MCCARTER THEATRE COMPANY
Financial Statements
June 30, 2021 and 2020
With Independent Auditor’s Report

withum
ADVISORY TAX AUDIT

McCarter Theatre Company
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June 30, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees,
McCarter Theatre Company:

Report on the Financial Statements

We have audited the accompanying financial statements of McCarter Theatre Company (a not-for-profit corporation) (the "Organization"), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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 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 financial statements referred to above present fairly, in all material respects, the financial position of McCarter Theatre Company as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

WithumSmith+Brown, PC

February 7, 2022

McCarter Theatre Company
Statements of Financial Position
June 30, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Assets						
Current assets						
Cash and cash equivalents	$ 3,654,857	$ 15,162	$ 3,670,019	$ 1,263,100	$ 40,659	$ 1,303,759
Accounts receivable and other current assets	2,050	-	2,050	7,786	-	7,786
Employee retention credit receivable	520,190	-	520,190	-	-	-
Unconditional promises to give	156,706	736,865	893,571	241,532	265,500	507,032
Prepaid expenses	49,038	-	49,038	1,458	-	1,458
Total current assets	4,382,841	752,027	5,134,868	1,513,876	306,159	1,820,035
Investments	2,344,815	32,701,773	35,046,588	1,730,469	22,606,815	24,337,284
Restricted cash and cash equivalents	19,987	-	19,987	128,005	-	128,005
Unconditional promises to give, net of current portion and discount	-	300,350	300,350	-	347,901	347,901
Charitable remainder trusts	-	685,681	685,681	-	351,489	351,489
Property and equipment, at cost, net of accumulated depreciation	999,323	-	999,323	1,337,848	-	1,337,848
Deposits	13,474	-	13,474	13,474	-	13,474
Total assets	$ 7,760,440	$ 34,439,831	$ 42,200,271	$ 4,723,672	$ 23,612,364	$ 28,336,036
Liabilities and Net Assets						
Current liabilities						
Accounts payable and accrued expenses	$ 523,366	$ -	$ 523,366	$ 341,710	$ -	$ 341,710
Line of credit	-	-	-	1,000,000	-	1,000,000
Note payable	33,236	-	33,236	41,755	-	41,755
Capital loan payable	554,494	-	554,494	105,636	-	105,636
PPP2 loan payable	1,233,690	-	1,233,690	-	-	-
Deferred revenue	935,684	-	935,684	1,177,053	-	1,177,053
Total current liabilities	3,280,470	-	3,280,470	2,666,154	-	2,666,154
Capital loan payable, net of current portion	-	-	-	534,865	-	534,865
Total liabilities	3,280,470	-	3,280,470	3,201,019	-	3,201,019
Net assets						
Without donor restrictions	4,479,970	-	4,479,970	1,522,653	-	1,522,653
With donor restrictions	-	34,439,831	34,439,831	-	23,612,364	23,612,364
Total net assets	4,479,970	34,439,831	38,919,801	1,522,653	23,612,364	25,135,017
Total liabilities and net assets	$ 7,760,440	$ 34,439,831	$ 42,200,271	$ 4,723,672	$ 23,612,364	$ 28,336,036

The Notes to Financial Statements are an integral part of these statements.

McCarter Theatre Company
Statements of Activities
Years Ended June 30, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating activities						
Public support and other revenue						
Public support						
Government	$ 853,974	$ -	$ 853,974	$ 646,820	$ -	$ 646,820
Foundations	448,200	460,650	908,850	398,000	18,905	416,905
Corporations	129,410	-	129,410	194,500	-	194,500
Individuals	1,032,453	563,284	1,595,737	2,574,830	726,839	3,301,669
Princeton support	1,167,763	-	1,167,763	1,214,092	-	1,214,092
Operating distributions - investment policy	2,207,859	-	2,207,859	2,238,510	-	2,238,510
Fundraising events	124,450	-	124,450	-	-	-
Less: Direct costs of fundraising events	(77,966)	-	(77,966)	-	-	-
Net fundraising events	46,484	-	46,484	-	-	-
Net assets released from restriction						
Foundations	-	-	-	294,000	(294,000)	-
Corporations	-	-	-	40,000	(40,000)	-
Individuals	192,103	(192,103)	-	406,609	(406,609)	-
Total public support	6,078,246	831,831	6,910,077	8,007,361	5,135	8,012,496
Other revenue						
PPP1 loan forgiveness	1,134,045	-	1,134,045	-	-	-
Employee retention credit income	162,368	-	162,368	-	-	-
Tuition income	142,815	-	142,815	334,383	-	334,383
Production shop income	100,597	-	100,597	48,712	-	48,712
Miscellaneous	61,025	-	61,025	50,517	-	50,517
Ticket sales	48,927	-	48,927	4,389,027	-	4,389,027
Royalty income	9,009	-	9,009	11,287	-	11,287
Advertising income	4,040	-	4,040	88,878	-	88,878
Concession and artist merchandise income	-	-	-	139,347	-	139,347
Rental income	-	-	-	128,301	-	128,301
Co-production income	-	-	-	50,775	-	50,775
Total public support and other revenue	7,741,072	831,831	8,572,903	13,248,588	5,135	13,253,723
Expenses						
Program services	4,104,639	-	4,104,639	10,326,972	-	10,326,972
Supporting services						
Management and general	1,326,609	-	1,326,609	1,180,201	-	1,180,201
Fundraising	324,675	-	324,675	638,096	-	638,096
COVID-19 closure expenses	-	-	-	411,861	-	411,861
Total supporting services	1,651,284	-	1,651,284	2,230,158	-	2,230,158
Total expenses	5,755,923	-	5,755,923	12,557,130	-	12,557,130
Change in net assets before non-operating activities	1,985,149	831,831	2,816,980	691,458	5,135	696,593
Non-operating activities						
Investment income, net of fees	905,026	11,917,136	12,822,162	73,471	751,694	825,165
Employee retention credit income	357,822	-	357,822	-	-	-
Spending policy distributions - board-designated	(290,680)	-	(290,680)	(369,479)	-	(369,479)
Spending policy distributions - endowment	-	(1,917,179)	(1,917,179)	-	(1,869,031)	(1,869,031)
Change in value of charitable remainder trusts	-	(4,321)	(4,321)	-	15,289	15,289
Net non-operating activities	972,168	9,995,636	10,967,804	(296,008)	(1,102,048)	(1,398,056)
Change in net assets	2,957,317	10,827,467	13,784,784	395,450	(1,096,913)	(701,463)
Net assets						
Beginning of year	1,522,653	23,612,364	25,135,017	1,127,203	24,709,277	25,836,480
End of year	$ 4,479,970	$ 34,439,831	$ 38,919,801	$ 1,522,653	$ 23,612,364	$ 25,135,017

The Notes to Financial Statements are an integral part of these statements.

