

NEW JERSEY SYMPHONY ORCHESTRA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

**YEAR ENDED AUGUST 31, 2023
(WITH SUMMARIZED COMPARATIVE TOTALS
FOR AUGUST 31, 2022)**



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**NEW JERSEY SYMPHONY ORCHESTRA
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(WITH SUMMARIZED COMPARATIVE TOTALS FOR AUGUST 31, 2022)**

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
New Jersey Symphony Orchestra
Newark, New Jersey

Report on Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the New Jersey Symphony Orchestra (the Organization), a nonprofit organization, which comprise the statement of financial position as of August 31, 2023, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of August 31, 2023, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Adjustments to Prior Period Financial Statements

The financial statements of New Jersey Symphony Orchestra were audited by Sobel & Co. LLC, whose shareholders and professional staff joined CliftonLarsonAllen LLP as of February 1, 2023, and has subsequently ceased operations. Sobel & Co., LLC's report dated January 13, 2023, expressed an unmodified opinion on those financial statements. As more fully described in Note 16, the Organization has restated its August 31, 2022 financial statements during the current year to properly account for endowment net assets, in accordance with accounting principles generally accepted in the United States of America. Sobel & Co. LLP reported on the August 31, 2022 financial statements before the restatement.

As part of our audit of the August 31, 2023 financial statements, we also audited the adjustment described in Note 16 that was applied to restate the 2022 financial statements. In our opinion, such adjustments are appropriate and has been properly applied. We were not engaged to audit, review or apply procedures to the 2022 financial statements of the Organization other than with respect to the adjustment and, accordingly, we do not express an opinion or any other form of assurance on the 2022 financial statements as a whole.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, in 2023 the Organization adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with respect to this matter.

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.

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 within one year after the date that the financial statements are available to be issued.

Auditors’ 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 auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* 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, including omissions, 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 generally accepted auditing standards and *Government Auditing Standards*, 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state awards on page 28, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and New Jersey Office of Management and Budget (NJOMB) Circular Letter 15-08, is presented for purposes of additional analysis and is not a required part of the financial statements. The notes to the SESA on page 29 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 1, 2024, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Board of Trustees
New Jersey Symphony Orchestra

Report on Summarized Comparative Information

The financial statement of the Symphony as of August 30, 2022, were audited by Sobel & Co. LLC, whose shareholders and professional staff joined CliftonLarsonAllen LLP as of February 1, 2023, and has subsequently ceased operations. Sobel & Co., LLC's report dated January 13, 2023, expressed an unmodified opinion on those financial statements. In our opinion, the summarized, comparative information presented herein as of and for the year ended August 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Livingston, New Jersey
April 1, 2024

**NEW JERSEY SYMPHONY ORCHESTRA
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2023 AND 2022**

	2023	2022 As Restated
ASSETS		
ASSETS		
Cash and Cash Equivalents	\$ 112,802	\$ 489,312
Restricted Cash and Investments	3,660,472	8,304,280
Unconditional Promises to Give, Net	4,733,927	2,747,044
Prepaid Expenses	309,040	382,330
Other Receivables	174,117	171,630
Property and Equipment, Net	228,063	289,782
Music Library, Less: Accumulated Amortization of \$469,798 and \$460,601, Respectively	82,477	86,573
Funds Held In Trust	175,250	163,461
Operating Right of Use Asset, Net of Accumulated Amortization	367,713	-
Total Assets	\$ 9,843,861	\$ 12,634,412
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 983,949	\$ 923,667
Deferred Revenue	1,496,972	1,920,648
Funds Held for Others	32,845	46,840
Operating Lease Liability, Current Portion	228,425	-
Operating Lease Liability, Less Current Portion	139,288	-
Total Liabilities	2,881,479	2,891,155
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Without Donor Restrictions	(18,074,076)	(14,655,995)
With Donor Restrictions	25,036,458	24,399,252
Total Net Assets	6,962,382	9,743,257
Total Liabilities and Net Assets	\$ 9,843,861	\$ 12,634,412

See accompanying Notes to Financial Statements.

NEW JERSEY SYMPHONY ORCHESTRA
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED AUGUST 31, 2023
(WITH SUMMARIZED COMPARATIVE TOTALS FOR AUGUST 31, 2022)

	2023			2022 (As Restated)
	Without Donor Restrictions	With Donor Restrictions	Total	Total
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS				
Operating Revenues:				
Performance Revenue	\$ 3,715,350	\$ -	\$ 3,715,350	\$ 2,208,761
Education and Community Engagement	109,569	-	109,569	116,068
Total Operating Revenues	<u>3,824,919</u>	<u>-</u>	<u>3,824,919</u>	<u>2,324,829</u>
Operating Expenses:				
Program Costs	13,227,141	-	13,227,141	10,567,444
General and Administrative	2,408,648	-	2,408,648	2,031,995
Total Operating Expenses	<u>15,635,789</u>	<u>-</u>	<u>15,635,789</u>	<u>12,599,439</u>
LOSS FROM OPERATIONS	(11,810,870)	-	(11,810,870)	(10,274,610)
SUPPLEMENTAL INCOME				
Interest and Dividend Income	-	106,485	106,485	47,127
Other Revenue (Expense)	13,054	-	13,054	(7,324)
Unrealized Gain (Loss) on Investments	-	341,520	341,520	(600,159)
Donated Materials, Facilities, and Services	98,837	-	98,837	68,695
Realized (Loss) Gain on Investments	-	(74,910)	(74,910)	163,339
Total Supplemental Income	<u>111,891</u>	<u>373,095</u>	<u>484,986</u>	<u>(328,322)</u>
FUNDRAISING				
Annual Giving	2,514,344	2,750,512	5,264,856	3,978,840
Government Grants	3,367,500	-	3,367,500	2,682,393
Special Events	1,586,410	-	1,586,410	675,696
Endowment Contributions	432,234	61,197	493,431	3,157,185
Change in Discount	-	53,526	53,526	(22,662)
Net Assets Released from Restrictions	8,114,793	(8,114,793)	-	-
Total Fundraising	<u>16,015,281</u>	<u>(5,249,558)</u>	<u>10,765,723</u>	<u>10,471,452</u>
FUNDRAISING EXPENSES	2,220,714	-	2,220,714	1,380,323
Fundraising, Net	13,794,567	(5,249,558)	8,545,009	9,091,129
SUPPLEMENTAL INCOME, NET	<u>13,906,458</u>	<u>(4,876,463)</u>	<u>8,545,009</u>	<u>8,762,807</u>
CHANGES IN NET ASSETS	2,095,588	(4,876,463)	(2,780,875)	(1,511,803)
Net Assets - Beginning of Period (as Restated)	<u>(14,655,995)</u>	<u>24,399,252</u>	<u>9,743,257</u>	<u>11,255,060</u>
Interfund loan from Endowment	(5,513,669)	5,513,669	-	-
NET ASSETS - END OF PERIOD	<u><u>\$ (18,074,076)</u></u>	<u><u>\$ 25,036,458</u></u>	<u><u>\$ 6,962,382</u></u>	<u><u>\$ 9,743,257</u></u>

