MCCARTER THEATRE COMPANY
Financial Statements
June 30, 2022 and 2021
With Independent Auditor's Report

ADVISORY TAX AUDIT

McCarter Theatre Company
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June 30, 2022 and 2021

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees,
McCarter Theatre Company:

Opinion

We have audited the financial statements of McCarter Theatre Company (the "Organization"), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2022 and 2021, 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.

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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 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, and for 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 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 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 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 Organization'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

Withum Smith+Brown, PC

January 31, 2023

McCarter Theatre Company
Statements of Financial Position
June 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Assets						
Current assets						
Cash and cash equivalents	$ 3,738,884	$ 10,595	$ 3,749,479	$ 3,654,857	$ 15,162	$ 3,670,019
Accounts receivable	252,082	-	252,082	2,050	-	2,050
Employee retention credit receivable	865,321	-	865,321	520,190	-	520,190
Unconditional promises to give	293,420	1,378,450	1,671,870	156,706	736,865	893,571
Prepaid expenses	122,573	-	122,573	49,038	-	49,038
Total current assets	5,272,280	1,389,045	6,661,325	4,382,841	752,027	5,134,868
Investments	2,174,613	30,373,032	32,547,645	2,344,815	32,701,773	35,046,588
Restricted cash and cash equivalents	25,000	-	25,000	19,987	-	19,987
Unconditional promises to give, net of current portion and discount	-	185,933	185,933	-	300,350	300,350
Charitable remainder trusts	-	573,061	573,061	-	685,681	685,681
Property and equipment, at cost, net of accumulated depreciation	3,136,718	-	3,136,718	999,323	-	999,323
Deposits	12,887	-	12,887	13,474	-	13,474
Total assets	$ 10,621,498	$ 32,521,071	$ 43,142,569	$ 7,760,440	$ 34,439,831	$ 42,200,271
Liabilities and Net Assets						
Current liabilities						
Accounts payable and accrued expenses	$ 806,223	$ -	$ 806,223	$ 523,366	$ -	$ 523,366
Construction in progress payable	908,720	-	908,720	-	-	-
Note payable	23,415	-	23,415	33,236	-	33,236
Capital loan payable	106,238	-	106,238	554,494	-	554,494
PPP2 loan payable	-	-	-	1,233,690	-	1,233,690
Deferred revenue	1,014,918	-	1,014,918	935,684	-	935,684
Total current liabilities	2,859,514	-	2,859,514	3,280,470	-	3,280,470
Capital loan payable, net of current portion	384,993	-	384,993	-	-	-
Total liabilities	3,244,507	-	3,244,507	3,280,470	-	3,280,470
Net assets						
Without donor restrictions	7,376,991	-	7,376,991	4,479,970	-	4,479,970
With donor restrictions	-	32,521,071	32,521,071	-	34,439,831	34,439,831
Total net assets	7,376,991	32,521,071	39,898,062	4,479,970	34,439,831	38,919,801
Total liabilities and net assets	$ 10,621,498	$ 32,521,071	$ 43,142,569	$ 7,760,440	$ 34,439,831	$ 42,200,271

