NEW JERSEY PERFORMING ARTS CENTER CORPORATION

Consolidated Financial Statements

June 30, 2021 and 2020

(With Independent Auditors’ Report Thereon)

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

Independent Auditors' Report

The Board of Directors
New Jersey Performing Arts Center Corporation:

We have audited the accompanying consolidated financial statements of New Jersey Performing Arts Center Corporation (NJPAC), which comprise the consolidated balance sheets as of June 30, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of New Jersey Performing Arts Center Corporation as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

October 27, 2021

NEW JERSEY PERFORMING ARTS CENTER CORPORATION

Consolidated Balance Sheets

June 30, 2021 and 2020

Assets		**2021**	**2020**
Cash and cash equivalents	$	12,607,006	7,882,568
Accounts receivable, net of allowance for doubtful accounts of $158,098 in 2021 and $343,029 in 2020		2,284,941	2,951,134
Contributions and grants receivable, net (notes 4 and 6)		30,324,867	42,335,700
Prepaid expenses and other assets		2,593,531	2,727,254
Investments (note 3)		117,199,631	74,764,756
Property and equipment, net (note 5)		102,331,609	105,329,667
Total assets	$	267,341,585	235,991,079
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	3,461,831	2,234,975
Advance ticket sales and other deferred revenue		2,234,903	3,124,922
Loans payable (note 6)		10,762,661	10,045,975
Advance on conditional grant (note 10)		7,528,392	5,515,186
Other liabilities (notes 2, 6, and 7)		1,010,337	1,472,185
Total liabilities		24,998,124	22,393,243
Commitments and contingencies (notes 3 and 7)			
Net assets:			
Without donor restrictions:			
Designated for special purposes, including net investment in property and equipment		93,151,049	95,392,902
Operations		—	—
Total net assets without donor restrictions		93,151,049	95,392,902
With donor restrictions:			
Time or purpose restricted (note 8)		49,675,533	33,272,637
Endowment fund corpus (note 8)		99,516,879	84,932,297
Total net assets with donor restrictions		149,192,412	118,204,934
Total net assets		242,343,461	213,597,836
Total liabilities and net assets	$	267,341,585	235,991,079

See accompanying notes to consolidated financial statements.

NEW JERSEY PERFORMING ARTS CENTER CORPORATION

Consolidated Statement of Activities

Year ended June 30, 2021

	Without donor restrictions				
	Operations	Designated for special purposes	Total	With donor restrictions	Total
Operating expenses:					
Performance and performance related	$ 2,758,620	1,556,063	4,314,683	—	4,314,683
Arts education	2,246,040	275,388	2,521,428	—	2,521,428
Theater operations	6,264,379	2,424,384	8,688,763	—	8,688,763
Public affairs	2,263,500	177,434	2,440,934	—	2,440,934
Real estate	—	1,845,424	1,845,424	—	1,845,424
General and administrative	4,607,599	109,432	4,717,031	—	4,717,031
Development	1,510,961	358,728	1,869,689	—	1,869,689
Total operating expenses	19,651,099	6,746,853	26,397,952	—	26,397,952
Operating revenue and other support:					
Earned revenue and gains:					
Performance and performance related	1,197,860	—	1,197,860	—	1,197,860
Arts education	119,071	—	119,071	—	119,071
Investment income, net (note 3)	3,630,000	—	3,630,000	20,340,802	23,970,802
Other business income	1,890,700	2,637,183	4,527,883	—	4,527,883
Total earned revenue and gains	6,837,631	2,637,183	9,474,814	20,340,802	29,815,616
Net contributed revenue:					
Contributions, net (notes 4 and 6)	4,482,982	610,000	5,092,982	15,800,264	20,893,246
Special events, net of expenses of $154,104	1,792,369	—	1,792,369	—	1,792,369
Government grants (note 4)	1,715,509	800,339	2,515,848	—	2,515,848
Net assets released from donor restrictions	5,151,983	1,605	5,153,588	(5,153,588)	—
Total net contributed revenue	13,142,843	1,411,944	14,554,787	10,646,676	25,201,463
Total operating revenue and other support	19,980,474	4,049,127	24,029,601	30,987,478	55,017,079
Nonoperating activities:					
Transfers to cover certain property and equipment activity	(1,308,994)	1,308,994	—	—	—
Transfer to COVID-19 fund (note 12)	2,000,000	(2,000,000)	—	—	—
Transfer to reserve funds	(1,146,879)	1,146,879	—	—	—
Change in fair value of interest rate swap (note 6)	126,498	—	126,498	—	126,498
Total nonoperating activities	(329,375)	455,873	126,498	—	126,498
(Decrease) increase in net assets	—	(2,241,853)	(2,241,853)	30,987,478	28,745,625
Net assets at beginning of year	—	95,392,902	95,392,902	118,204,934	213,597,836
Net assets at end of year	$ —	93,151,049	93,151,049	149,192,412	242,343,461

See accompanying notes to consolidated financial statements.