See accompanying Notes to Financial Statements.

**NEW JERSEY SYMPHONY ORCHESTRA
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2023
(WITH SUMMARIZED COMPARATIVE TOTALS FOR AUGUST 31, 2022)**

	2023			2022	
	Program	General and Administrative	Fundraising	Total	Total
Compensation	\$ 6,292,786	\$ 759,529	\$ 835,039	\$ 7,887,354	\$ 6,808,031
Artistic and Professional Fees	1,423,037	225,625	221,202	1,869,864	998,848
Payroll Taxes	822,551	67,619	90,231	980,401	801,267
Employee Benefits	1,738,556	117,705	84,218	1,940,479	1,823,949
Supplies	8,515	48,422	5,868	62,805	104,890
Insurance	-	125,060	-	125,060	89,210
Printing	197,844	-	15,504	213,348	132,891
Rent	725,372	266,595	-	991,967	808,706
Telephone	925	14,688	-	15,613	15,396
Postage	106,830	12,008	18,905	137,743	105,559
Maintenance, Repairs, and Equipment Rentals	161,003	159,913	2,004	322,920	294,537
Travel	514,115	62,193	33,478	609,786	419,631
Meals and Entertainment	29,046	-	-	29,046	18,558
Marketing and Promotion	740,941	13,012	206,323	960,276	695,467
Electronic Media	92,377	-	-	92,377	222,418
Library	197,732	-	-	197,732	97,546
Special Events	-	-	653,934	653,934	118,676
Depreciation and Amortization	25,879	61,442	9,197	96,518	112,055
Provision for Uncollectible Pledges	-	429,871	-	429,871	136,950
Banking and Financing Fees	-	9,215	-	9,215	13,149
Miscellaneous	149,632	35,751	44,811	230,194	162,028
Total Functional Expenses	\$ 13,227,141	\$ 2,408,648	\$ 2,220,714	\$ 17,856,503	\$ 13,979,762

See accompanying Notes to Financial Statements.

NEW JERSEY SYMPHONY ORCHESTRA
STATEMENT OF CASH FLOWS
YEAR ENDED AUGUST 31, 2023
(WITH SUMMARIZED COMPARATIVE TOTALS FOR AUGUST 31, 2022)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes In Net Assets	\$ (2,780,875)	\$ (1,511,803)
Adjustments to Reconcile Changes in Net Assets to Net Cash (Used) Provided by Operating Activities:		
Depreciation and Amortization	96,518	112,055
Bad Debt Provision	429,871	136,950
Investment Losses (Gains):		
Unrealized	74,910	(163,339)
Realized	(341,520)	600,159
Funds Held in Trust	(11,789)	9,217
Changes in Certain Assets and Liabilities:		
Unconditional Promises to Give	(2,416,754)	1,551,490
Prepaid Expenses	73,290	(177,815)
Other Receivables	38,027	852,495
Accounts Payable and Accrued Expenses	60,282	(202,637)
Deferred Revenue	(423,676)	729,845
Funds Held for Others	(13,995)	13,164
Net Cash Provided (Used) by Operating Activities	(5,215,711)	1,949,781
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(30,703)	(101,132)
Purchase of Investments	(40,514)	(1,212,470)
Sale of Investments	4,910,418	163,339
Net Cash Provided (Used) by Investing Activities	4,839,201	(1,150,263)
CASH FLOWS FROM FINANCING ACTIVITIES		
Forgiveness of the Second-Round PPP Loan	-	(1,698,908)
Net Cash Provided (Used) by Financing Activities	-	(1,698,908)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(376,510)	(899,390)
Cash and Cash Equivalents - Beginning of Year	489,312	1,388,702
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 112,802	\$ 489,312

See accompanying Notes to Financial Statements.

**NEW JERSEY SYMPHONY ORCHESTRA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022**

NOTE 1 NATURE OF ORGANIZATION

New Jersey Symphony Orchestra (New Jersey Symphony or Organization) is a New Jersey nonprofit organization whose purpose is to engage the public by performing classical music at the highest caliber in a variety of settings for diverse audiences.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. Also included in this classification are net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Cash Equivalents

New Jersey Symphony considers all highly liquid debt instruments with an original maturity of less than three months to be cash equivalents.

Restricted Cash and Investments

Restricted cash and investments have been restricted by donors either for a specified purpose or perpetually.