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

McCarter Theatre Company
Statements of Activities
Years Ended June 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating activities						
Public support and other revenue						
Public support						
Contributions	$ 2,521,211	$ 347,034	$ 2,868,245	$ 2,464,037	$ 1,023,934	$ 3,487,971
Shuttered Venue Operators Grant revenue	3,606,738	-	3,606,738	-	-	-
Princeton University support	660,334	667,000	1,327,334	443,267	-	443,267
Operating distributions - investment policy	1,973,292	-	1,973,292	2,207,859	-	2,207,859
Contributions of non-financial assets	1,163,264		1,163,264	724,496	-	724,496
Fundraising events	263,803	-	263,803	124,450	-	124,450
Less: Direct costs of fundraising events	(202,868)	-	(202,868)	(77,966)	-	(77,966)
Net fundraising events	60,935	-	60,935	46,484	-	46,484
Net assets released from restriction	442,020	(442,020)	-	192,103	(192,103)	-
Total public support	10,427,794	572,014	10,999,808	6,078,246	831,831	6,910,077
Other revenue						
Ticket sales and handling charges	1,863,005	-	1,863,005	48,927	-	48,927
PPP1/PPP2 loan forgiveness	659,833	-	659,833	1,134,045	-	1,134,045
Co-production income	332,655	-	332,655	-	-	-
Rental income	278,766	-	278,766	-	-	-
Production shop income	266,968	-	266,968	100,597	-	100,597
Employee retention credit income	262,030	-	262,030	162,368	-	162,368
Tuition income	208,182	-	208,182	142,815	-	142,815
Concession and artist merchandise income, net of cost of goods sold of $14,963 in 2022	39,512	-	39,512	-	-	-
Miscellaneous	23,850	-	23,850	65,065	-	65,065
Royalty income	12,550	-	12,550	9,009	-	9,009
Total public support and other revenue	14,375,145	572,014	14,947,159	7,741,072	831,831	8,572,903
Expenses						
Program services	10,283,179	-	10,283,179	4,104,639	-	4,104,639
Supporting services						
Management and general	1,216,513	-	1,216,513	1,326,609	-	1,326,609
Fundraising	619,875	-	619,875	324,675	-	324,675
Total supporting services	1,836,388	-	1,836,388	1,651,284	-	1,651,284
Total expenses	12,119,567	-	12,119,567	5,755,923	-	5,755,923
Change in net assets before non-operating activities	2,255,578	572,014	2,827,592	1,985,149	831,831	2,816,980
Non-operating activities						
Investment return, net	(36,658)	(546,078)	(582,736)	905,026	11,917,136	12,822,162
PPP2 loan forgiveness	573,857	-	573,857	-	-	-
Employee retention credit income	245,469	-	245,469	357,822	-	357,822
Spending policy distributions - board-designated	(141,225)	-	(141,225)	(290,680)	-	(290,680)
Spending policy distributions - endowment	-	(1,832,067)	(1,832,067)	-	(1,917,179)	(1,917,179)
Change in value of charitable remainder trusts	-	(112,629)	(112,629)	-	(4,321)	(4,321)
Net non-operating activities	641,443	(2,490,774)	(1,849,331)	972,168	9,995,636	10,967,804
Change in net assets	2,897,021	(1,918,760)	978,261	2,957,317	10,827,467	13,784,784
Net assets						
Beginning of year	4,479,970	34,439,831	38,919,801	1,522,653	23,612,364	25,135,017
End of year	$ 7,376,991	$ 32,521,071	$ 39,898,062	$ 4,479,970	$ 34,439,831	$ 38,919,801

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

McCarter Theatre Company
Statement of Functional Expenses
Year Ended June 30, 2022

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Supporting Services: Total	Total Expenses
Salaries	$ 3,931,507	$ 511,606	$ 300,771	$ 812,377	$ 4,743,884
Benefits, taxes and payroll expenses	963,165	139,672	106,676	246,348	1,209,513
Artistic fees	1,447,537	-	-	-	1,447,537
Royalties	45,490	-	-	-	45,490
Professional services	244,649	405,266	60,620	465,886	710,535
Advertising and marketing	531,152	-	-	-	531,152
Physical production	534,369	-	-	-	534,369
Housing	294,531	-	-	-	294,531
Travel and meals	80,436	2,932	2	2,934	83,370
Theatre expense	282,214	-	-	-	282,214
Office expense and supplies	30,343	24,946	8,395	33,341	63,684
Credit card fees	77,993	-	-	-	77,993
Insurance	108,899	21,780	14,520	36,300	145,199
Information technology	297,647	24,436	23,638	48,074	345,721
Concession cost of goods sold	11,922	-	-	-	11,922
Direct costs of fundraising benefits	-	-	202,868	202,868	202,868
Indirect event expenses	-	-	95,645	95,645	95,645
Conferences	27,423	2,307	840	3,147	30,570
Interest	24,404	-	-	-	24,404
Building rent, utilities and maintenance	1,020,025	-	-	-	1,020,025
Bad debt expense	-	74,800	-	74,800	74,800
Depreciation	341,395	8,768	8,768	17,536	358,931
Total expenses	10,295,101	1,216,513	822,743	2,039,256	12,334,357
Less: Expenses included with revenues on the statement of activities					
Concession cost of goods sold	(11,922)	-	-	-	(11,922)
Direct costs of fundraising benefits	-	-	(202,868)	(202,868)	(202,868)
	$ 10,283,179	$ 1,216,513	$ 619,875	$ 1,836,388	$ 12,119,567