NEW JERSEY PERFORMING ARTS CENTER CORPORATION

Consolidated Statement of Activities

Year ended June 30, 2020

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

See accompanying notes to consolidated financial statements.

NEW JERSEY PERFORMING ARTS CENTER CORPORATION

Consolidated Statement of Functional Expenses

Year ended June 30, 2021
(with comparative totals for 2020)

	Performance and performance related	Arts education	Theater operations	Public affairs	Real estate	General and administrative	Development	Total expenses 2021	Total expenses 2020
Salaries	$ 1,133,961	1,272,980	1,583,835	1,402,383	—	2,660,971	1,010,171	9,064,301	13,825,330
Benefits	245,477	227,472	701,039	274,565	—	784,571	189,900	2,423,024	3,267,298
Fees	692,794	517,653	14,105	348,859	—	541,304	105,765	2,220,480	7,641,387
Promotion expenses	274,506	107,209	8,220	105,996	—	11,435	118,542	625,908	2,477,415
Utilities and maintenance	45,823	8,211	1,398,476	98,945	—	5,544	—	1,556,999	2,494,369
Travel, conferences, and publications	40,916	25,747	13,428	7,737	—	48,342	22,988	159,158	1,002,616
Printing and reproduction	546	452	447	563	—	6,167	26,154	34,329	156,787
Office and building supplies	8,873	16,462	77,814	6,167	—	8,661	832	118,809	263,119
Telecommunications	360	—	2,266	210	—	193,312	343	196,491	165,187
Insurance	32	—	590,878	—	—	—	—	590,910	571,441
Production expense	48,801	9,542	111,808	—	—	—	—	170,151	1,161,821
Credit card and ticket processing	2,095	65	51,191	110	—	496	17,736	71,693	553,800
Interest expense	153,344	4,660	40,412	5,065	—	10,866	3,647	217,994	268,927
Parking and lease-related expenses	60,405	—	1,660,076	—	—	—	—	1,720,481	2,541,201
Provision for doubtful accounts	—	27,690	—	—	—	—	15,000	42,690	258,370
Miscellaneous	50,687	27,897	10,384	12,900	—	335,930	(117)	437,681	774,312
	2,758,620	2,246,040	6,264,379	2,263,500	—	4,607,599	1,510,961	19,651,099	37,423,380
Special purpose activities:									
Depreciation	1,556,063	275,388	2,023,986	177,434	—	94,408	94,408	4,221,687	4,537,324
Salaries and benefits	—	—	—	—	432,134	—	200,987	633,121	782,659
Professional fees	—	—	114,434	—	1,306,553	—	24,163	1,445,150	1,348,621
Interest expense	—	—	—	—	—	—	—	—	9,419
Other	—	—	285,964	—	106,737	15,024	39,170	446,895	488,798
	$ 4,314,683	2,521,428	8,688,763	2,440,934	1,845,424	4,717,031	1,869,689	26,397,952	44,590,201
Special events expenses								154,104	883,860
Total expenses								$ 26,552,056	45,474,061

See accompanying notes to consolidated financial statements.

NEW JERSEY PERFORMING ARTS CENTER CORPORATION

Consolidated Statement of Functional Expenses

Year ended June 30, 2020

	Performance and performance related	Arts education	Theater operations	Public affairs	Real estate	General and administrative	Development	Total expenses
Salaries	$ 2,572,576	2,157,207	3,087,022	1,664,212	—	2,626,764	1,717,549	13,825,330
Benefits	677,611	380,974	1,272,975	330,981	—	269,621	335,136	3,267,298
Fees	6,274,366	401,750	49,903	256,166	—	492,223	166,979	7,641,387
Promotion expenses	2,055,198	126,732	7,417	98,913	—	18,939	170,216	2,477,415
Utilities and maintenance	722,248	54,342	1,688,006	12,371	—	15,573	1,829	2,494,369
Travel, conferences, and publications	582,174	150,044	66,872	53,558	—	80,819	69,149	1,002,616
Printing and reproduction	1,774	4,452	3,856	14,589	—	12,215	119,901	156,787
Office and building supplies	5,711	29,580	177,987	16,217	—	22,475	11,149	263,119
Telecommunications	—	57	1,920	720	—	162,490	—	165,187
Insurance	48,929	534	521,783	—	—	195	—	571,441
Production expense	936,798	32,755	181,713	2,258	—	8,029	268	1,161,821
Credit card and ticket processing	8,966	1,690	525,080	220	—	385	17,459	553,800
Interest expense	202,176	16,178	34,148	5,996	—	5,736	4,693	268,927
Parking and lease-related expenses	766,539	—	1,774,662	—	—	—	—	2,541,201
Provision for doubtful accounts	—	18,370	—	—	—	150,000	90,000	258,370
Miscellaneous	216,293	50,767	109,250	7,595	—	291,434	98,973	774,312
	15,071,359	3,425,432	9,502,594	2,463,796	—	4,156,898	2,803,301	37,423,380
Special purpose activities:								
Depreciation	1,988,533	400,376	1,742,298	175,290	—	126,955	103,872	4,537,324
Salaries and benefits	—	—	—	—	782,659	—	—	782,659
Professional fees	—	—	—	—	1,348,621	—	—	1,348,621
Interest expense	7,081	567	1,196	210	—	201	164	9,419
Other	—	—	—	—	488,798	—	—	488,798
	$ 17,066,973	3,826,375	11,246,088	2,639,296	2,620,078	4,284,054	2,907,337	44,590,201
Special events expenses								883,860
Total expenses								$ 45,474,061