Investments

Investment income is presented net of investment advisory/management fees in the statement of activities and changes in net assets. All investment income is credited directly to unrestricted net assets unless otherwise restricted by the donor. All capital appreciation/depreciation earned on investments is reported as a change in unrestricted net assets unless otherwise restricted by the donor. All investments are carried at fair value with the related gains and losses included in the statement of activities and changes in net assets, respectively.

**NEW JERSEY SYMPHONY ORCHESTRA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value

Fair value measurements are defined as the amount that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. There are three defined hierarchical levels based on the quality of inputs used that directly relate to the amount of subjectivity associated with the determination of fair value. The fair value hierarchy defines the three levels as follows:

Level 1 – Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2 – Valuations based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated by observable market data.

Level 3 – Valuations based on unobservable inputs that are used when little or no market is available. The fair value hierarchy gives lowest priority to Level 3 inputs.

In determining fair value, the Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible, as well as considers counterparty credit risk (or other parties such as counterparty in a swap) in its assessment of fair value.

Gains and losses, both realized and unrealized, resulting from increases or decreases in the fair value of investments are reflected in the statement of activities and changes in net assets as increases or decreases in unrestricted net assets unless the use was restricted by explicit donor stipulations or by law.

The fair values of investments are as follows:

Restricted Cash: Valued at the net asset value of shares held by the Organization at year-end.

Mutual Funds: Valued at the net asset value of shares held by the Organization at year-end.

Money Market Funds: Valued at the net asset value of shares held by the Organization at year-end.

Savings and Time Deposits: Valued at the net asset value of shares held by the Organization at year-end.

Government Bonds: Bonds are valued at the closing unit price in the inactive market in which the individual shares are traded.

**NEW JERSEY SYMPHONY ORCHESTRA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value (Continued)

Certificates of Deposit: Certificates of deposit are valued at the closing unit price in the inactive market in which the individual shares are traded.

Equities: Equities traded on national securities exchanges are valued at the closing price reported in the active market in which the individual securities are traded.

Uncollectible, Unconditional Promises to Give

The Organization charges off unconditional promises to give when they are determined to be uncollectible. During the years ended August 31, 2023 and 2022, the Organization determined that uncollectible amounts totaled \$325,493 and \$136,950, respectively. Allowances are estimates based on management's evaluation of outstanding pledges and consideration of historical write-off activity. These unconditional promises to give were taken in as revenue in the statement of activities and changes in net assets.

Property and Equipment

Property and equipment is stated at cost or fair market value, at date of gift for donated assets. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which range from 5 to 10 years.

Music Library

New Jersey Symphony's music library was valued by an independent appraiser and recorded at the resulting fair value due to a lack of historical cost information. Subsequent additions have been recorded at cost. Although the value of the library may increase, the applicable sheet music is subject to physical deterioration and, accordingly, is being depreciated over a 25-year period.

Funds Held for Others

In January 2020, the New Jersey Symphony entered into an agreement with El Sistema New Jersey Alliance (Alliance) to provide administrative support services, including receiving and distributing funds on behalf of the Alliance in support of its activities. In conjunction with this relationship, New Jersey Symphony has included \$32,845 and \$46,840 in funds held for others at August 31, 2023 and 2022, respectively, that belongs to the Alliance.

Revenue Recognition

The Organization derives a portion of its revenue from performance revenue. Revenues are recognized at a point in time when the performances are provided by the Organization, in an amount that reflects the consideration the Organization expects to be entitled to in exchange for providing the performance. There are no significant financing components or variable considerations provided to the attendees. Subscriptions received for subsequent concert seasons are recorded as deferred subscription revenue. Costs applicable to the generation of such revenue are included in prepaid expenses and are amortized over the subsequent concert season. In the case of postponed or canceled concerts, the Organization has reflected ticket donations as fundraising income at the time of the donation, and monies left on account are reflected as deferred revenue.

**NEW JERSEY SYMPHONY ORCHESTRA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue With and Without Donor Restrictions

Contributions are recognized as revenue when the contributions are given. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Net assets with donor restrictions are either available for periods after August 31, 2023, or are restricted to endowments to be held indefinitely, with no restriction on the use of income. New Jersey Symphony has received permission from certain donors to borrow against the endowment for operating purposes. Grant revenue is recognized in the fiscal year it is earned.

Underwater Endowment Funds

The Organization considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Organization complies with the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

Donated Materials, Facilities, and Services

During the year ended August 31, 2022, the Organization adopted the changes relating to the Financial Accounting Standards Board Accounting Standards Update 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This update clarifies the presentation and disclosure of contributed nonfinancial assets by disclosing the valuation methods and inputs utilized to determine the fair value of the in-kind contributions, any donor-restrictions imposed, and presenting the contribution on a separate line item on the statement of activities and changes in net assets.

Advertising

New Jersey Symphony uses advertising to promote its programs among the audiences it serves and expenses them as incurred. Advertising expense for the years ended August 31, 2023 and 2022 was approximately \$446,260 and \$358,606, respectively, and is included in the statement of functional expenses as marketing and promotion expense.

**NEW JERSEY SYMPHONY ORCHESTRA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Organization is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is not liable for federal and state income taxes.

The Organization follows standards that provide clarification on accounting for uncertainty in income taxes recognized in the Organization's financial statements. The guidance prescribes a recognition threshold and measurement attribute for the recognition and measurement of a tax position taken, or expected to be taken, in a tax return, and also provides guidance on derecognition, classification, interest and penalties, disclosure and transition. The Organization's policy is to recognize interest and penalties on unrecognized tax benefits in income tax expense. No interest and penalties were recorded for the years ended August 31, 2023 and 2022. At August 31, 2023 and 2022, there are no significant income tax uncertainties.

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are based on management's best estimates and judgment. Actual results could differ from those estimates.