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

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
Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	2022	2021
Operating and non-operating activities		
Change in net assets	$ 978,261	$ 13,784,784
Adjustments to reconcile change in net assets to net cash provided by operating and non-operating activities		
Depreciation expense	358,931	398,360
Unrealized and realized (gain) loss on investments	1,883,289	(11,231,135)
Permanently restricted gifts and grants	(50,000)	(25,000)
Bad debt expense	74,800	35,263
Change in discount for present value for unconditional promises	18,917	4,449
PPP1/PPP2 loan forgiveness	(1,233,690)	(1,134,045)
Donated securities	(37,212)	(58,338)
Change in assets and liabilities		
Accounts receivable and other current assets	(250,032)	5,736
Employee retention credit receivable	(345,131)	(520,190)
Unconditional promises to give	(757,599)	(433,700)
Prepaid expenses	(73,535)	(47,580)
Charitable remainder trust	112,620	(334,192)
Deposits	587	-
Accounts payable and accrued expenses	282,858	181,656
Deferred revenue	79,234	(241,369)
Net cash provided by operating and non-operating activities	1,042,298	384,699
Investing activities		
Increase in construction in progress payable	908,720	-
Purchase of property and equipment	(2,496,327)	(59,835)
Purchase of investments	(8,645)	(8,305)
Proceeds from sales of investments and donated securities	661,511	588,474
Net cash provided by (used in) investing activities	(934,741)	520,334
Financing activities		
PPP1/PPP2 loan received	-	2,467,378
Payments of note payable	(9,821)	(8,519)
Repayment of PPP1 loan	-	(99,643)
Payments on line of credit	-	(1,000,000)
Payments of capital loan	(561,764)	(86,007)
Proceeds from loan payable	498,501	-
Investment in permanent endowment	50,000	80,000
Net cash provided by (used in) financing activities	(23,084)	1,353,209
Net change in cash, cash equivalents and restricted cash	84,473	2,258,242
Cash, cash equivalents and restricted cash		
Beginning of year	3,690,006	1,431,764
End of year	$ 3,774,479	$ 3,690,006
Supplemental disclosure		
Interest paid	$ 24,404	$ 61,148

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. During September 2021, the Organization resumed in-person theatrical performances after the temporary closure on March 12, 2020 due to COVID-19.

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").

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 agreement. 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, Paycheck Protection Program Loan forgiveness 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.

Restricted Cash

Restricted cash consisted of a restricted letter of credit of $25,000 and $19,987 at June 30, 2022 and 2021, respectively, which is pledged as collateral to meet the requirements of the Actors' Equity Association Union Agreement.

New Accounting Pronouncements Adopted in the Current Year
During 2022, the Organization adopted Accounting Standards Update ("ASU") 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958), which is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit organizations. This ASU requires a not-for-profit organization to present contributed nonfinancial assets, along with expanded disclosure requirements. Upon adoption, the Organization reclassified contributions as of June 30, 2021 in order to present comparative financial statements.

New Accounting Pronouncements Issued Not Yet Adopted
In February 2016, the Financial Accounting Standards Board ("FASB") issued 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 fiscal years beginning after December 15, 2021.

In December 2019, the FASB issued ASU 2016-13, *Measurement of Credit Losses on Financial Instruments*, which is effective for fiscal years beginning after December 15, 2022, and requires an organization to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions will now use forward-looking information to better inform their credit loss estimates.

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

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 includes 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 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 at a point in time when the sale takes place. Advertising, co-production and royalties' income is recognized at a point in time when the performance takes place. Production shop income is recognized at a point in time when the rentals take place.

The timing of revenue recognition, billings and cash collections results in trade and other receivables and contract liabilities on the statements of financial position. Contract liabilities are $1,014,918 and $935,684 as of June 30, 2022 and 2021, respectfully. The opening balances at July 1, 2020 for accounts receivable and deferred revenue were $7,786 and $1,177,053, respectively.

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

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 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.

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.

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 $10,000. 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 partial 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, 2022 and 2021 and is reflected in net assets with donor restrictions.

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, 2022 and 2021, the Organization has approximately $17,000 and $66,000 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.

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, 2022 and 2021 were $531,152 and $69,414, respectively.

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 GAAP 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, allowance and present value discounts of unconditional promises to give, fair value of gifts in-kind and management's estimate of the allocation of salary and overhead expenses to restricted grants. 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.

Reclassifications

Certain amounts at June 30, 2021 have been reclassified to conform with the presentation at June 30, 2022.