See accompanying notes to consolidated financial statements.

NEW JERSEY PERFORMING ARTS CENTER CORPORATION

Consolidated Statements of Cash Flows

Years ended June 30, 2021 and 2020

		2021	2020
Cash flows from operating activities:			
Increase in net assets	$	28,745,625	12,834,867
Adjustments to reconcile increase in net assets to net cash provided by operating activities:			
Depreciation		4,221,687	4,537,324
Provision for doubtful accounts		42,690	258,370
Change in asset retirement obligation		7,805	7,578
Amortization of fixed rent		(317,784)	(317,784)
Net realized and unrealized investment (gains) loss		(23,417,761)	1,345,468
Change in fair value of interest rate swap		(126,498)	281,441
Contributions and investment income for endowment		(14,584,582)	(14,286,965)
Contributions for capital		(1,488,746)	(1,188,828)
Changes in operating assets and liabilities:			
Accounts receivable		941,287	314,323
Contributions and grants receivable		4,855,335	(4,564,579)
Prepaid expenses and other assets		133,723	747,399
Accounts payable and accrued expenses		1,077,102	(1,471,515)
Advance ticket sales and other deferred revenue		(890,019)	357,393
Advance on conditional grant		2,013,206	4,615,186
Other liabilities		(228,687)	(74,196)
Net cash provided by operating activities		984,383	3,395,482
Cash flows from investing activities:			
Investment in property and equipment		(1,073,875)	(1,291,117)
Proceeds from sales of investments		52,074,613	35,699,636
Purchases of investments		(71,091,727)	(33,623,616)
Net cash (used in) provided by investing activities		(20,090,989)	784,903
Cash flows from financing activities:			
Repayment of loans		(3,701,674)	(12,141,395)
Proceeds from loans		4,418,360	12,275,167
Repayment of capital lease		(114,468)	(109,284)
Cash received for endowment		21,740,080	100,000
Cash received for capital		1,488,746	920,086
Net cash provided by financing activities		23,831,044	1,044,574
Net increase in cash and cash equivalents		4,724,438	5,224,959
Cash and cash equivalents at beginning of year		7,882,568	2,657,609
Cash and cash equivalents at end of year	$	12,607,006	7,882,568
Supplemental disclosure of cash flow information:			
Cash paid during the year for interest	$	280,813	390,594
Supplemental schedule of noncash investing activities:			
Purchases of property and equipment in accrued expenses	$	149,754	—

See accompanying notes to consolidated financial statements.

(1) Organization

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

To achieve its mission, NJPAC performs the following activities:

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

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

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

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

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

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

Also included in the accompanying consolidated financial statements of NJPAC are the financial statements of two limited liability companies named the Theater Square Development Company, LLC (TSDC) and Hip Hop Nutcracker Tour, LLC (HHNT). NJPAC is the sole member of these companies. NJPAC was also a partner in a two-member limited liability company (LLC) named Carefree, LLC (Carefree), which was accounted for under the equity method until its liquidation on June 30, 2020. The single-member LLCs are treated as disregarded entities for federal tax purposes, whereas the two-member LLC was treated as a partnership. The purpose of TSDC is to provide services and support relating to the development and operation of real estate owned or leased by NJPAC in furtherance of NJPAC's charitable purposes. The purpose of HHNT is to produce and present touring performances of The Hip Hop Nutcracker. HHNT was formed in June 2015 and started operations in July 2015.