Functional Allocation of Expenses

Costs of providing the Organization's programs, management and general, and fundraising activities are separately summarized in the statement of functional expenses. Accordingly, certain costs have been allocated among program services, management and general, and fundraising activities benefited. Management and general costs include those expenses that are not directly identifiable with any other specific function but do provide for the overall support and direction of the Organization. Library, special events, and provision for uncollectible pledges are directly expensed to their functional activity. All other expenses are allocated among the functional activities based on a combination of direct costing, and time and effort.

**NEW JERSEY SYMPHONY ORCHESTRA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standards

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-02, *Leases* (ASC 842). The new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the requirements of the guidance effective September 1, 2022 and has elected to apply the provisions of this standard to the beginning of the period of adoption, through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended August 31, 2023 are made under prior lease guidance in FASB ASC 840.

The Organization has elected to adopt the package of practical expedients available in the year of adoption. The Organization has elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the Company's ROU assets.

The Organization elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Organization recognized on September 1, 2022 a lease liability of \$426,757 which represents the present value of the remaining operating lease obligations of \$382,572, discounted using the Organization's risk-free discount rate comparable to corresponding lease terms and a right-of-use asset of \$426,757.

The standard had a material impact on the balance sheets but did not have an impact on the income statements, nor statements of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases, while the Company's accounting for finance leases remained substantially unchanged.

Leases

The Organization leases program space and office equipment. The Organization determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, other current liabilities, and operating lease liabilities on the statement of financial position.

**NEW JERSEY SYMPHONY ORCHESTRA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term.

As most of the individual lease contracts do not provide an implicit rate, the Organization has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the statement of financial position.

The Organization has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In evaluating contracts to determine if they qualify as a lease, the Organization considers factors such as if the Organization has obtained substantially all of the rights to the underlying asset through exclusivity, if the Organization can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

Reclassifications

Certain items have been reclassified from the fiscal year ended August 31, 2022 to confirm with the current year presentation.

Subsequent Events

The Organization has evaluated its subsequent events and transactions occurring after August 31, 2023, through April 1, 2024, the date that the financial statements were available to be issued.

Summarized, Comparative Information

The financial statements include certain prior-year, summarized, comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended August 31, 2022, from which the summarized information was derived.

**NEW JERSEY SYMPHONY ORCHESTRA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022**

NOTE 3 GOING CONCERN

The Organization has experienced recurring operating losses, negative cash from operations, and continues to significantly draw on endowment assets to fund operations. These factors raised substantial doubt about the Organization's ability to continue as a going concern should no remediating actions be undertaken.

Management has evaluated these conditions and has implemented the following steps to sustain the Organization as a going concern for the next twelve months. Management is reducing expenditures by condensing certain subscription series, thereby limiting production and payroll expenses. In addition, there are efforts underway to secure additional state and private funding. The achievement of the Organization's plan is subject to inherent risks associated with the ability to increase both government and private funding, and additional cost cutting measures might also be necessary. The financial statements do not include any adjustments that might result from the outcome of this uncertainty, and there can be no guarantee management can achieve these plans.

NOTE 4 RESTRICTED CASH AND INVESTMENTS

Restricted cash and investments at fair value are summarized as follows:

	Fair Value Measurements		
	(Level 1)	(Level 2)	Total
<u>August 31, 2023</u>			
Restricted Cash	\$ 57,210	\$ -	\$ 57,210
Mutual Funds	2,912,306	-	2,912,306
Money Market	690,956	-	690,956
Investments at Fair Value	\$ 3,660,472	\$ -	\$ 3,660,472
	(Level 1)	(Level 2)	Total
<u>August 31, 2022</u>			
Restricted Cash	\$ 58,841	\$ -	\$ 58,841
Mutual Funds	3,608,862	-	3,608,862
Money Market	2,332,366	-	2,332,366
Savings and Time Deposits	73,260	-	73,260
Government Bonds	-	501,710	501,710
Certificate of Deposit	-	1,729,241	1,729,241
Investments at Fair Value	\$ 6,073,329	\$ 2,230,951	\$ 8,304,280

**NEW JERSEY SYMPHONY ORCHESTRA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022**

NOTE 5 UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give comprise the following at August 31:

	2023	2022
Receivable in Less Than One Year	\$ 3,618,625	\$ 1,850,875
Receivable in One to Five Years	1,839,000	765,000
Receivable in More Than Five Years	-	350,000
Total	5,457,625	2,965,875
Less: Discounts to Net Present Value	(140,750)	(63,072)
Less: Allowance for Uncollectible Promises	(582,948)	(155,759)
Unconditional Promises To Give, Net	\$ 4,733,927	\$ 2,747,044

Unconditional promises to give in more than one year are discounted at 3.90% and 1.74% at August 31, 2023 and 2022, respectively.

NOTE 6 PROPERTY AND EQUIPMENT

Property and equipment is as follows at August 31:

	2023	2022
Sound Stage	\$ 418,831	\$ 418,831
Office Equipment	94,153	94,153
Musical Instruments	204,413	192,950
Scenery and Props	86,686	86,686
Leasehold Improvements	15,072	15,072
Furniture and Other Equipment	463,460	449,318
Total	1,282,615	1,257,010
Less: Accumulated Depreciation	1,054,552	(967,228)
Property and Equipment, Net	\$ 228,063	\$ 289,782

NOTE 7 RETIREMENT PLANS

Defined-Benefit, Multiemployer Pension Plan

New Jersey Symphony participates in a defined-benefit, multiemployer pension plan with the American Federation of Musicians and Employers' Pension Fund (Plan) covering all eligible musicians. The Plan covers all eligible employees in which the participant earns \$750 in covered earnings by an employer who is required to make contributions to the Plan. Pension expense for this Plan for the years ended August 31, 2023 and 2022, was \$464,569 and \$368,591, respectively, included in employee benefits on the statement of functional expenses.