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, 2022 and 2021, there were (subtractions)/additions to the board-designated reserve for the net investment income (loss) in the amount of $(36,658) and $905,026, respectively. In addition, there were spending policy and special distributions of $141,225 and $290,680 during the years ended June 30, 2022 and 2021, respectively. Board-designated net assets as of June 30, 2022 and 2021 were $2,174,613 and $2,344,815, respectively and are included in net assets without donor restrictions.

Net Assets With Donor Restrictions

The following net assets are restricted for the following purposes or periods as of June 30, 2022 and 2021:

	2022	2021
Grants and contributions		
Future periods and programs		
Excess investment income - endowment funds	$ 12,542,558	$ 14,920,697
Restricted for use in future periods	1,599,801	1,086,754
	14,142,359	16,007,451
Donor-designated endowments		
General operations	15,261,732	15,365,400
Theatre series	1,519,760	1,519,760
Presented series	672,220	672,220
Emerging leaders	400,000	400,000
Education and engagement	375,000	375,000
Audience Access Program	150,000	100,000
	18,378,712	18,432,380
	$ 32,521,071	$ 34,439,831

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.

Interpretation of Relevant Law

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.

Strategies Employed for Achieving Objectives
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 that invests across diverse asset categories with a long-term investment horizon that is expected to offer a sufficient level of overall diversification and total investment return over the specific time horizon for each account. 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.

Spending Policy and How Investment Objectives Relate to Spending Policy
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 2022 and 2021, respectively.

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.

Funds with Deficiencies
From time to time, the fair value of assets associated with individual donor-restricted "true" endowment funds may fall below the level that the donor requires the Organization to retain as a fund of perpetual duration. There were no funds with deficiencies for the years ended June 30, 2022 or 2021.

Changes in endowment assets are as follows for the years ended June 30, 2022 and 2021:

	2022	2021
	With Donor Restrictions	**With Donor Restrictions**
Invested endowment net assets, June 30	$ 32,711,772	$ 22,606,815
Investment return, net of fees	(546,078)	11,917,136
Contributions	50,000	105,000
Amounts appropriated for expenditure	(1,832,067)	(1,917,179)
Invested endowment net assets, June 30	30,383,627	32,711,772
Charitable remainder trust	537,643	641,305
Endowment net assets, June 30	$ 30,921,270	$ 33,353,077
Donor restricted "true" endowment		
Historical gift value	$ 18,378,712	$ 18,432,380
Appreciation	12,542,558	14,920,697
Endowment net assets, June 30	$ 30,921,270	$ 33,353,077

3. FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of June 30, 2022 and 2021, 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:

	2022	2021
Financial assets		
Cash and cash equivalents	$ 3,738,884	$ 3,654,857
Accounts receivable	252,082	2,050
Employee retention credit receivable	865,321	520,190
Unconditional promises to give	293,420	156,706
Total financial assets	5,149,707	4,333,803
Add liquidity resource: unused line of credit facility	1,000,000	1,000,000
Total financial assets and liquidity resources available within one year	$ 6,149,707	$ 5,333,803

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. The Organization 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, 2022 and 2021 was $2,174,613 and $2,344,815, respectively.

4. CONCENTRATION OF CREDIT RISK

The Organization maintains cash, cash equivalents and money market balances at several financial institutions, which at times exceed the insured limit. Financial instruments which potentially subject the Organization to concentrations of credit risk include cash and cash equivalents, money market funds, investments, accounts receivable and unconditional promises to give. 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.

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

5. FAIR VALUE MEASUREMENTS

The Organization has provided fair value disclosure information for relevant assets and liabilities in these financial statements. For applicable assets and liabilities, the Organization will value such assets and liabilities using quoted market prices in active markets for identical assets and liabilities to the extent possible (Level 1). To the extent that such market prices are not available, the Organization will next attempt to value such assets and liabilities using observable measurement criteria, including quoted market prices of similar assets and liabilities in active and inactive markets and other corroborated factors (Level 2). In the event that quoted market prices in active markets and other observable measurement criteria are not available, the Organization will develop measurement criteria based on the best information available (Level 3). There were no changes in methodologies during the years ended June 30, 2022 and 2021 or transfers into or out of Level 3 investments.

The Organization's investments are held primarily in the Princeton University's (the "University") investment pools, including its donor restricted endowment funds and certain donor restricted funds which are managed by the University. These funds are in a combination of debt and equity securities. The Organization also has endowment funds invested in a mutual funds and 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.