NJPAC formed three additional single-member LLCs named NJ Media Production Stages, NJ Media Production Studios, and NJ Media Production Holdings in June 2019. A fourth LLC named NJ Media Production Management was formed in September 2019. These four interrelated LLCs were created for the purpose of leasing television production studio space and providing related services to television production companies. NJ Media Production Studios incurred expenses totaling $848,404 and $1,122,848 during 2021 and 2020, respectively. There has been no activity in the other three LLCs to date.

(2) Summary of Significant Accounting Policies

(a) Financial Statement Presentation

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

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

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

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

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

(b) Cash and Cash Equivalents

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

(c) Investments

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

(d) Capital Acquisitions and Depreciation

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

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

(e) Conditional Asset Retirement Obligations

Conditional asset retirement obligations are to be recognized if a legal obligation exists to perform asset retirement activities and a reasonable estimate of the fair value of the obligation can be made. Remediation took place during the years ended June 30, 2021 and 2020 in the amount of $193,629 and $8,305, respectively. The conditional asset retirement obligation included in other liabilities is $724,342 and $910,166 at June 30, 2021 and 2020, respectively, which has been adjusted for the accretion of the discount.

(f) Ticket Sales

Ticket sales are recognized as performance and performance related revenue on a specific performance basis. Advance ticket sales for the receipt of payment for future performances are reported in advance ticket sales and other deferred revenue in the consolidated balance sheets. Such amounts were approximately $1.9 million and $3.0 million in 2021 and 2020, respectively, and will be recognized as revenue in the subsequent period.

(g) Derivative Instruments

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

(Continued)

(h) Contributions

Unconditional promises to give are recognized initially at fair value as contributions revenue in the period such promises are made by donors. Fair value is estimated giving consideration to anticipated future cash receipts (after allowance is made for uncollectible contributions, if necessary) and discounting such amounts at a risk-adjusted rate commensurate with the duration of the donor's payment plan. In subsequent periods, the discount rate is unchanged and the allowance for uncollectible contributions is reassessed and adjusted, if necessary. Amortization of the discounts is recorded as additional contributions revenue. The discount rate used for contributions received during the years ended June 30, 2021 and 2020 was 0.47% and 1.20%, respectively. Amortization of the discount is included in contributions revenue.

(i) Contributed Goods and Services

Volunteers and other companies and organizations have donated significant amounts of their time and services in support of NJPAC's operations. Only those amounts for which an objective basis is available to measure the value of such services and which meet certain criteria are reflected in the accompanying consolidated financial statements. Contributed goods and services, which include advertising, piano rental, airfare and legal services in the amount of $83,044 and $260,349 for the years ended June 30, 2021 and 2020, respectively, are recorded as contributions revenue and asset or expense in the accompanying consolidated financial statements.

(j) Other Business Income

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

(k) Fair Value Hierarchy

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

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

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

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

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

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

(l) Advertising Expenses

Advertising expenses related to future performances are expensed as incurred. Advertising expenses amount to approximately $293,000 and $1,533,000 in 2021 and 2020, respectively.

(m) Use of Estimates

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

(n) Tax Status

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

There are certain transactions that could be deemed unrelated business income and would result in a tax liability. Management reviews such transactions to estimate potential tax liabilities using a threshold of more likely than not. It is management’s estimation that there are no material tax liabilities that need to be recorded at June 30, 2021 or 2020.

(o) Functional Classification of Expenses

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

(p) Reclassifications

Certain reclassifications of 2020 amounts have been made to conform to the 2021 presentation.

(q) Upcoming Accounting Pronouncements

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

(3) Investments

Overall Investment Objective

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

The following tables summarize NJPAC's investments by major category in the fair value hierarchy as of June 30, 2021 and 2020:

	June 30, 2021			
	Total	Level 1	Level 2	Level 3
Investments:				
Cash equivalents	$ 13,025,911	13,025,911	—	—
U.S. corporate debt	12,492,811	12,492,811	—	—
Mutual funds and stocks:				
Traditional domestic equity funds	23,315,167	23,315,167	—	—
Traditional international equity funds	16,135,120	16,135,120	—	—
Large cap growth funds	17,765,715	17,765,715	—	—
Small-mid cap funds	9,527,375	9,527,375	—	—
Total	92,262,099	$ 92,262,099	—	—
Alternative investment funds reported at net asset value:				
Hedged strategies (a)	13,418,833			
Private equity (b)	8,975,939			
Commingled trust (c)	2,542,760			
Total	24,937,532			
Total investment:	$ 117,199,631			

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

(a) NJPAC's alternative investments in four hedged strategy funds amounted to $13,418,833 at June 30, 2021 and $5,824,439 at June 30, 2020. These include $45,449 in 2021 and $96,547 in 2020 which were invested in special situation accounts. Special situation accounts generally are not available for redemption until the respective investments are liquidated. The other hedged strategy funds of $13,373,384 in 2021 have no redemption restrictions and may be redeemed quarterly with 30 day notice. Hedged strategies involve funds whose managers have the authority to invest in various asset classes at their discretion, including the ability to invest long and short. Funds with hedged strategies generally hold securities or other financial instruments for which a ready market exists and may include stocks, bonds, put or call options, swaps, currency hedges, and other instruments, and are valued accordingly.