McCarter Theatre Company
Statement of Functional Expenses
Year Ended June 30, 2021

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Supporting Services: Total	Total Expenses
Salaries	$ 1,582,582	$ 541,148	$ 239,150	$ 780,298	$ 2,362,880
Benefits, taxes and payroll expenses	372,161	109,328	44,320	153,648	525,809
Artistic fees	222,475	-	-	-	222,475
Professional services	122,721	327,075	60,298	387,373	510,094
Advertising and marketing	69,414	-	-	-	69,414
Physical production	243,403	26,542	203	26,745	270,148
Housing	945	-	-	-	945
Travel and meals	875	83	-	83	958
Theatre expense	21,280	477	-	477	21,757
Office expense and supplies	28,324	126,660	10,465	137,125	165,449
Credit card fees	19,122	-	-	-	19,122
Insurance	41,847	10,892	4,586	15,478	57,325
Information technology	166,509	49,310	9,310	58,620	225,129
Concession cost of goods sold	1,344	-	-	-	1,344
Conferences	2,358	5,297	168	5,465	7,823
Interest	42,302	18,846	-	18,846	61,148
Building rent	151,678	-	-	-	151,678
Princeton in-kind expense	724,496	-	-	-	724,496
Bad debt expense	-	35,263	-	35,263	35,263
Miscellaneous	-	-	2,272	2,272	2,272
Depreciation	290,803	75,688	31,869	107,557	398,360
Total expenses	4,104,639	1,326,609	402,641	1,729,250	5,833,889
Less: Expenses included with revenues on the statement of activities					
Direct costs of fundraising benefits	-	-	(77,966)	(77,966)	(77,966)
	$ 4,104,639	$ 1,326,609	$ 324,675	$ 1,651,284	$ 5,755,923

The Notes to Financial Statements are an integral part of this statement.

McCarter Theatre Company
Statement of Functional Expenses
Year Ended June 30, 2020

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Supporting Services: COVID-19 Closure	Supporting Services: Total	Total Expenses
Salaries	$ 3,809,305	$ 542,822	$ 381,212	$ 278,100	$ 1,202,134	$ 5,011,439
Salaries (cancelled show obligation)	114,429	-	-	-	-	114,429
Benefits, taxes and payroll expenses	1,007,805	185,912	88,329	84,477	358,718	1,366,523
Benefits, taxes and payroll expenses (cancelled show obligation)	39,598	-	-	-	-	39,598
Artistic fees	1,331,177	-	-	10,609	10,609	1,341,786
Artistic fees (cancelled show obligation)	126,594	-	-	-	-	126,594
Royalties	139,003	-	-	-	-	139,003
Royalties (cancelled show obligation)	20,000	-	-	-	-	20,000
Professional services	139,690	145,758	8,667	8,500	162,925	302,615
Advertising and marketing	711,361	-	-	-	-	711,361
Physical production	308,814	-	-	1,825	1,825	310,639
Physical production (cancelled show obligation)	50,218	-	-	-	-	50,218
Housing	337,472	-	-	28,350	28,350	365,822
Housing (cancelled show obligation)	6,473	-	-	-	-	6,473
Travel and meals	102,163	14,175	1,189	-	15,364	117,527
Theatre expense	184,790	13,179	39,128	-	52,307	237,097
Office expense and supplies	78,646	76,699	59,780	-	136,479	215,125
Credit card fees	240,099	-	-	-	-	240,099
Insurance	96,469	25,108	10,572	-	35,680	132,149
Maintenance	2,087	3,184	-	-	3,184	5,271
Information technology	179,839	80,611	12,662	-	93,273	273,112
Concession cost of goods sold	95,411	-	-	-	-	95,411
Storage	45,703	-	-	-	-	45,703
Conferences	15,724	10,785	8,257	-	19,042	34,766
Interest	40,000	18,425	-	-	18,425	58,425
Building rent	156,654	-	-	-	-	156,654
Princeton in-kind expense	784,625	-	-	-	-	784,625
Bad debt expense	-	85,650	-	-	85,650	85,650
Depreciation	258,234	67,212	28,300	-	95,512	353,746
Total expenses	10,422,383	1,269,520	638,096	411,861	2,319,477	12,741,860
Less: Expenses included with revenues on the statement of activities						
Concession cost of goods sold	(95,411)	-	-	-	-	(95,411)
Investment fees	-	(89,319)	-	-	(89,319)	(89,319)
	$ 10,326,972	$ 1,180,201	$ 638,096	$ 411,861	$ 2,230,158	$ 12,557,130

The Notes to Financial Statements are an integral part of this statement.