**NEW JERSEY SYMPHONY ORCHESTRA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022**

NOTE 7 RETIREMENT PLANS (CONTINUED)

Defined-Benefit, Multiemployer Pension Plan (Continued)

The Plan is a multiemployer plan and the individual information for each employer is not available. The actuarial information for the Plan as of August 2021 indicates that the Plan is in “critical and declining” status, as defined in the Pension Protection Act of 2006, because the Plan’s actuary determined that the Plan is projected to have an accumulated funding deficiency over the next nine years due to a projected deficiency for the Plan-year ending March 31, 2021. The assumed rate of return used in determining actuarial values to present accumulated benefits was 7.50%.

The Entry Age Normal actuarial cost method is used in the actuarial valuation; amortization of gains and losses is over 10 years; and the amortization of past or prior service cost is 10 years.

The Plan contributes, on behalf of Plan employees, to a defined-benefit, multiemployer pension plan. The risks of participating in this multiemployer pension plan are different from the risks of participating in single-employer pension plans in the following respects:

- Assets contributed to a multiemployer plan by one employer may be used to provide benefits to employees of the participating employers.
- If a participating employer stops contributing to the Plan, the unfunded obligations of the Plan may be borne by the remaining participating employers.
- If New Jersey Symphony chooses to stop participating in its multiemployer pension plan, New Jersey Symphony may be required to pay the Plan an amount based on the unfunded status of the Plan, referred to as a withdrawal liability.

New Jersey Symphony’s participation in the multiemployer plan for the year ended March 31, 2021, is outlined in the following table. The “EIN/Pension Plan Number” column provides the Employer Identification Number (EIN) and the three-digit plan number, if applicable. The most recent “Pension Protection Act” zone status available is for the year beginning April 1, 2017. Among other factors, plans in the red zone are generally less than 65% funded or projected to have a deficit in their funding standard account within four years, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded. The “RP Implemented” column indicates plans for which a rehabilitation plan (RP) is either pending or has been implemented. The last column lists the expiration date of the participation agreement to which plan contributions are subject.

Pension Fund	EIN/ Pension Plan Number	Pension Protection Act Zone		Rehabilitation Plan Implemented	Contributions for the Year Ended August 31, 2023	Surcharge Imposed	Expiration Date of Participation Agreement
		2022	2021				
American Federation of Musicians and Employers' Pension Fund	51-6120204-001	Red	Red	Yes	448,930	N/A	N/A

**NEW JERSEY SYMPHONY ORCHESTRA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022**

NOTE 7 RETIREMENT PLANS (CONTINUED)

Defined-Benefit, Multiemployer Pension Plan (Continued)

The information for this fund was obtained from the Form 5500 filed for the Plan's year-end at March 31, 2021, and the notes to the March 31, 2021, financial statements. Form 5500 filed for the Plan's year-end at March 31, 2022, is not yet available.

Noncontributory, Defined-Contribution Plan

New Jersey Symphony has a noncontributory, defined-contribution plan for its nonunion employees who have met the Plan's eligibility requirements. For the years ended August 31, 2023 and 2022, contributions amounted to \$68,378 and \$62,682, respectively, included in employee benefits on the statement of functional expenses.

NOTE 8 COMMITMENTS AND CONTINGENCIES

Musicians Agreement

The New Jersey Symphony has a master labor agreement with the Musicians Guild of Essex County, Local #16, American Federation of Musicians (representing approximately 65% of New Jersey Symphony's employees) and the Organization's Orchestra Committee.

In March of 2023, a new musician's agreement was finalized and executed. This agreement covers the period beginning September 1, 2022, and expires on August 31, 2027. This resulted in a minimum salary of approximately \$2.8 million to musicians for the year ended August 31, 2023. New Jersey Symphony's other employees are not represented by a union.

Operating Leases – ASC 842

New Jersey Symphony has an operating lease for administrative office space, which expires in 2024. Monthly payments range from approximately \$15,000 to \$17,000 through September 30, 2024. On September 23, 2021, New Jersey Symphony amended the operating lease to include additional space. Lease amendment runs concurrent to the original lease with additional monthly payments of approximately \$2,000.

Total office rent expense amounts to \$266,595 and \$266,826 for the years ended August 31, 2023 and 2022, respectively.

**NEW JERSEY SYMPHONY ORCHESTRA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022**

NOTE 8 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Operating Leases – ASC 842 (Continued)

The following table provides quantitative information concerning the Organization's leases as of August 31, 2023:

Operating Lease Cost:	<u>\$ 224,723</u>
Other Information:	
Cash Paid for Amounts included in the Measurement of Lease Liabilities:	
Operating Cash Flows from Operating Leases	\$ 224,723
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	\$ 578,039
Weighted-Average Remaining Lease Term - Operating Leases	2.2
Weighted-Average Discount Rate - Operating Leases	3.51%

The Organization classifies the total discounted lease payments that are due in the next 12 months as current. A maturity analysis of annual undiscounted cash flows for operating lease liabilities as of August 31, 2023, is as follows:

<u>Year Ending August 31,</u>	<u>Amount</u>
2024	\$ 236,988
2025	66,788
2026	32,748
2027	32,748
2028	<u>13,300</u>
Undiscounted cash flows	382,572
(Less) Imputed interest	<u>(14,859)</u>
Total present value	<u>\$ 367,713</u>

Operating Leases – ASC 840

The Organization elected to apply the provisions of FASB ASC 842 to the beginning of the period of adoption, through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended September 1, 2022, are made under prior lease guidance in FASB ASC 840.

New Jersey Symphony has an operating lease for administrative office space, which expires in 2024. Monthly payments range from approximately \$15,000 to \$17,000 through September 30, 2024. On September 23, 2021, New Jersey Symphony amended the operating lease to include additional space. Lease amendment runs concurrent to the original lease with additional monthly payments of approximately \$2,000.