(b) NJPAC's alternative investment funds in private equity of $8,975,939 and $5,129,602 at June 30, 2021 and 2020, respectively, were made through seven limited partnerships in 2021 and four limited partnerships in 2020. Certain partnerships have limited existence and provide for annual extensions for the purpose of disposing portfolio positions and returning capital to investors. However, depending on market conditions or other factors, managers may extend the terms of the partnerships beyond their originally anticipated existence or may wind it down prematurely. NJPAC cannot anticipate such changes because they generally arise from unforeseeable events, but should they occur, they could reduce liquidity or originally anticipated investment returns. The timing and amount of future capital or income distributions of funds are up to the discretion of the fund manager. In other partnerships, NJPAC may request redemptions of all or a portion of its shares on a monthly basis with seven days written notice. Private equity funds employ buyout and venture capital strategies and focus on investments in turn-around situations. Other strategies may require the estimation of fair values by the fund managers in the absence of readily determinable market values. As of June 30, 2021, NJPAC has potential future capital call commitments of approximately $1,800,000 to these private equity funds.

(c) NJPAC's investment in one commingled trust fund amounted to $2,542,760 and $1,815,853 at June 30, 2021 and 2020, respectively. The fund invests primarily in long-term investments in international equities and offers monthly redemptions with 30 day notice.

The following summarizes investment income (loss) components for the years ended June 30, 2021 and 2020:

		2021	2020
Investment income (loss), net:			
Interest and dividends	$	553,041	1,119,162
Net realized gains		2,522,229	2,387,055
Net unrealized losses in fair value of investments		20,895,532	(3,732,523)
Investment income (loss)	$	23,970,802	(226,306)

(4) Contributions and Grants Receivable

Contributions and grants receivable at June 30, 2021 and 2020 are scheduled to be collected as follows:

		2021	2020
Amounts due in:			
One year	$	14,383,710	31,026,990
Two to five years		11,083,803	10,512,020
More than five years		6,075,504	2,096,413
Total contributions and grants receivable		31,543,017	43,635,423
Less:			
Adjustment to reflect contributions and grants receivable at discounted value 0.47% to 2.52%		1,218,150	1,299,723
Contributions and grants receivable, net	$	30,324,867	42,335,700

The New Jersey State Council on the Arts awarded NJPAC grants of $1,204,255 for fiscal year 2021 which included $1,000,000 for general operating support and $204,255 to address costs related to COVID-19. In 2020, NJPAC received $1,000,000 for general operating support. Grant receivables of $250,000 for these awards are included in contributions and grants receivable in the accompanying consolidated balance sheets at June 30, 2021.

The New Jersey Cultural Trust (The Trust) was created in July 2000 to provide funding to qualified organizations for certain purposes. In January 2002, NJPAC was designated a qualified organization by The Trust, making NJPAC eligible for The Trust's 20% match of certain endowment gifts. The Trust awarded a total matching gift of $3,915,000 to NJPAC. At June 30, 2021 and 2020, contributions receivable from The Trust was $1,168,840. Management anticipates that the contributions receivable will be paid in the future, and therefore, it is reflected in the consolidated financial statements at discounted present value. The matching gifts from The Trust were based on certified private donations to NJPAC's endowment. These certified donations totaling $19,575,000, as well as The Trust's matching amount of $2,646,160, are held and managed by NJPAC and recorded as net assets with donor restrictions.

NJPAC maintains a Strategic Reserve Fund to account for contributions without donor restrictions that may only be used for extraordinary operational needs as recommended by management and approved by the executive committee of the Board of Directors. As of June 30, 2021 and 2020, the Strategic Reserve Fund balance was $4,599,856 and $3,452,978, respectively. Contributions to the Strategic Reserve Fund are reported as net assets without donor restrictions in the consolidated statements of activities.

In fiscal year 2016, NJPAC established the Innovation Fund to account for contributions with the purpose of providing seed funding for new innovative initiatives with the potential of creating ongoing revenue. The Innovation Fund balance as of June 30, 2021 was $1,113,233, of which $520,211 is reported as net assets without donor restrictions and $593,022 as net assets with donor restrictions in the 2021 consolidated statement of activities. The Innovation Fund balance as of June 30, 2020 was $825,983, of which $495,211 is reported as net assets without donor restrictions and $330,772 as net assets with donor restrictions in the 2020 consolidated statement of activities.