Mutual Funds: Valued at the daily closing price as reported by the fund. Mutual funds are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held are deemed to be actively traded.

Charitable Remainder Trusts: Valued at the fair value of the underlying investments held by the trustees, which are traded on an exchange. These values are published daily. The percentage beneficiary interest held by the Organization is then used to calculate the fair value as of each year. These are reflected as a level 3 investment as the investments are held by an outside trustee.

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2022 and 2021:

	2022		
	Level 1	**Level 3**	**Total**
Mutual funds	$ 439,692	$ -	$ 439,692
Charitable remainder trusts	-	573,061	573,061
	$ 439,692	$ 573,061	$ 1,012,753

	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

Certain of the Organization's investments are measured using net asset value ("NAV") per share as a practical expedient and are therefore not categorized within the fair value hierarchy. These investments are valued, as a practical expedient, utilizing the net asset valuations provided by the fund holder, without adjustment. The following table presents investments measured at NAV held as part of the PRINCO primary pool investments at June 30, 2022 and 2021, respectively:

	Fair Value at June 30, 2022	**Fair Value at June 30, 2021**	**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice Period**
PRINCO primary pool	$ 32,107,953	$ 34,560,455	$ -	Quarterly	3-5 days

Investment return, net, consists of the following for the years ended June 30, 2022 and 2021:

	2022	**2021**
Interest and distributions	$ 1,418,570	$ 1,734,236
Realized and unrealized (losses) gains	(1,883,289)	11,231,135
Administrative fees	(118,017)	(143,209)
	$ (582,736)	$ 12,822,162

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, 2022 and 2021:

	2022		
	Less Than One Year	Over One Year	Total
Without donor restrictions	$ 293,420	$ -	$ 293,420
With donor restrictions	1,378,450	216,665	1,595,115
	1,671,870	216,665	1,888,535
Less: Discount for present value	-	(30,732)	(30,732)
	$ 1,671,870	$ 185,933	$ 1,857,803

	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

7. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

Description	Estimated Life (Years)	2022	2021
Leasehold improvements	15-25	$ 17,300,328	$ 16,661,867
Equipment	3-5	3,029,779	2,919,169
Automotive equipment	5	191,089	191,089
Scenery shop	20	1,588,207	1,588,207
		22,109,403	21,360,332
Less: Accumulated depreciation		(20,779,775)	(20,420,844)
		1,329,628	939,488
Construction in progress		1,807,090	59,835
		$ 3,136,718	$ 999,323

Depreciation expense for the years ended June 30, 2022 and 2021 was $358,931 and $398,360, respectively.

Construction in progress as of June 30, 2022 consists of costs incurred in relation to the installation of new auto rigging which was not complete as of June 30, 2022.

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, 2022 and 2021. This amount is reported within contributions of non-financial assets.

c) In addition to the donated rent above, the University provided donated repairs, maintenance services and equipment for the property and building in the amount of $663,264 and cash contributions totaling $1,327,334 to the Organization for the year ended June 30, 2022. Donated repairs and maintenance services of $224,496 and cash contributions totaling $443,267 were received for the year ended June 30, 2021. 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. In November 2022, the Organization entered into a lease which expires November 2031. The minimum annual rental payments for this lease subsequent to June 30, 2022 is as follows:

For year ended June 30, 2023	$	85,490
" " June 30, 2024		148,009
" " June 30, 2025		149,490
" " June 30, 2026		150,984
" " June 30, 2027		152,494
For 5 years ended June 30, 2032		692,159
	$	1,378,627

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 years ended June 30, 2022 and 2021, there were 32 and 38 board members, and 1 and 5 of them, respectively, were affiliated with Princeton. On June 24, 2021, the Organization adopted new by-laws in which only 1 member of the board is appointed as the University Liaison by the President of the University.

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, 2022 and 2021.

	2022	2021
Cash and cash equivalents	$ 3,749,479	$ 3,670,019
Restricted cash and cash equivalents	25,000	19,987
	$ 3,774,479	$ 3,690,006

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 greater of BSBYT Daily Floating Rate or 4%. There was no outstanding balance as of June 30, 2022 or 2021. The line of credit currently expires on March 1, 2023.

c) The Organization entered into an agreement with a financial institution in 2015 for a $900,000 capital line of credit which was used to support the development of McCarter's *A Christmas Carol* and updated website and branding effort. The agreement was later amended in 2017 to provide for new repayment terms of the outstanding principal balance, which included the separation of the outstanding balance 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 were repaid during 2022 through a refinancing of the remaining loan balances of $498,718 in May 2022. The loan will be repaid in installments of $9,446, including principal and interest, at a fixed rate of 5.09% due on May 23, 2027. The capital loan is collateralized by the Organization's business assets. As of June 30, 2022 and 2021, the outstanding balance was $491,231 and $554,494, respectively.

