial assets available for general expenditures within one year	<u>\$ 29,840,919</u>	<u>36,753,950</u>

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 approximately \$21 million as of June 30, 2024 could be made available, if necessary, and in accordance with UPMIFA.

(12) Notes Receivable

A note for \$16.9 million entered into on March 21, 2024 with an entity wholly owned by the tax credit investor for the purpose of acting as a leveraged lender related to the construction of the Cooperman Family arts center. The term of the note is 29 years at a 1.00% interest rate for the term of the of the note.

(13) Subsequent Events

Subsequent to June 30, 2024, NJPAC entered into commitments of \$61.7 million related to the Cooperman Center, a construction project expected to be completed during fiscal year 2026.

NJPAC evaluated events subsequent to June 30, 2024 and through October 31, 2024, the date on which the consolidated financial statements were available to be issued and there were no additional events or transactions during the subsequent event period requiring disclosure and recognition in the consolidated financial statements.

NEW JERSEY PERFORMING ARTS CENTER CORPORATION

Consolidating Balance Sheet

June 30, 2024

Assets	NJPAC, AEE Fund, TSDC, and HHNT	TS2	Eliminations	Consolidated total
Cash and cash equivalents	\$ 63,336,828	22,931,711	—	86,268,539
Accounts receivable, net of allowance for doubtful accounts of of \$0 in 2024 and \$79,620 in 2023	7,917,702	—	—	7,917,702
Contributions and grants receivable, net	30,060,322	—	—	30,060,322
Prepaid expenses and other assets	4,624,395	—	—	4,624,395
Investments	124,098,916	—	—	124,098,916
Notes receivable	16,931,200	—	—	16,931,200
Property and equipment, net	102,642,507	2,325,442	—	104,967,949
Amounts due from affiliate	1,001,518	—	(1,001,518)	—
Total assets	<u>\$ 350,613,388</u>	<u>25,257,153</u>	<u>(1,001,518)</u>	<u>374,869,023</u>
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued expenses	\$ 7,894,284	—	—	7,894,284
Advance ticket sales and other deferred revenue	3,524,039	—	—	3,524,039
Loans payable	53,385,039	24,000,000	—	77,385,039
Advance on conditional grants	11,690,874	—	—	11,690,874
Other liabilities	668,422	—	—	668,422
Amounts due to affiliate	—	1,001,518	(1,001,518)	—
Total liabilities	<u>77,162,658</u>	<u>25,001,518</u>	<u>(1,001,518)</u>	<u>101,162,658</u>
Commitments and contingencies				
Net assets:				
Net assets without donor restrictions:				
Designated for special purposes, including net investment in property and equipment	120,458,495	255,635	—	120,714,130
Operations	—	—	—	—
Total net assets without donor restrictions	<u>120,458,495</u>	<u>255,635</u>	<u>—</u>	<u>120,714,130</u>
With donor restrictions:				
Time or purpose restricted	49,559,178	—	—	49,559,178
Endowment fund corpus	103,433,057	—	—	103,433,057
Total net assets with donor restrictions	<u>152,992,235</u>	<u>—</u>	<u>—</u>	<u>152,992,235</u>
Total net assets	<u>273,450,730</u>	<u>255,635</u>	<u>—</u>	<u>273,706,365</u>
Total liabilities and net assets	<u>\$ 350,613,388</u>	<u>25,257,153</u>	<u>(1,001,518)</u>	<u>374,869,023</u>

See accompanying independent auditors' report.

NEW JERSEY PERFORMING ARTS CENTER CORPORATION

Consolidating Statement of Activities

Year ended June 30, 2024

	NJPAC, AEE Fund, TSDC, and HHNT	TS2	Eliminations	Consolidated total
Operating expenses:				
Performance and performance related	\$ 35,418,227	—	—	35,418,227
Arts education	4,859,486	—	—	4,859,486
Theater operations	12,927,191	—	—	12,927,191
Marketing and public affairs	4,759,086	—	—	4,759,086
Real estate	3,899,351	37,672	—	3,937,023
General and administrative	6,308,892	—	—	6,308,892
Development	3,017,412	—	—	3,017,412
	<u>71,189,645</u>	<u>37,672</u>	<u>—</u>	<u>71,227,317</u>
Operating revenue and other support:				
Earned revenue and gains:				
Performance and performance related	33,924,904	—	—	33,924,904
Arts education	214,677	—	—	214,677
Investment income, net	15,013,547	—	—	15,013,547
Other business income	7,506,171	293,307	—	7,799,478
Total earned revenue and gains	<u>56,659,299</u>	<u>293,307</u>	<u>—</u>	<u>56,952,606</u>
Net contributed revenue:				
Contributions, net	19,459,205	—	—	19,459,205
Special events, net of expenses of \$798,082	1,478,423	—	—	1,478,423
Government grants	10,747,960	—	—	10,747,960
Total net contributed revenue	<u>31,685,588</u>	<u>—</u>	<u>—</u>	<u>31,685,588</u>
Nonoperating activities:				
Change in fair value of interest rate swap	(32,070)	—	—	(32,070)
Total nonoperating activities	<u>(32,070)</u>	<u>—</u>	<u>—</u>	<u>(32,070)</u>
Increase in net assets	17,123,172	255,635	—	17,378,807
Net assets at beginning of year	<u>256,327,558</u>	<u>—</u>	<u>—</u>	<u>256,327,558</u>
Net assets at end of year	<u>\$ 273,450,730</u>	<u>255,635</u>	<u>—</u>	<u>273,706,365</u>

See accompanying independent auditors' report.