Contributions from members of the Board of Directors amounted to approximately $1,376,000 and $1,410,000 for the years ended June 30, 2021 and 2020, respectively.

At June 30, 2021, 13% of contributions and grants receivables were due from one donor, compared to 47% at June 30, 2020. Additionally, 36% of contributions revenue for the year ended June 30, 2021 were from one donor, compared to 52% at June 30, 2020.

(5) Property and Equipment

Property and equipment consist of the following at June 30, 2021 and 2020:

		2021	2020
Land	$	22,725,341	22,725,341
Theater building		137,514,506	137,514,506
Parking garage		10,421,794	10,421,794
Other building		4,708,360	4,708,360
Furniture, fixtures, and improvements		25,518,168	24,294,539
		200,888,169	199,664,540
Less accumulated depreciation		98,556,560	94,334,873
Property and equipment, net	$	102,331,609	105,329,667

(6) Loans Payable

Loans payable at June 30, 2021 and 2020 consist of the following:

		2021	2020
TD Bank:			
Term loan with a revised due date of June 28, 2023. Loan is payable in specified monthly installments of interest and principal. Interest at June 30, 2021 is 2.3%. (a)	$	669,840	961,757
Term loan with a due date of December 31, 2026. Loan is payable in specified monthly installments. Interest at June 30, 2021 is 1.9% (LIBOR plus 1.8%). (a)(b)		1,874,859	2,158,787
Term loan with a due date of March 15, 2027. Loan is payable in specified monthly installments. Interest at June 30, 2021 is 2.1% (LIBOR plus 2.0%). (a)(c)		2,608,735	2,907,843
Borrowings under a working capital line of credit of up to $4,000,000 Interest at June 30, 2021 is 2.1% (LIBOR plus 2.0%). (a)		—	—
Prudential Foundation:			
Term loan repaid on June 17, 2021. Loan was payable in equal monthly installments of $13,333 plus interest at 3.5%. (d)		—	654,921
Borrowings under an unsecured line of credit of up to $1,000,000 through March 29, 2022. Interest at June 30, 2021 is 3.1% (LIBOR plus 3%)		—	—
Borrowings under an unsecured line of credit of up to $2,500,000 through November 12, 2025. Interest at June 30, 2021 is 2%. (e)		334,060	—
The City of Newark Office of the Urban Enterprise Zone:			
Borrowings under a loan agreement to finance certain real estate predevelopment costs with a due date of January 31, 2020. Loan is payable in specified quarterly installments plus interest at 5%		—	87,500
Paycheck Protection Program Loan under the CARES Act:			
Borrowings under a loan agreement to finance certain expenses related to COVID-19 with a due date of April 16, 2022. Loan is payable in monthly installments plus interest at 1% (f)		3,275,167	3,275,167
Borrowings under a loan agreement to finance certain expenses related to COVID-19 with a due date of April 19, 2026. Loan is payable in monthly installments plus interest at 1% (g)		2,000,000	—
	$	10,762,661	10,045,975

(Continued)

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

(b) Effective October 14, 2016, NJPAC entered into an interest rate swap agreement with TD Bank with the intention of fixing its effective interest rates on the variable rate term loan of $2,968,000. Under the terms of the agreement, NJPAC pays interest at a fixed rate of 3.27% and receives a variable rate of LIBOR plus 1.8%, (1.9% at June 30, 2021). The term of this interest swap is ten years.

(c) Effective January 1, 2020, NJPAC entered into an interest rate swap agreement with TD Bank with the intention of fixing its effective interest rates on the variable rate term loan of $3,000,000. Under the terms of the agreement, NJPAC pays interest at a fixed rate of 3.825% and receives a variable rate of LIBOR plus 2.0%, (2.1% at June 30, 2021). The term of this interest swap is ten years.

(d) Collateral for this loan consisted of the Broadcast Center equipment and any amounts payable to NJPAC in connection with Broadcast Center services. The loan agreement contained various covenants, including, among other things, limitations and restrictions on additional indebtedness and the achievement of certain financial results. In June 2021, the outstanding balance of $508,254 was paid to satisfy the remaining obligation of the agreement.

(e) Effective November 12, 2020, NJPAC secured funding of up to $2,500,000 for pre-development costs on certain construction projects from Prudential Foundation. Collateral for this loan consists of a continuing security interest in all Lot A development project property.

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

On July 1, 2021, the SBA notified NJPAC that $3,076,227 of its forgiveness request of its first PPP loan had been approved, along with related interest. The remaining $198,940 will be repaid over the remaining term to maturity, April 16, 2022.