Total office rent expense amounts to \$266,826 for the year ended August 31, 2022.

**NEW JERSEY SYMPHONY ORCHESTRA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022**

NOTE 8 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Operating Leases – ASC 840 (Continued)

The Organization has various office equipment leases under operating leases that expire at various dates through 2028. Future minimum operating lease payments are as follows:

<u>Year Ending August 31,</u>	<u>Amount</u>
2023	\$ 228,068
2024	228,068
2025	1,986
Total	<u>\$ 458,122</u>

Total rent expense for concert halls was \$725,372 for the year ended August 31, 2023.

The Organization has various office equipment leases under operating leases that expire at various dates through 2028. Future minimum operating lease payments are as follows:

<u>Year Ending August 31,</u>	<u>Amount</u>
2023	\$ 18,171
2024	17,836
2025	10,983
2026	10,360
2027	4,140
Thereafter	345
Total	<u>\$ 61,835</u>

Total rent expense for the various equipment was \$19,436 for the year ended August 31, 2022.

Employment Agreements

New Jersey Symphony has entered into an agreement with the Music Director/Conductor for the period from September 1, 2020, through August 31, 2024. This agreement has been extended, and now expires on August 31, 2028. The agreement provides for subscription and music directorship program fees as approved by the board of trustees.

New Jersey Symphony has also entered into an agreement with the president/chief executive officer for the period from February 1, 2021, through August 31, 2024. A new agreement was executed in February 2024 which is effective through August 31, 2026. The agreement provides for a base salary and additional benefits as approved by the board of trustees.

New Jersey Symphony has the right to terminate the agreements at any time for cause, or, if for reasons other than cause, upon notice of not less than three months.

**NEW JERSEY SYMPHONY ORCHESTRA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022**

NOTE 9 NEW JERSEY CULTURAL TRUST

The Organization was a recipient of a grant from the New Jersey Cultural Trust (NJCT), which concluded in 2016. The grant provided that contributions made to the Organization that are submitted to NJCT for matching funds, and that are certified by NJCT, are to be held in perpetuity in the endowment and classified as permanently restricted net assets. Additionally, the matching funds received by the Organization from the NJCT were to be classified as permanently restricted. The Organization had submitted to NJCT for matching funds contributions totaling \$6,529,983, which were certified by the NJCT.

Through August 31, 2023, a total of \$1,305,997 has been received by the Organization in matching funds from the NJCT, and these matching funds are included in permanently restricted net assets.

NOTE 10 ENDOWMENT FUNDS

The Organization follows accounting standards that provide clarification on accounting for donor-restricted endowment funds. The guidance prescribes that the portion of donor-restricted endowment funds that are classified as net assets with donor restrictions should not be reduced by losses on the investment of the fund or an organization's appropriations from the fund.

The board of trustees' interpretation requires the preservation of the 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 of this, the Organization classifies as net assets with donor restrictions the original value of gifts donated to the permanent endowment and the original value of subsequent gifts to the permanent endowment until those amounts are appropriated for expenditure by the Organization.

The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the program
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

**NEW JERSEY SYMPHONY ORCHESTRA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022**

NOTE 10 ENDOWMENT FUNDS (CONTINUED)

The board of trustees' primary objective, in this regard, is to add value and minimize risk in managing the assets of the fund while providing a hedge against inflation into the future. It is the intent of the board of trustees to grow the endowment and utilize the total return (income plus capital change) to further the mission of the Organization. In recognition of the prudence required of fiduciaries, reasonable diversification of quality investment securities will be sought where possible, knowing that fluctuating rates of return are a characteristic of the investment market and performance cycles cannot be accurately predicted. The funds may be held in individual securities or mutual funds, may be comprised of domestic and international securities, and will be further diversified into asset classes by their market capitalization.

It is the policy of the Organization to spend, on an annual basis, a maximum of 4% of the average endowment balance over the prior 20 quarters.

Endowment net asset composition by type of fund is as follows as of August 31, 2023:

Donor-Restricted Endowment

Donor-restricted endowments by type of fund are as follows as of August 31:

	Perpetual in Nature <u>(Endowments)</u>	<u>Loans</u>	<u>Total</u>
<u>August 31, 2023</u>			
Donor-Restricted Endowment	<u>\$ 21,886,290</u>	<u>\$ (17,986,818)</u>	<u>\$ 3,899,472</u>
	Perpetual in Nature <u>(Endowments)</u>	<u>Loans</u>	<u>Total</u>
<u>August 31, 2022</u>			
Donor-Restricted Endowment	<u>\$ 22,187,429</u>	<u>\$ (12,473,149)</u>	<u>\$ 9,714,280</u>

Funds with Deficiencies

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) to permit spending from underwater endowments in accordance with prudent measures required under law.

Spending Policy

For the year ended August 31, 2023, the Organization may distribute the interest of the endowment investment portfolio value each year, as well as other amounts, as approved by the Finance Committee.

**NEW JERSEY SYMPHONY ORCHESTRA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022**

NOTE 10 ENDOWMENT FUNDS (CONTINUED)

Borrowing Policy

The organization has a practice of borrowing amounts from its endowment to fund temporary and structural operating cash deficiencies when there is no alternative funding source. Amounts borrowed must be free from specific restriction against such activities. Borrowing activities are undertaken as directed and approved by the Organization's Board of Trustees.