McCarter Theatre Company
Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	2021	2020
Operating and non-operating activities		
Change in net assets	$ 13,784,784	$ (701,463)
Adjustments to reconcile change in net assets to net cash provided by operating and non-operating activities		
Depreciation expense	398,360	353,746
Unrealized and realized (gain) loss on investments, net	(11,231,135)	461,464
Permanently restricted gifts and grants	(25,000)	(505,499)
Bad debt expense	35,263	85,650
Change in discount for present value for unconditional promises	4,449	(44,941)
PPP1 loan forgiveness	(1,134,045)	-
Donated securities	(58,338)	(76,831)
Change in assets and liabilities		
Accounts receivable and other current assets	5,736	712,312
Employee credit retention receivable	(520,190)	-
Unconditional promises to give	(433,700)	35,450
Prepaid expenses	(47,580)	250,669
Charitable remainder trust	(334,192)	(15,289)
Deposits	-	(9,346)
Accounts payable and accrued expenses	181,656	178,843
Deferred revenue	(241,369)	(489,372)
Net cash provided by operating and non-operating activities	384,699	235,393
Investing activities		
Purchase of property and equipment	(59,835)	(73,710)
Purchase of investments	(8,305)	(660,290)
Proceeds from sales of investments and donated securities	588,474	951,880
Net cash provided by investing activities	520,334	217,880
Financing activities		
PPP1/PPP2 loan received	2,467,378	-
Receipts under note payable	-	48,486
Repayment of note payable	(8,519)	(6,731)
Repayment of PPP1 loan	(99,643)	-
Proceeds on line of credit	-	126,000
Payments on line of credit	(1,000,000)	-
Repayment of capital loan	(86,007)	(83,339)
Investment in permanent endowment	80,000	505,499
Net cash provided by financing activities	1,353,209	589,915
Net change in cash, cash equivalents and restricted cash	2,258,242	1,043,188
Cash, cash equivalents and restricted cash		
Beginning of year	1,431,764	388,576
End of year	$ 3,690,006	$ 1,431,764
Supplemental disclosure		
Interest paid (bank loans)	$ 61,148	$ 56,177

The Notes to Financial Statements are an integral part of these statements.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The McCarter Theatre Company (the "Organization"), established in 1963, is a public charity, nonprofit corporation located in Princeton, New Jersey. As both a professional producing theater and major presenter of the performing arts, the Organization's mission is to create stories and experiences that enliven minds, expand imaginations, and engage communities. The Organization unites the ideals of joy and justice, beauty and belonging to spark curiosity, creativity, and conversations throughout our communities. Due to COVID-19, the Organization temporarily ceased in-person theatrical performances on March 12, 2020 and resumed on September 24, 2021. The Organizing has experienced additional temporary closures and reduced activities since resuming in-person performances due to the impact of COVID-19. For example, the organization historically produces 2 plays plus A CHRISTMAS CAROL in the September to December time frame. In 2021, the Organization did not produce any plays or A CHRISTMAS CAROL due to the the ongoing negative impact of COVID-19 on staffing, audience behavior, and artist schedules. The Organization did transition its classes online and created a digital platform, McCarter@HOME, which provides patrons with online performances, interviews, behind the scenes content, and more.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP") and accordingly, reflect all significant receivables, payables, and other liabilities.

The Organization's resources are classified and reported as separate classes of net assets based on the existence or absence of donor-imposed restrictions as follows:

Net assets without donor restrictions: Include expendable resources that are used to carry out the Organization's operations and are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by the Organization or may be limited by contractual agreements with side parties. In addition, net assets without donor restrictions include board designated endowment funds and property and equipment used in operations.

Net assets with donor restrictions: Net assets subject to donor-imposed restrictions that may or will be met either by the actions of the Organization or through the passage of time. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been met in the year of receipt. Expirations of restrictions on net assets with donor restrictions are reported as net assets released from restrictions. Also included in this category are net assets subject to donor-imposed restrictions to be maintained permanently by the Organization, including gifts and pledges, wherein donors stipulate that the corpus of the gift be held in perpetuity and that only the income may be made available for operations, subject to the Organization's spending policy.

The Organization includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities. This measure of operations provides a presentation that depicts the manner in which the Organization manages its financial activities. Spending policy distributions, investment activity, change in value of charitable remainder trusts and employee retention credit amounts from prior year expenses are recognized as non-operating activities.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, cash and cash equivalents include cash on hand, on deposit, and in money market funds. The Organization considers all undesignated short-term investments with an original maturity of ninety days or less to be cash equivalents unless they are held in pooled investment portfolio as endowments or agency endowments.

Fair Value Measurements

"Fair Value Measurements and Disclosures" establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. "Fair Value Measurements and Disclosures" defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price" in an orderly transaction between market participants). In determining fair value, the Organization uses various valuation approaches, including market, income and/or cost approaches. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements), and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under "Fair Value Measurements and Disclosures" and the Organization's related types are described below.

Level 1 - Quoted prices of identical instruments in active markets.

Level 2 - Quoted prices of similar instruments in active markets; quoted prices of identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 - Significant inputs to the valuation model are unobservable.

The financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The valuation levels are not necessarily an indication of the risk or liquidity associated with the underlying assets and liabilities. There were no changes in methodologies during the years ended June 30, 2021 and 2020. There were no transfers between levels during either of the years ended June 30, 2021 and 2020.

Investments

Investments are stated at fair value in the statements of financial position. Investments in equity securities with readily determinable fair values are reported at fair value based upon the quoted or published market prices. As a practical expedient, investments without a readily determinable fair value, such as the investments that are primarily managed by the Princeton University Investment Company ("PRINCO"), are reflected at net asset value as reported by PRINCO and may differ significantly from the values that would have been reported had a ready market for these investments existed. The Organization reviewed and evaluated the values provided by PRINCO and agrees with the valuation methods and assumptions used in determining fair value of these investments. Due to the timing of the finalization of the June 30, 2020 investment fair values by Princeton University (the "University"), the Organization recorded the net asset value per unit based on the estimate provided by the University as of May 31, 2020. Subsequent to the issuance of the June 30, 2020 financial statements, the Organization obtained new information resulting in a change in estimate as of that date resulting in unrealized gains of $1,305,265 that has been included in investment income, net of fees in the statement of activities for the year ended June 30, 2021. At June 30, 2021, the net asset value per unit was recorded based on the audited net asset value provided by PRINCO as of that date.

All interest, dividends, distributions and unrealized gains and losses are reported in the statements of activities as increases or decreases in net assets without donor restrictions, unless their use is time, purpose or restricted in perpetuity by explicit donor stipulations or by law in the reporting period in which the income and gains are recognized.