(g) Effective April 19, 2021, NJPAC borrowed an additional $2,000,000 from the PPP under the Consolidated Appropriations Act of 2021 (the Act). The loan, which was in the form of a note dated April 19, 2021 issued by TD Bank, matures on April 19, 2026 and bears interest at a rate of 1.0% per annum, payable monthly commencing on the date required by the Act. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the Act. NJPAC intends to use the entire loan amount for qualifying expenses. The note may be prepaid by NJPAC at any time prior to maturity with advanced notice to TD Bank and no prepayment penalties.

NJPAC has recorded the change in the fair value of interest rate swaps of $126,498 and $281,441 in the consolidated statements of activities for the years ended June 30, 2021 and 2020, respectively, as a change in unrestricted net assets in the non-operating section. The fair value of the interest rate swaps of $(135,147) and $(261,647) have been recorded in other liabilities in the consolidated balance sheets as of June 30, 2021 and 2020, respectively.

Interest expense for the years ended June 30, 2021 and 2020 was $217,994 and $333,001, respectively.

Required principal payments for the aforementioned loans at June 30, 2021 are as follows:

		Amount
Year ending June 30:		
2022	$	4,328,649
2023		1,085,037
2024		775,009
2025		803,854
2026		833,519
Thereafter		2,936,593
	$	10,762,661

(7) Leases

(a) Property Lease

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

Under the terms of the above superseding lease, rent is payable to the State of New Jersey by NJPAC annually in the amount of any operating surplus, as defined, remaining after $500,000 is transferred to a board-designated endowment fund. The maximum cumulative rent payment due over the life of the lease is $44,000,000, with a maximum annual rent of $1,700,000. Once such board-designated endowment fund reaches a balance of $10,000,000, the Board of Directors shall in good faith allocate any operating surplus between the annual rent and the endowment fund. As of June 30, 2021 and June 30, 2020, no rent was required to be paid by NJPAC to the State of New Jersey.

(b) Parking Garage Lease

In 1997, NJPAC entered into a 50-year sublease, as amended, for the Military Park Garage in Newark from the Parking Authority of the City of Newark (the Authority). In accordance with the sublease, NJPAC was to remit operating proceeds to the Authority in the amount of $283,073 to offset the debt service on a $5 million bond issued by the City of Newark to fund one half of the cost of renovating the facility. In 2017, NJPAC obtained a ten-year term loan, the proceeds of which were used to retire the outstanding balance of the City of Newark bonds. As a result, in 2021, NJPAC deducted $334,632 from the operating proceeds for the debt service on the loan. 45% of the (deficiency)/excess of revenue over expenses are due to/(from) the Authority. In 2021 and 2020, the total due to /(from) the Parking Authority of the City of Newark amounted to $(163,559) and $315,437, respectively. The lease is a net sublease, and all expenses of operation and repair are paid by NJPAC.

(c) Capital Leases

NJPAC maintains two capital lease agreements for office equipment and production equipment. The value of the equipment leased is $558,254 and is included in property and equipment. The present value of the net minimum lease payments is included in other liabilities in the amounts of $162,849 at June 30, 2021 and $277,317 at June 30, 2020.

(d) Operating Leases

NJPAC leases office equipment under various operating leases. Rent for the operating leases amounted to $15,502 and $14,198 for the years ended June 30, 2021 and 2020, respectively.

(e) Ground Lease

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

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

Year ending June 30:		
2022	$	100,000
2023		100,000
2024		100,000
2025		100,000
2026		100,000
Later years		30,175,000

(8) Net Assets with Donor Restrictions

Net assets with donor restrictions is composed of time or purpose restricted and endowment fund corpus net assets. The net asset balances at June 30, 2021 and 2020 are as follows:

		2021	2020
Time or purpose restricted:			
Future operations	$	39,291,533	23,571,912
Programming		603,739	815,579
Arts education		1,159,098	1,510,281
Other programs		8,621,163	7,374,865
Total time or purpose restricted net assets		49,675,533	33,272,637
Endowment fund corpus:			
Income to be used for:			
Unrestricted		67,437,133	54,957,522
Programming		10,174,984	9,461,284
Arts education		11,475,906	11,480,480
Other programs		10,428,856	9,033,011
Total endowment fund corpus net assets		99,516,879	84,932,297
Total net assets with donor restrictions	$	149,192,412	118,204,934

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

(a) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires NJPAC to retain as a fund of perpetual duration. There were no funds with deficiencies as of June 30, 2021, and there were four funds with deficiencies as of June 30, 2020.

(b) Interpretation of Relevant Law

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

(c) Spending Policy

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

The appropriation for endowment spending for fiscal year 2022 is $4,886,000.