Changes in endowment net assets for the year ended August 31, 2023 and 2022, are as follows:

	Endowment Net assets Without Donor Restrictions	Endowment Net Assets with Donor Restrictions			Total Endowment Cash, Investments and Receivables
		Loan From Operations	Cash Receivables and Securities	Total Restricted Net Assets	
Endowment Net Assets -					
August 31, 2022	\$ (12,318,133)	\$ 12,473,149	\$ 9,714,280	\$ 22,187,429	\$ 9,714,280
Investment Return, Net	-	-	(373,096)	(373,096)	(373,096)
Contributions	432,234	-	61,197	61,197	493,431
Change in Discount	-	-	53,526	53,526	53,526
Borrowing from endowment	(5,886,765)	5,513,669	(5,081,435)	432,234	(5,081,435)
Written off Pledge	-	-	(475,000)	(475,000)	(475,000)
Transfers Out	(432,234)	-	-	-	(432,234)
Endowment Net Assets -					
August 31, 2023	<u>\$ (18,204,898)</u>	<u>\$ 17,986,818</u>	<u>\$ 3,899,472</u>	<u>\$ 21,886,290</u>	<u>\$ 3,899,472</u>
Endowment Net Assets -					
August 31, 2021	\$ (10,389,921)	\$ 10,544,937	\$ 8,507,969	\$ 19,052,906	\$ 8,507,969
Investment Return, Net	-	-	(389,693)	(389,693)	(389,693)
Contributions	651,203	-	2,505,982	2,505,982	3,157,185
Change in Discount	-	-	(22,662)	(22,662)	(22,662)
Borrowing from endowment	(1,928,212)	1,928,212	(887,316)	1,040,896	(887,316)
Transfers Out	(651,203)	-	-	-	(651,203)
Endowment Net Assets -					
August 31, 2022	<u>\$ (12,318,133)</u>	<u>\$ 12,473,149</u>	<u>\$ 9,714,280</u>	<u>\$ 22,187,429</u>	<u>\$ 9,714,280</u>

**NEW JERSEY SYMPHONY ORCHESTRA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022**

NOTE 11 NET ASSETS WITH DONOR RESTRICTIONS

	2023	2022
Net Assets With Donor Restrictions:		
Restricted Due to Time	\$ 3,150,168	\$ 2,211,823
Restricted in Perpetuity - Endowment	3,899,472	9,714,280
Loans from Net Assets With Donor Restrictions	17,986,818	12,473,149
Total Net Assets With Donor Restrictions	\$ 25,036,458	\$ 24,399,252

Net assets released from restrictions were \$8,114,793 and \$4,889,878 for the years ended August 31, 2023 and 2022, respectively.

NOTE 12 CONCENTRATIONS OF CREDIT RISK

The Organization maintains cash and cash equivalent balances at several financial institutions that, in some instances, may exceed insured limits.

One vendor represented 47% and 44% of the Organization's accounts payables for the years ended August 31, 2023 and 2022, respectively. In addition, three constituents represented 57% and 70% of unconditional promises to give for the years ended August 31, 2023 and 2022, respectively.

Three sources represented 22% and 13% of the Organization's total revenue for the years ended August 31, 2023 and 2022, respectively.

NOTE 13 PAYCHECK PROTECTION PROGRAM (PPP) LOAN

In January 2021, the Organization applied for, and received, a second PPP loan for \$1,698,908. This loan was to provide the Organization with working capital for the purpose of maintaining employment levels and paying occupancy costs during a stay-at-home period ordered by the governor of New Jersey.

The Organization received forgiveness of the second PPP loan for its full amount from the SBA in October 2021. The revenue is included in government grants on the statement of activities and changes in net assets for the year ended August 31, 2022.

NOTE 14 IN-KIND CONTRIBUTIONS

The Organization receives donated equipment, supplies, and professional services that create or enhance nonfinancial assets and allow the Organization to fulfill its mission. Donated professional services are recognized if the services received: create or enhance long-lived assets or require specialized skills; are provided by individuals possessing those skills; and would typically need to be purchased if not provided by donation. The Organization recognizes in-kind contribution revenue and a corresponding expense in an amount approximating the estimated fair value at the time of donation.

**NEW JERSEY SYMPHONY ORCHESTRA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022**

NOTE 14 IN-KIND CONTRIBUTIONS (CONTINUED)

Donated services benefiting the Organization include minor building and grounds maintenance and repair, participation in agency fundraising events, and uncompensated, volunteer board of director membership. Such volunteer services do not meet the criteria for financial statement recognition and are not included in the financial statements. Contributed nonfinancial assets included on the statements of activities and changes in net assets as of August 31, 2023 and 2022, included:

	2023	2022
Legal Services	\$ 98,837	\$ 38,365
General and Administrative Services	-	525
Auction Items	-	29,805
Total	\$ 98,837	\$ 68,695

The majority of contributed nonfinancial assets are donated as services provided to the Organization. These services are utilized to assist the Organization with legal matters and performance-related expenses. Donated items to the Organization for the purpose of raising funds are sold as soon as possible and converted to cash through auction events.

In-kind contributions received by the Organization for the years ended August 31, 2023 and 2022, were considered to be contributions without donor restrictions and are able to be used by the Organization as determined by the board of directors and management.

NOTE 15 LIQUIDITY AND AVAILABILITY

The following represents the Organization's financial assets at August 31, 2023 and 2022, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions or internal designations. Amounts available include donor- restricted amounts that are available for general expenditure in the following year. Amounts not available include amounts set aside by the board of trustees that could be drawn upon if the board approves that action.

	2023	2022
Financial Assets at Year-End:		
Cash and Cash Equivalents	\$ 112,802	\$ 489,312
Unconditional Promises to Give Receivable		
Within One Year, Net	3,618,625	1,850,875
Other Receivables	174,117	171,630
Total Financial Assets	3,905,544	2,511,817
Less: Amounts Not Available to be Used Within One Year:		
Net Assets With Donor Restrictions	(468,457)	(360,948)
Financial Assets Available to Meet General Expenditures Over the Next 12 Months	\$ 3,437,087	\$ 2,150,869

**NEW JERSEY SYMPHONY ORCHESTRA
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022**

NOTE 15 LIQUIDITY AND AVAILABILITY (CONTINUED)

Endowment funds, including restricted cash and investments, consist of donor-restricted endowments and are not available for general expenditure.