The Organization receives donated securities during the year, and it is the Organization's policy to sell upon receipt. All securities donated were sold as of June 30, 2021 and 2020.

Advertising Costs

Advertising costs are charged to operations at the time the advertising occurs, except for direct response marketing and other expenses incurred related to the subsequent season's performances that are deferred and recognized in the season when the related revenue is recognized. Advertising and marketing expense for the years ended June 30, 2021 and 2020 were $69,414 and $711,361, respectively.

Property and Equipment

Property and equipment acquired are recorded at cost. It is the Organization's policy to capitalize expenditures for these items in excess of $1,000. Lesser amounts are expensed. Property and equipment are being depreciated over the useful life of the related asset using the straight-line method. Leasehold improvements are amortized over the shorter of useful life or periods, including options, if any, specified in the related lease agreements. The University related assets are amortized over the useful life of the asset since the lease is renewed annually. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expiration of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Charitable Remainder Trusts

The Organization is a 60%, 40% and 15% beneficiary of three charitable remainder trusts. The trusts are held by third-party trustees. The Organization will receive its portion of the trusts upon the termination of each trust. The recorded balance of the charitable remainder trusts represents the Organization's allocated percentages of the net present value of the remaining trust assets at June 30, 2021 and 2020 and is reflected in net assets with donor restrictions.

Revenue and Support Recognition

Contributions and promises to give - Grants and contributions are recognized when cash is received or when the donor makes a promise to give to the Organization that is, in substance, unconditional. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return or release, and grants are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Grants and contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions and grants are recognized. All other donor-restricted grants and contributions are reported as increases in net assets with donor restrictions. When a restriction expires, donor restricted net assets are reclassified to net assets without donor restrictions. The Organization uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. Contributions that are paid over multiple years are discounted based on a risk adjusted rate.

Fundraising benefits

Fundraising benefit revenue include an exchange element, based on the benefits received and a contribution element for the difference and is treated as revenue without donor restrictions. The Organization does not have any significant financing components as payment is received at or shortly after the point of sale. The contribution is recognized as a conditional contribution when received and recorded as a refundable advance and is recognized as revenue when the condition is met, which is when the event is held. The exchange portion is recognized as contract liabilities at date of receipt and recorded as revenue at a point in time when the event is held.

Revenue from contracts with customers - The Organization accounts for ticket sales, tuition income, concession and artist merchandise income, advertising income, co-production income, production shop income, trips income and royalty income as exchange transactions in the statements of activities. Revenue from contracts with customers are treated as revenues without donor restrictions. Funds received in advance from customers for services that have not been performed have been recorded as contract liabilities and have been shown as deferred revenue in the statements of financial position.

In determining the appropriate amount of revenue to be recognized as it fulfills its obligations under its agreements, the Organization performs the following steps: (i) identify contracts with customers; (ii) identify performance obligations; (iii) determine the transaction price; (iv) allocation of the transaction price to the performance obligations; and (v) recognition of revenue when (or as) the Organization satisfies each performance obligation.

The following summarizes the Organization's performance obligations:

Ticket Sales
Ticket sales represents the sums actually paid for individual tickets of admission to a production of the Organization including handling and other fees. Tickets are non-refundable at the time of receipt unless a performance is cancelled. The Organization estimates the number of cancellations and records a reserve if deemed material. Fees are non-refundable at the time of receipt. The Organization allows for exchanges under certain circumstances for tickets of equal or lesser value. The total yearly adjustment for exchanged tickets is immaterial to the Organization. Tickets purchased in advance are recorded as contract liabilities by the Organization. Advanced ticket sales are recorded as revenue when the performance related to the ticket sale is complete. Admission is recognized at a specific point in time, which is when the performance related to the ticket is complete.

Other exchange transactions
Tuition income is recognized over time over the course of the program. Concession and artist merchandise income is recognized when the sale takes place. Advertising, co-production and royalties income is recognized when the performance takes place. Production shop income is recognized when the rentals take place.

The timing of revenue recognition, billings and cash collections results in accounts receivable and contract liabilities which are shown as deferred revenue on the statements of financial position. Accounts receivable as of June 30, 2021 and 2020 were $2,050 and $7,786. Contract liabilities as of June 30, 2021 and 2020 were $935,684 and $1,177,053, respectively. Contract liabilities are shown as deferred revenue on the statements of financial position. For comparison purposes, the opening balances at September 1, 2019 for accounts receivable were $752,879 and deferred revenue were $1,591,883, respectively.

Other revenues are obtained from rental income, miscellaneous, and investment income. These revenues are used to offset program, management, and general and fundraising expenses. Revenue from these sources is recognized when earned. Certain investment income has been classified as with donor restrictions based on donor stipulations.

Tax Status and Uncertain Tax Positions
The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation. The Organization is obligated for unrelated business income tax on net income from theatre store sales and playbill advertising.

As of June 30, 2021 and 2020, the Organization has approximately $66,000 and $59,000 in net operating losses relating to unrelated business income tax carried forward, which expire annually. The carried forward losses have been fully reserved for since management is unable to determine the actual utilization of these losses.

The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization did not recognize any tax related interest and/or penalties in the accompanying financial statements but would record any such interest and/or penalties as a component of other expense.

Production Costs

Production costs are capitalized at cost and are amortized over the estimated life of the theatrical production. Since all productions closed by June 30, all production costs have been expensed within the fiscal year.

Estimates

The preparation of financial statements in accordance with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Significant estimates used in the preparation of these financial statements include the fair value of investments. The estimate of the fair value of investments is based on the information provided by the investment manager. Actual results could differ from those estimates.

2. DESIGNATIONS AND RESTRICTIONS ON NET ASSETS

Net Assets Without Donor Restrictions

Net assets without donor restrictions include the board-designated reserve. The board-designated reserve is available for operations under certain circumstances subject to Board of Trustees approval. During the years ended June 30, 2021 and 2020, there were additions to the board-designated reserve for the net investment income in the amount of $905,026 and $73,471, respectively. In addition, there were spending policy and special distributions of $290,680 and $369,479 during the years ended June 30, 2021 and 2020, respectively. Board-designated net assets as of June 30, 2021 and 2020 were $2,344,815 and $1,730,469, respectively.