Total principal payments due are as follows as of June 30:

2023	$ 90,443
2024	95,155
2025	100,113
2026	105,330
2027	100,190
	$ 491,231

d) The Organization has an equipment note payable which is secured by a title lien on one of the Organization's vehicles. Payments on the loan agreement are due monthly with a fixed interest rate of 5.94%. As of June 30, 2022 and 2021, the amount outstanding on the loan was $23,415 and $33,236, respectively. The loan matures on November 30, 2024.

e) In August 2022, the Organization obtained a $1,000,000 note from a financial institution. The note matures on August 31, 2032 and bears a fixed rate of 5.15%. The note is secured by certain equipment assets of the Organization. Per the agreement, the Organization will make monthly installments of principal and interest of $10,716 effective September 2022.

f) 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 8% and 1% of the Organization’s employees and contractors are participants in multiemployer plans for the years ended June 30, 2022 and 2021, respectively. Pension and welfare expense associated with multiemployer plans amounted to $61,182 and $6,592 for the years ended June 30, 2022 and 2021, respectively, which is included in benefits, taxes, and payroll expenses in the statements of functional expenses.

g) The Organization has two employee agreements through July 31, 2023. The total commitment under these agreements is $325,000 and $925,000 as of June 30, 2022 and 2021, respectively.

h) 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 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.

i) In May 2019, the Organization entered into a lease which expires June 2029. Rent expense for the years ended June 30, 2022 and 2021 was $36,787 and $19,620. The minimum annual rental payments for this lease subsequent to June 30, 2022 is as follows:

For year ended June 30, 2023	$	39,160
" " June 30, 2024		40,111
" " June 30, 2025		41,091
" " June 30, 2026		42,096
" " June 30, 2027		43,140
For 2 years ended June 30, 2029		89,526
	$	295,124

j) The Organization has been named in two pending claims. 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 Organization 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, 2022 and 2021, the Organization contributed $187,948 and $98,682, 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 Coronavirus Aid, Relief, and Economic Security 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 statement of activities for the year ended June 30, 2021, 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. On March 9, 2022, the Organization was informed that its application for the forgiveness of $1,233,690 for the PPP2 Loan from the SBA was approved. Accordingly, the Organization recorded its forgiveness of debt, of which $573,857 relates to expenses incurred during the year ended June 30, 2021, which is shown as non-operating activities in the accompanying statement of activities for the year ended June 30, 2022.

13. EMPLOYEE RETENTION CREDITS

The Organization has applied for the employee retention credit in the amount of $1,027,689. 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, 2022, the Organization recorded revenue totaling $507,499, of which $245,469 relates to expenses incurred during the year ended June 30, 2021, which is shown as non-operating activities in the accompanying statements of activities. 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. Receivables for the credits applied for are $865,321 and $520,190 as of June 30, 2022 and 2021, respectively.

14. SHUTTERED VENUE OPERATORS GRANT

On September 24, 2021, the Organization was awarded a Shuttered Venue Operators Grant from the U.S. Small Business Administration ("SBA") in the amount of $3,606,738. This cost-reimbursable federal grant covers allowable qualifying expenses for the period from March 1, 2020 through June 30, 2022. The Organization recorded revenue totaling $3,606,738 in the accompanying statements of activities for the year ended June 30, 2022.

15. DONATED SERVICES AND MATERIALS

The Organization received contributed nonfinancial assets comprised of services and materials during the years ended June 30, 2022 and 2021 in support of its programs and operations, which are recognized in the statements of activities and included:

Non-Financial Contributions Category	Usage	Valuation	2022	2021
Rent, utilities and maintenance	Program expense	Fair value of services provided and fair value of similar rental space	$ 873,671	$ 724,496
Capitalized equipment	Property and equipment	Market value of equipment purchased	289,593	-
			$ 1,163,264	$ 724,496

16. 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.

17. 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.

18. EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through January 31, 2023, 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 discussed in Note 8 and 10.