The Organization has a goal to maintain financial assets sufficient to meet operating expenses as they become due throughout the year.

NOTE 16 PRIOR PERIOD ADJUSTMENT

Historically, the Organization has had a pattern of withdrawing funds from its endowment to support operations when needed. These withdrawals have been regularly described as borrowings by the Organization but not fully disclosed as such in prior financial statements. Upon further review, it was noted that the majority of the distributions, particularly those drawn on underwater funds, are more correctly characterized explicitly as loans in the financial statements and in the footnote disclosures. For GAAP reporting purposes, loans are reflected differently in the financial statements than distributions, thereby causing the Organization to restate certain financial statement balances. The adjustments are as follows:

	<u>As Previously Reported</u>	<u>Adjustment</u>	<u>As Adjusted</u>
Net Assets -			
With Donor Restrictions	\$ 11,926,103	\$ 13,110,355	\$ 25,036,458
Without Donor Restrictions	(2,182,846)	(15,891,230)	(18,074,076)

**NEW JERSEY SYMPHONY ORCHESTRA
SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED AUGUST 31, 2023
(SEE INDEPENDENT AUDITORS' REPORT)**

<u>Agency Grantor/Program Title</u>	<u>Date</u>	<u>Grant/Contract Number</u>	<u>Grant Award</u>	<u>Expenditures</u>
New Jersey State Department Council on the Arts	09/01/2022-08/31/2023	2302X010047	\$ 1,330,000	<u>\$ 1,330,000</u>

See accompanying Notes to Schedule of Expenditures of State Awards.

NEW JERSEY SYMPHONY ORCHESTRA
NOTES TO SCHEDULE OF EXPENDITURES OF STATE AWARDS
AUGUST 31, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

NOTE 1 BASIS OF PRESENTATION

The accompanying schedules of expenditures of state awards includes the state grant activity, respectively, of the New Jersey Symphony Orchestra and is presented on the accrual basis of accounting. The information in the schedules is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and New Jersey Office of Management and Budget Circular Letter 15-08. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE 2 SUBRECIPIENTS

During the year ended August 31, 2023, the Organization did not provide any funds relating to its federal or state programs to subrecipients.

NOTE 3 INDIRECT COSTS

The Organization did not elect to use the de minimis cost rate when allocating indirect costs to the federal and state programs.

NOTE 4 LOAN AND LOAN GUARANTEE PROGRAMS

As of August 31, 2023, the Organization did not have any federal loan or loan guarantee programs.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Trustees
New Jersey Symphony Orchestra
Newark, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of New Jersey Symphony Orchestra (the Organization), which comprise the statements of financial position as of August 31, 2023, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 1, 2024.

Report on Internal Control Over Financial Reporting

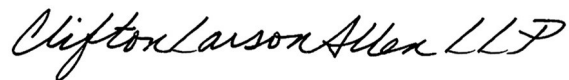
In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control described in the accompanying schedule of findings and questioned costs as Item 2023-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



CliftonLarsonAllen LLP

Livingston, New Jersey
April 1, 2024



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND
NEW JERSEY OMB CIRCULAR LETTER 15-08**

Board of Trustees
New Jersey Symphony Orchestra
Newark, New Jersey

Report on Compliance for Each Major State Program

We have audited New Jersey Symphony Orchestra's (the Organization) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* and the New Jersey OMB (NJOMB) Circular Letter 15-08 that could have a direct and material effect on the Organization's major state program for the year ended August 31, 2023. The Organization's major state program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state program for the year ended August 31, 2023.

Basis for Opinion on Major State Programs

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America; audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and NJOMB Circular Letter 15-08. Our responsibilities under those standards and the Uniform Guidance and NJOMB Circular Letter 15-08 are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and the terms and conditions of its state financial assistance applicable to its state programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. 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 auditing standards generally accepted in the United States of America, *Government Auditing Standards*, the Uniform Guidance, and NJOMB Circular Letter 15-08 will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance, and NJOMB Circular Letter 15-08, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control and compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and NJOMB Circular Letter 15-08. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Livingston, New Jersey
April 1, 2024

**NEW JERSEY SYMPHONY ORCHESTRA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2023**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? X yes no
 - Significant deficiency(ies) identified that are not considered to be material weaknesses? yes X none reported
3. Noncompliance material to financial statements noted? yes X no

Major Awards

1. Internal control over major programs:
- Material weakness(es) identified? yes X no
 - Significant deficiency(ies) identified that are not considered to be material weaknesses? yes X none reported
2. Type of auditors’ report issued on compliance for major programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance and NJ OMB Circular Letter 15-08 yes X no

Identification of Major State Programs

Grant Number(s)	Name of Federal Program or Cluster
2002X010013	New Jersey State Council on the Arts

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? (State) X yes no

**NEW JERSEY SYMPHONY ORCHESTRA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2023**

Section II – Financial Statement Findings

Material Weakness:

2023-001: Finding: During the current year audit, it was noted that in prior periods, certain loans on the endowment were recorded on a basis not consistent with accounting principles generally accepted in the United States (US GAAP).

 Criteria: The recording of endowment loans was not in accordance with current US GAAP, and therefore a prior period adjustment was needed in the current year to restate prior year balances.

 Condition: The incorrect recording of loans on the endowment fund in the prior periods required a prior period adjustment to be recorded.

 Cause: Misinterpretation of endowment accounting guidance.

 Effect: Prior year balances need to be restated in the current year to properly reflect the recording of loans on the endowment.

 Questioned Costs: None

 Recommendation : Endowment documents should be continually examined to make donor intent as clear as possible.

 View of Responsible Officials:

Section III – Compliance Findings

None

Section IV – Prior Year Audit Findings

None