Net Assets With Donor Restrictions

The following net assets are restricted for the following purposes or periods as of June 30, 2021 and 2020:

	2021	2020
Grants and Contributions		
Future Periods and Programs:		
Excess investment income - endowment funds	$ 14,920,697	$ 4,920,739
Restricted for use in future periods	836,754	346,994
	15,757,451	5,267,733
Donor-Designated Endowments		
General operations	15,365,400	15,023,541
Theatre Series	1,519,760	1,519,760
Presented Series	772,220	789,930
Emerging Leaders	400,000	400,000
Education and Engagement	375,000	375,000
Audience Access Program	250,000	236,400
	18,682,380	18,344,631
	$ 34,439,831	$ 23,612,364

Endowment Policy

The Organization's endowment funds consist of several funds established to continue the purpose of the Organization. Net assets associated with the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

General Endowment Fund

The investment earnings from this fund are for the undesignated use by the Organization as determined by the Board of Trustees.

Theatre Series Fund

The investment earnings from this fund are restricted by the donor to support all aspects of the Theater Series, including the McCarter Lab program which oversees play readings, new play commissions and play development.

Presented Series Fund

The investment earnings from this fund are restricted by the donor to support presented artist events at the Organization, including partially underwriting the cost of bringing new performers to McCarter, commissioning new works in the areas of dance and music, and supporting audience engagement and enrichment activities.

Emerging Leaders Fund

The investment earnings from this fund are restricted by the donor to support the emerging leaders through the Organization's Internship Program and other professional support of early career theater artists and administrators.

Education and Engagement Fund

The investment earnings from this fund are restricted by the donor to support the Organization's high-impact arts education and engagement program that reaches tens of thousands of students and seniors in the area. Trenton, South Brunswick, and Ewing are some of the underserved school districts that have benefited through subsidized student matinees, in-school residencies, and workshops.

Audience Access Program Fund

The investment earnings from this fund are restricted by the donor to support audience access programs at the Organization. These programs include hearing assistance systems, Driven to Excellence program which brings local seniors to special matinees, audio described performances, specially designed performances for those on the autism spectrum, and many other service enhancements to ensure that community members can engage in the live theater experience with ease and dignity

As of June 30, 2021, the corpus of the Organization's endowment funds was $18,682,380 with the excess investment income of $14,920,697 reflected within net assets with donor restrictions. As of June 30, 2020, the corpus of the Organization's endowment funds was $18,344,631 with the excess investment income of $4,920,739 reflected within net assets with donor restrictions. The Organization's Endowment Draw Policy allows for the Organization to distribute for operating purposes 7% of the calculated average endowment value as noted below. During the years ended June 30, 2021 and 2020, $1,917,179 and $1,869,031 were distributed for operating purposes, respectively.

The Board of Trustees of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result, the Organization classifies as net assets with donor restrictions (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 and decrements to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following facts in making a determination to appropriate or accumulate donor-restricted endowment funds:

a. The duration and preservation of the fund;
b. The purposes of the Organization and the donor-restricted endowment fund;
c. General economic conditions;
d. The possible effect of inflation and deflation;
e. The expected total return from income and the appreciation of investments;
f. Other resources of the Organization; and
g. The investment policy of the Organization.

Return Objectives and Risk Parameters
The Organization has adopted investment policy for endowment assets with the primary goal of maintaining the original value of the endowment principal, while providing funding to programs supported by its endowment. Under the policy, the endowment assets are invested in a manner that is intended to produce income and preserve principal while assuming a level of investment risk.

The Organization's investment in the "Primary Pool" managed by PRINCO, who also manages Princeton University's endowment, consists of the donor endowment fund restricted in perpetuity, a board-designated fund, and other investments without restrictions. The "Primary Pool" is an equity-based investment portfolio which partners with other investment management firms to invest across diverse asset categories with a long-term investment horizon. Under the terms of the various endowment instruments, the Organization is restricted from utilizing the corpus of the endowment assets restricted in perpetuity for operations. The board-designated funds are available for operations under certain circumstances, subject to Board of Trustees approval. The income earned from these assets is available for operations or as stipulated by the donors.

The Organization has reviewed and adopted the PRINCO's policy related to the investment policies and investment process. This process includes the various asset classes and investment management styles that, in total, are expected to offer a sufficient level of overall diversification and total investment return over the specific time horizon for each account.

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while maintaining the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period. The investment goal for the Organization's endowment is to preserve and maintain the purchasing power, adjusted for inflation, of the endowment after taking into effect the Endowment Draw Policy, as described below. The Organization expects its endowment funds, over time, to provide an average annual rate of return to be greater than the return of the S&P 500 index. Actual returns in any given year may vary from this amount.

The Organization has a policy of appropriating for distribution an annual endowment draw, which is the result of multiplying a calculated average endowment value by a withdrawal percentage as established by the Board of Trustees. The average endowment value is the average of calculations made at the end of each fiscal quarter, each of which averages the then current quarterly balance with the balances of the prior eight fiscal quarters. Each June 30 value will be the value per the audited financial statements. Interim (unaudited) quarter values will be determined using the best historical consistent practice, adjusting for deposits, withdrawals, and market values as provided by the investment advisors. The Board of Trustees determined that the withdrawal percentage would be 7% for both 2021 and 2020.

