



GARDEN STATE ARTS FOUNDATION, INC.
(A Component Unit of the New Jersey Turnpike Authority)

Financial Statements,
Management's Discussion and Analysis and Schedule

December 31, 2019 and 2018

(With Independent Auditors' Report Thereon)

GARDEN STATE ARTS FOUNDATION, INC.
(A Component Unit of the New Jersey Turnpike Authority)

Table of Contents

| | Page |
|---|-------------|
| Independent Auditors' Report | 1 |
| Management's Discussion and Analysis (Unaudited) | 3 |
| Basic Financial Statements: | |
| Statements of Net Position | 6 |
| Statements of Revenues, Expenses, and Changes in Net Position | 7 |
| Statements of Cash Flows | 8 |
| Notes to Financial Statements | 9 |
| Supplemental Schedule: | |
| Schedules of Contributions | 12 |



KPMG LLP
New Jersey Headquarters
51 John F. Kennedy Parkway
Short Hills, NJ 07078-2702

Independent Auditors' Report

Members of the Garden State Arts Foundation, Inc.
Garden State Arts Foundation, Inc.
Woodbridge, New Jersey:

Report on the Financial Statements

We have audited the accompanying financial statements of the Garden State Arts Foundation, Inc. (the Foundation), a component unit of the New Jersey Turnpike Authority, as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation, as of December 31, 2019 and 2018, and the changes in net position, and cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.



Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3–5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplemental Schedule

Our audits were conducted for the purpose of forming an opinion on the Foundation's basic financial statements. The supplemental schedule included on page 12 is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

KPMG LLP

April 7, 2020

GARDEN STATE ARTS FOUNDATION, INC.
(A Component Unit of the New Jersey Turnpike Authority)

Management's Discussion and Analysis

December 31, 2019 and 2018

(Unaudited)

Introduction

This report from the Garden State Arts Foundation (the Foundation) consists of three parts: Management's Discussion and Analysis, Financial Statements prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and Notes to the Financial Statements. The purpose of Management's Discussion and Analysis is to assist the readers of the financial statements in obtaining a general overview of the Foundation's business and finances.

This section of the Foundation's financial statements, Management's Discussion and Analysis (MD&A), presents an overview of the Foundation's financial performance during the years ended December 31, 2019 and 2018 with comparative amounts for the year ended December 31, 2017. It provides an assessment of how the Foundation's financial position has improved or deteriorated and identifies the factors that, in management's views, significantly affected the Foundation's overall financial position. It may contain opinions of, or assumptions and conclusions reached by the Foundation's management that should not be considered a replacement for, and must be read in conjunction with, the financial statements which directly follow the MD&A.

Overview of Financial Statements

The Financial Statements include:

- The Statements of Net Position provide information about the nature and amount of investments in resources (assets) and the obligations to Foundation creditors (liabilities), with the difference between these amounts reported as net position.
- The Statements of Revenues, Expenses, and Changes in Net Position account for the Foundation's revenues and expenses and measures the success of the Foundation's operations.
- The Statements of Cash Flows provide information about the Foundation's cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities.

The Notes to Financial Statements provide:

- Information that is essential to understanding the basic financial statements, such as the Foundation's organization, accounting methods and policies.
- Details of contractual obligations, future commitments and contingencies of the Foundation.
- Any other events or developing situations that could materially affect the Foundation's financial position.

Foundation's Business

The Foundation is a tax-exempt organization as defined by Section 501(c)(3) of the Internal Revenue Code. Funds received by the Foundation are protected from any liens of the New Jersey Turnpike Authority's (the Authority) bondholders and can be used to fund and administer an annual scholarship program, support the study of performing arts in New Jersey and support educational and charitable activities. The Foundation provides free programs for New Jersey's senior citizens, school children and other deserving individuals.

GARDEN STATE ARTS FOUNDATION, INC.
(A Component Unit of the New Jersey Turnpike Authority)

Management's Discussion and Analysis

December 31, 2019 and 2018

(Unaudited)

Although legally separate from the Authority, the Foundation is a component unit of the Authority and, accordingly, is included in the Authority's financial statements. The Foundation's members include the Commissioners of the New Jersey Turnpike Authority, who represent a voting majority of the Foundation's members.

Financial Analysis

The following provides a condensed summary of the Foundation's financial position and changes that occurred during the year. For more detailed information, please refer to the financial statements included in this report.

Condensed Summary of Net Position

| | December 31 | | |
|---------------------|--------------------|-------------|-------------|
| | 2019 | 2018 | 2017 |
| Assets: | | | |
| Current assets | \$ 686,781 | 613,054 | 735,457 |
| Total assets | \$ 686,781 | 613,054 | 735,457 |
| Liabilities: | | | |
| Current liabilities | \$ 6,590 | 6,470 | 16,640 |
| Total liabilities | \$ 6,590 | 6,470 | 16,640 |
| Net position: | | | |
| Unrestricted | \$ 680,191 | 606,584 | 718,817 |
| Total net position | \$ 680,191 | 606,584 | 718,817 |

2019–2018

As of December 31, 2019, current assets, primarily cash and cash equivalents and contributions receivable, increased by \$73,727 or 12.0%, compared to 2018 due to an increase in contributions receivable as a new two year extension was entered into with PNC Bank, NA for the naming rights of the PNC Bank Arts Center. As of December 31, 2019, current liabilities were consistent with 2018 amounts.