(d) Return Objectives and Risk Parameters

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

NJPAC has no board-designated endowment funds. The following represents NJPAC's donor-restricted endowment funds at June 30, 2021 and 2020:

	June 30, 2021		
	With donor restrictions		
	Accumulated gains	Original gift	Total
Donor-restricted endowment funds	$ 29,554,591	99,516,879	129,071,470

	June 30, 2020		
	With donor restrictions		
	Accumulated gains	Original gift	Total
Donor-restricted endowment funds	$ 10,679,469	84,932,297	95,611,766

The following table presents changes in endowments for the years ended June 30, 2021 and 2020:

		With donor restrictions		
		Accumulated gains	Original gift	Total
Endowment net assets at June 30, 2019	$	13,687,863	70,645,332	84,333,195
Investment income (loss)		1,209,084	(92,878)	1,116,206
Net realized and unrealized loss		(577,478)	(185,540)	(763,018)
Contributions, net		—	14,565,383	14,565,383
Appropriation for expenditure		(3,640,000)	—	(3,640,000)
Endowment net assets at June 30, 2020		10,679,469	84,932,297	95,611,766
Investment income		536,482	16,560	553,042
Net realized and unrealized gain		21,968,640	701,196	22,669,836
Contributions, net		—	13,866,826	13,866,826
Appropriation for expenditure		(3,630,000)	—	(3,630,000)
Endowment net assets at June 30, 2021	$	29,554,591	99,516,879	129,071,470

(9) Retirement Savings Plan

NJPAC has a 401(k) retirement savings plan that covers substantially all regular salaried employees who have attained 21 years of age and completed three months of service. The plan provides for NJPAC matching contributions based on the amount of employees' contributions. Expenses related to this plan, including the match, amounted to approximately $158,600 and $182,300 for the years ended June 30, 2021 and 2020, respectively.

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

(10) Advance on Conditional Grant

In 2019, a donor made a $20 million pledge to NJPAC to fund the design and construction of a multi-purpose education and community center (the Center) and the creation of an endowment to support the operating costs of the Center. Of the $20 million pledge, $19.5 million is subject to certain construction-related conditions. The remaining $0.5 million was unconditional and recorded as contributions revenue in the consolidated statement of activities in 2019. Through June 30, 2021, $8 million was received on this pledge. Of the $8 million received, $7.5 million remains conditional at June 30, 2021 and was therefore recorded as an advance on conditional grant in the consolidated balance sheets along with interest earned.

(11) Liquidity and Availability

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

		2021	2020
Cash and cash equivalents	$	4,371,097	1,833,631
Contributions and grants receivable, due within one year		14,383,710	9,858,149
Accounts receivable, net		2,284,941	2,951,134
Balance of Board approved endowment spending not yet funded as of June 30		2,886,000	3,630,000
Total financial assets available for general expenditures within one year		23,925,748	18,272,914
Liquidity resources available:			
Special use reserve funds, available for operations upon approval		4,599,856	3,452,978
Total financial assets and liquidity resources available within one year	$	28,525,604	21,725,892

Although NJPAC does not intend to spend from its endowment investment gains, other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from NJPAC's unappropriated endowment investment gains balance of $27,759,108 as of June 30, 2021 could be made available, if necessary, and in accordance with UPMIFA.

(12) Impact of COVID-19

The spread of COVID-19 around the world during 2020 has caused significant volatility in U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and as such, NJPAC is unable to definitively determine the long-term impact to its financial status. On March 16, 2020, NJPAC ceased all public in-person events in response to a City of Newark order designed to contain the spread of COVID-19. The closure resulted in operational losses that were funded by a $1,079,914 State of New Jersey (State) grant and proceeds from a $3,275,167 PPP loan under the Federal CARES Act (note 6). In fiscal year 2021, a major donor released the restriction on a $6,000,000 endowment gift, and the funds were reclassified from net assets with donor restrictions – endowment fund corpus to net assets with donor restrictions – time or purpose restricted, of which $2,000,000 was received in 2020 and released from donor restrictions. During 2021, NJPAC received an additional PPP loan of $2,000,000. Both the additional PPP loan and $146,546 of related expenses are classified as special purpose activities within the consolidated financial statements. In fiscal year 2022, the forgiven portion of the PPP loan of $3,076,227 will be applied against the fund balance.

(Continued)

(13) Subsequent Events

NJPAC evaluated events subsequent to June 30, 2021 and through October 27, 2021, the date on which the consolidated financial statements were available to be issued.

On July 3, 2021, NJPAC was awarded an $8.0 million Shuttered Venues Operators Grant (SVOG). The SVOG program is part of the $16 billion federal economic aid package created to assist small businesses, nonprofits, and venues affected by the pandemic. Under the program's guidelines, the funds must be used for eligible costs such as payroll, debt service, insurance, and other operational expenses incurred between March 1, 2020 and December 31, 2021. The grant will be recognized as revenue in the fiscal year ending June 30, 2022.