Accordingly, over the long-term, the Organization expects that its spending policy will allow its endowment to grow at an annual rate that exceeds inflation. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Changes in endowment assets are as follows for the years ended June 30, 2021 and 2020:

	2021	2020
	With Donor Restrictions	**With Donor Restrictions**
Invested endowment net assets, June 30	$ 22,606,815	$ 22,987,031
Investment income, net of fees	11,917,136	751,694
Contributions	105,000	737,121
Amounts appropriated for expenditure	(1,917,179)	(1,869,031)
Invested endowment net assets, June 30	32,711,772	22,606,815
Charitable remainder trust	641,305	316,261
Uncollected endowment receivables, net	250,000	342,294
	33,603,077	23,265,370
Less: excess investment income - endowment funds	(14,920,697)	(4,920,739)
Endowment net assets, June 30	$ 18,682,380	$ 18,344,631

3. FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of June 30, 2021 and 2020, financial assets and liquidity resources available within one year for general expenditures, such as operating expenses, scheduled principal payments on debt, and capital construction costs not financed with debt, were as follows:

	2021	2020
Financial assets		
Cash and cash equivalents	$ 3,654,857	$1,263,100
Accounts receivable	2,050	7,786
Employee retention credit receivable	520,190	-
Unconditional promises to give	156,706	241,532
Total financial assets and liquidity resources available within one year	$ 4,333,803	$1,512,418

The Organization's cash flows are supported by the performances at their theatre. The Organization generates cash flow through subscriptions series renewals and single tickets sales. Due to the impacts of COVID-19, the Organization's facilities are temporarily closed, and performances and classes have moved online. The Organization has pledge campaigns to fund operations and other projects and has the ability to access the Organization's Board Designated Reserve, which is a portion of the PRINCO primary investment pool, to fund operating expenses. The fair value of these investments at June 30, 2021 and 2020 was $2,344,815 and $1,730,469, respectively.

4. CONCENTRATION OF CREDIT RISK AND RESTRICTED CASH

The Organization maintains cash, cash equivalents and money market balances at several financial institutions. Certain balances are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000 per institution. As of June 30, 2021 and 2020, the Organization's uninsured cash balances totaled $2,291,058 and $1,259,710, respectively. The Organization has not experienced, and does not expect to experience, any losses in these accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

Certain investment accounts are insured by the Securities Investor Protection Corporation ("SIPC") up to $500,000 per customer. SIPC does not protect investors from market risks. As of June 30, 2021 and 2020, the Organization's uninsured investment balance totaled $32,845,836 and $23,766,319, respectively.

As of June 30, 2021 and 2020, restricted cash consisted of a restricted letter of credit of $19,987 and $128,005, respectively, which is pledged as collateral to meet the requirements of the Actors' Equity Association Union Agreement.

5. FAIR VALUE MEASUREMENTS

The Organization's investments are held primarily in the University's investment pools, including its donor restricted endowment funds and certain donor restricted funds which are managed by Princeton University. These funds are in a combination of debt and equity securities. The Organization also has endowment funds invested in a mutual fund account with Morgan Stanley. Charitable remainder trusts are held in investments managed by outside custodians and the values are based on the underlying investments held by the individual trusts.

The following tables sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2021 and 2020:

	2021		
	Level 1	Level 3	Total
Mutual funds	$ 486,133	$ -	$ 486,133
Charitable remainder trusts	-	685,681	685,681
	$ 486,133	$ 685,681	$ 1,171,814

	2020		
	Level 1	Level 3	Total
Mutual funds	$ 396,428	$ -	$ 396,428
Charitable remainder trusts	-	351,489	351,489
	$ 396,428	$ 351,489	$ 747,917

Investments measured at fair value using the net asset value per share practical expedient have not been classified in the fair value hierarchy. The following table presents quantitative information about the PRINCO primary pool investments at June 30, 2021 and 2020, respectively:

	Fair Value at June 30, 2021	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
PRINCO primary pool	$ 34,560,455	$ -	Quarterly	3-5 days

Investment income, net, consists of the following for the years ended June 30, 2021 and 2020:

	2021	2020
Interest and distributions	$ 1,734,236	$ 1,375,948
Realized and unrealized gains (losses)	11,231,135	(461,464)
Administrative fees	(143,209)	(89,319)
	$ 12,822,162	$ 825,165

6. UNCONDITIONAL PROMISES TO GIVE

When estimating fair value of unconditional promises to give, the relationship with the donor, the donor's past history of making timely payments, and the donor's overall creditworthiness are considered and incorporated into present value techniques. The interest element resulting from amortization of the discount for the time value of money, computed using the effective interest rate method, is reported as contribution revenue. Uncollectible promises are expected to be insignificant. Unconditional promises to give to be received after one year are discounted at a rate of 5%.

Unconditional promises to give consist of the following at June 30, 2021 and 2020:

	2021		
	Less Than One Year	Over One Year	Total
Without donor restrictions	$ 156,706	$ -	$ 156,706
With donor restrictions	736,865	350,000	1,086,865
	893,571	350,000	1,243,571
Less: Discount for present value	-	(49,650)	(49,650)
	$ 893,571	$ 300,350	$ 1,193,921

	2020		
	Less Than One Year	**Over One Year**	**Total**
Without donor restrictions	$ 241,532	$ -	$ 241,532
With donor restrictions	265,500	402,000	667,500
	507,032	402,000	909,032
Less: Discount for present value	-	(54,099)	(54,099)
	$ 507,032	$ 347,901	$ 854,933

7. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

Description	Estimated Life (Years)	2021	2020
Leasehold improvements	15-25	$ 16,661,867	$ 16,661,867
Equipment	3-5	2,919,169	2,919,169
Automotive equipment	5	191,089	191,089
Scenery shop	20	1,588,207	1,588,207
		21,360,332	21,360,332
Less: Accumulated depreciation		(20,420,844)	(20,022,484)
		939,488	1,337,848
Construction in progress		59,835	-
		$ 999,323	$ 1,337,848

Depreciation expense for the years ended June 30, 2021 and 2020 was $398,360 and $353,746, respectively.

Construction in progress as of June 30, 2021 consists of costs incurred in relation to three projects, rigging auto rigging and dimmer. Since these projects were not complete as of June 30, 2021, the costs have not been depreciated.

8. RELATED PARTY – PRINCETON UNIVERSITY

The University provides several areas of support to the Organization.

a) The Organization's investments are pooled with the University's portfolio and managed by them.

b) The property and building at 91 University Place used by the Organization are owned by the University and leased without charge to the Organization under a lease agreement which expired September 30, 2020. The lease renewal is currently in negotiations. The fair value of the rent for the premises was estimated to be $500,000 for each of the years ended June 30, 2021 and 2020. This amount is reported as Princeton support and as an expense in the statements of activities.

c) The University provided donated repairs and maintenance services for the property and building in the amount of $224,496 and cash contributions totaling $443,267 to the Organization for the year ended June 30, 2021. Donated repairs and maintenance services of $284,625 and cash contributions totaling $429,467 were received for the year ended June 30, 2020. Donated repairs and maintenance service amounts have been included with the donated rent noted above which are reflected as Princeton support within the statement of activities.

d) The University and University Triangle Club use the Organization's facilities for various projects throughout the year, at no charge. The usage value is not material to the financial statements.

e) The Organization has entered into a rental agreement with the University for property located in West Windsor, New Jersey, which serves as the primary location for the Organization's scenery shop. The rental agreement calls for an annual rent with an increase of 1% per year thereafter, for the term of the lease, which expired on September 30, 2020. The lease renewal is currently in negotiations.

f) By its organizational by-laws, the Board of Trustees has between 20 and 50 members. Of that number, between 5 and 8 board members are appointed by the President of the University from among the University's staff and faculty, in consultation with the Organization's board development committee. For the year ended June 30, 2021, there were 38 board members and 5 of them were affiliated with Princeton.

g) The University has committed to provide $667,000 in support for a rigging system replacement which is scheduled to be installed in the subsequent year as noted in footnote 10-(h).

9. STATEMENT OF CASH FLOWS

The following comprise the cash, cash equivalents and restricted cash reported within the statements of financial position that sum to the total reported in the statements of cash flows for the years ended June 30, 2021 and 2020.

	2021	2020
Cash and cash equivalents	$ 3,670,019	$ 1,303,759
Restricted cash and cash equivalents	19,987	128,005
	$ 3,690,006	$ 1,431,764

10. COMMITMENTS AND CONTINGENCIES

a) Government supported programs are subject to audit by the granting agency.

b) The Organization has a line of credit with a financial institution with a maximum availability of $1,000,000. The line of credit is collateralized by the Organization's business assets. Under the terms of the agreement, the Organization can borrow against all business assets up to the maximum line of credit. The interest rate on the line of credit is the London Inter-Bank Offered Rate (LIBOR) plus 2.75%. As of June 30, 2021 and 2020, the amount outstanding was $0 and $1,000,000, respectively. The line of credit currently expires on March 1, 2022.

c) The Organization entered into an agreement with a financial institution in 2015 for a $900,000 capital line of credit. The line of credit was used to support the development of McCarter's *A Christmas Carol* and updated website and branding effort. The line was later amended in 2017 to provide for new repayment terms of the outstanding principal balance. The balance was separated into two term loans (collectively the "capital loan"). The first loan has an original principal balance of $600,000 which will be repaid in installments of $6,303, including principal and interest, at a fixed rate of 4.72%. The second loan has an original principal balance of $300,000 which will be repaid in monthly installments of $2,500 plus interest outstanding at a floating interest rate of LIBOR plus 2.75%. Both loans will be repaid through March 23, 2022, at which time a final payment of $485,242 will be due. The Organization will either satisfy the final payment at that time or refinance the outstanding balance over a future term. The capital loan is collateralized by the Organization's business assets. As of June 30, 2021 and 2020, the outstanding balance was $554,494 and $640,501, respectively. Total principal payments due are as follows:

	2021	2020
For the year ended June 30, 2021	$ -	$ 105,636
For the period through March 23, 2022	554,494	534,865
	$ 554,494	$ 640,501

d) In 2020, the Organization entered into a five-year agreement with a financial institution totaling $48,486. The loan is secured by a title lien on one of the Organization's vehicles. Payments on the loan agreement commenced on July 31, 2019 and are due monthly with a fixed interest rate of 5.94%. As of June 30, 2021 and 2020, the amount outstanding on the loan was $33,236 and $41,755, respectively. The loan expires on November 31, 2024.

e) The Organization contributes to three multiemployer pension plans under collective bargaining agreements covering union-represented employees, entirely in the entertainment industry. The vast majority of employers participating in these multiemployer plans are primarily engaged in the entertainment industry. These plans generally provide retirement benefits to vested participants based on their service to contributing employers, of which the Organization is one. In general, these plans are managed by a Board of Trustees with the unions appointing certain trustees and contributing employers of the plan appointing certain members. The Organization does not participate in any plan where it considers its contributions to be individually significant to the overall plan.

Based on information available to the Organization, one of the three multiemployer plans to which the Organization contributes is adequately funded under the applicable provisions in the Pension Protection Act enacted in 2006 ("PPA"). Two funds are in either "critical" or "endangered" status as those terms are defined in the PPA. The PPA requires all underfunded pension plans to improve their funding ratios within prescribed intervals based on their level of underfunding.

Until the plan trustees develop the funding improvement plans or rehabilitation plans as required by the PPA, the Organization is unable to determine the amount of assessments the Organization may be subject to, if any. Under applicable law upon the Organization ceasing to make contributions to, or other "withdrawal" from an underfunded multiemployer pension plan, the affected funds could seek contributions from the Organization for the Organization's proportionate share of the plan's unfunded vested liabilities.

The Organization believes that under such circumstances, if a fund were to seek to access such contribution obligation upon the Organization's alleged "withdrawal", the Organization would have significant defenses against such assessment under applicable law.

The Organization cannot determine at this time the impact that the alleged withdrawal from the affected plans may have on the Organization's financial position, results of operations or cash flows.

Approximately 1% and 17% of the Organization's employees and contractors are participants in multiemployer plans for the years ended June 30, 2021 and 2020, respectively. Pension and welfare expense associated with multiemployer plans amounted to $6,592 and $125,676 for the years ended June 30, 2021 and 2020, respectively, which is included in benefits, taxes, and payroll expenses in the statements of functional expenses.

f) The Organization has two employee agreements through July 31, 2023. The total commitment under these agreements is $925,000 and $1,225,000 as of June 30, 2021 and 2020, respectively.

g) The Organization has entered into various contracts with licensors in order to develop, produce, promote and present works on the stage in the presence of an audience. If a work is produced by the Organization generates royalties to the author and/or composer, then the Organization will generally be entitled to a certain percentage of the net proceeds received by the author and/or composer.

h) The Organization has entered into two contracts totaling approximately $2,500,000 for the replacement of the rigging system and dimmer systems.

i) The Organization has been named in one pending claim. Management believes that its insurance coverage will be sufficient to cover any loss if incurred.

11. DEFINED CONTRIBUTION RETIREMENT PLAN

The Organization has a defined contribution retirement plan under Section 403(b) (the "Plan") available to substantially all eligible full-time employees. Under the terms of the Plan, the Theatre will contribute 3% of eligible payroll for employees of the Organization who are employed for at least two years. The Plan allows for participant contributions and the Organization, at its discretion, may match those contributions up to an additional 2% of the participants' eligible salary. During the years ended June 30, 2021 and 2020, the Organization contributed $98,682 and $186,169, respectively, to the Plan.

12. PAYCHECK PROTECTION PROGRAM LOANS PAYABLE

On July 2, 2020, the Organization received an unsecured promissory note (the "PPP1 Loan") for $1,233,688 through programs established through the Paycheck Protection Program ("PPP") under the CARES Act and administered by the U.S Small Business Administration (the "SBA"). The PPP1 Loan was guaranteed by the SBA. On May 26, 2021, the Organization was informed that its application for forgiveness of $1,134,045 of the PPP1 Loan was approved. Accordingly, the Organization recorded it as forgiveness of debt, of which $1,134,045 relates to expenses incurred during the year ended June 30, 2021, which is shown as operating activities in the accompanying statements of activities with the remaining balance of $99,643 being repaid to the SBA.

On March 30, 2021, the Organization issued an unsecured promissory note (the "PPP2 Loan") for $1,233,690 through the PPP established under the Consolidated Appropriations Act of 2021 and administered by the SBA. The PPP2 Loan is guaranteed by the SBA. The PPP2 Loan may be forgiven, in whole or in part, if the Organization was eligible for the PPP2 Loan at the time of application, used the loan proceeds for eligible expenses within the defined 24-week period after the PPP Loan was disbursed ("Covered Period"), and otherwise satisfied PPP2 requirements. The PPP2 Loan was made through Bank of Princeton (the "Lender"), has a five-year term, bears interest at 1.00% per annum, and matures on March 30, 2026. The PPP2 Loan may be prepaid at any time prior to maturity with no prepayment penalties. The Organization will record the forgiveness of the loan as a gain on extinguishment in the period in which legal release is received. There is no certainty that any or all of the PPP2 Loan will be forgiven. The Organization anticipates forgiveness of the PPP2 Loan and, therefore, the full amount has been treated as a current liability on the statements of financial position.

Future maturities of the PPP2 Loan, assuming it is not forgiven, are as follows for the years ending June 30:

2022	$ -
2023	246,738
2024	246,738
2025	246,738
2026	246,738
2027	246,738
Total PPP2 Loan	$ 1,233,690

13. EMPLOYEE RETENTION CREDITS

The Organization has applied for the employee retention credit in the amount of $520,190. The credit will be claimed against the Organization's payroll tax obligations for each calendar quarter based on qualified wages, subject to certain limitations. For the year ended June 30, 2021, the Organization recorded revenue totaling $520,190, of which $357,822 relates to expenses incurred during the year ended June 30, 2020, which is shown as non-operating activities in the accompanying statements of activities.

14. FUNCTIONAL ALLOCATION OF EXPENSES

The cost of providing the various programs and supporting services has been summarized on a functional basis in the statements of activities and detailed within the statements of functional expenses. Certain costs have been allocated among the programs and supporting services based on analysis of personnel time and utilization of related activities if there is not a direct association to one of the functional categories. Management and general expenses include those expenses that are not directly identifiable with any specific function but provide for the overall support and direction of the Organization. The expenses that are allocated include salaries, employee benefits, and payroll taxes which are allocated on the basis of estimates of time and effort as well as depreciation and insurance which is allocated by usage.

15. NEW ACCOUNTING PRONOUNCEMENTS ISSUED NOT YET EFFECTIVE

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases* (Topic 842), which requires the recognition of a "right to use" asset and a lease liability, initially measured at the present value of the lease payments, on the statement of financial position for all of the Organization's lease obligations. This ASU is effective for years beginning after December 15, 2021 (fiscal year 2023).

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958), which is effective for fiscal years beginning after June 15, 2021, with early adoption permitted, and is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, along with expanded disclosure requirements.

The Organization is currently evaluating the effect that these pronouncements will have on its financial statements and related disclosures.

16. RISKS AND UNCERTAINTIES

Management continues to evaluate the COVID-19 virus in the United States and its impact on the industry and has concluded that while it is reasonably possible that the virus could have a negative effect on the Organization’s financial condition and results of operations, the specific impact is not readily determinable as of the date of these financial statements.

17. EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through February 7, 2022, the date the financial statements were available to be issued. Management has determined that there are no subsequent events that require adjustment to or disclosure in the financial statements, except as noted below.

On July 2, 2021, the Organization was awarded a Shuttered Venue Operators Grant from the U.S. Small Business Administration (“SBA”) in the amount of $1,993,262. This cost-reimbursable federal grant covers allowable qualifying expenses for the period from March 1, 2020 through December 31, 2021. The Organization plans to use the total award of $1,993,262 during the year ending June 30, 2022. On September 24, 2021, the Organization received a supplemental grant award of $1,613,476 and also extends the allowable expense period for the entire grant to June 30, 2022. Since the award letter was received subsequent to the year end, no amounts are recorded in these financial statements.