2018–2017

As of December 31, 2018, current assets, primarily cash and cash equivalents, decreased by \$122,403 or 16.6%, compared to 2017 due to total expenses paid exceeding contributions received during the year. As of December 31, 2018, current liabilities decreased by \$10,170 or 61.1%, compared to 2017 due to decreases in accrued expenses as payments were made in 2018.

GARDEN STATE ARTS FOUNDATION, INC.
(A Component Unit of the New Jersey Turnpike Authority)

Management's Discussion and Analysis

December 31, 2019 and 2018

(Unaudited)

Condensed Summary of Revenues, Expenses, and Changes in Net Position

| | December 31 | | |
|-------------------------------------|--------------------|------------------|------------------|
| | 2019 | 2018 | 2017 |
| Operating revenues | \$ 685,323 | 624,555 | 627,679 |
| Operating expenses | <u>(619,013)</u> | <u>(743,395)</u> | <u>(713,011)</u> |
| Operating loss | 66,310 | (118,840) | (85,332) |
| Nonoperating revenues | <u>7,297</u> | <u>6,607</u> | <u>5,767</u> |
| Increase (decrease) in net position | <u>\$ 73,607</u> | <u>(112,233)</u> | <u>(79,565)</u> |

2019–2018

Operating revenue increased by \$60,768 or 9.7% compared to 2018. This increase is a result of a pledged contribution anticipated to be received in 2020. Operating expenses decreased by \$124,382 or 16.7% compared to 2018. The decrease in expenses are primarily due to two fewer senior shows in 2019 when compared to last year due to the closure of the PNC Bank Arts Center in early September for major renovations thus ending the fall season early.

2018–2017

Operating revenue decreased slightly by \$3,124 or 0.5% compared to 2017. Operating expenses increased by \$30,384 or 4.3% compared to 2017. The increased expenses are primarily due to higher cost of talent and professional services partially offset by lower administrative overhead and contracted services and rentals when compared to previous year.

Request for Information

If you have any questions about this report or need clarification on its contents, please contact the Assistant Treasurer of the Foundation at the New Jersey Turnpike Authority, P.O. Box 5042, Woodbridge, NJ 07095-5042.

GARDEN STATE ARTS FOUNDATION, INC.
(A Component Unit of the New Jersey Turnpike Authority)

Statements of Net Position

December 31, 2019 and 2018

| Assets | 2019 | 2018 |
|---|-------------------|-------------------|
| | <u> </u> | <u> </u> |
| Current assets: | | |
| Cash and cash equivalents | \$ 611,309 | 613,054 |
| Contributions receivable – restricted | 75,000 | — |
| Prepaid postage | 472 | — |
| Total assets | <u>\$ 686,781</u> | <u>613,054</u> |
| | | |
| Liabilities | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$ 6,590 | 6,470 |
| Total liabilities | <u>\$ 6,590</u> | <u>6,470</u> |
| | | |
| Net Position | | |
| Net position: | | |
| Expendable – restricted by donor agreements | \$ 75,000 | — |
| Unrestricted | 605,191 | 606,584 |
| Total net position | <u>\$ 680,191</u> | <u>606,584</u> |

See accompanying notes to financial statements.

GARDEN STATE ARTS FOUNDATION, INC.
(A Component Unit of the New Jersey Turnpike Authority)
Statements of Revenues, Expenses, and Changes in Net Position
Years ended December 31, 2019 and 2018

| | 2019 | 2018 |
|--------------------------------------|-------------|-------------|
| Operating revenues: | | |
| Contributions | \$ 685,323 | 624,555 |
| Total operating revenues | 685,323 | 624,555 |
| Operating expenses: | | |
| Thomas H. Kean Scholarship | 22,500 | 22,500 |
| Cost of talent | 273,586 | 335,079 |
| Contracted services and rentals | 233,876 | 288,393 |
| Administrative overhead | 40,610 | 39,341 |
| Printing and postage | 10,767 | 15,616 |
| Advertising | 10,000 | 15,000 |
| Professional services | 26,417 | 25,746 |
| Other | 1,257 | 1,720 |
| Total operating expenses | 619,013 | 743,395 |
| Operating income (loss) | 66,310 | (118,840) |
| Nonoperating revenues: | | |
| Interest income | 7,297 | 6,607 |
| Total nonoperating revenues | 7,297 | 6,607 |
| Increase (decrease) in net position | 73,607 | (112,233) |
| Net position as of beginning of year | 606,584 | 718,817 |
| Net position as of end of year | \$ 680,191 | 606,584 |

See accompanying notes to financial statements.

GARDEN STATE ARTS FOUNDATION, INC.
(A Component Unit of the New Jersey Turnpike Authority)

Statements of Cash Flows

Years ended December 31, 2019 and 2018

| | 2019 | 2018 |
|--|-------------|-------------|
| Cash flows from operating activities: | | |
| Receipts from contributions | \$ 610,323 | 732,669 |
| Payments to suppliers | (570,534) | (696,233) |
| Payments to the Authority | (26,331) | (31,487) |
| Payments for scholarships | (22,500) | (25,000) |
| Net cash used in operating activities | (9,042) | (20,051) |
| Cash flows from investing activities: | | |
| Interest received | 7,297 | 6,607 |
| Net cash provided by investing activities | 7,297 | 6,607 |
| Net decrease in cash and cash equivalents | (1,745) | (13,444) |
| Cash and cash equivalents as of beginning of year | 613,054 | 626,498 |
| Cash and cash equivalents as of end of year | \$ 611,309 | 613,054 |
| Reconciliation of operating income (loss) to net cash used in operating activities: | | |
| Operating income (loss) | \$ 66,310 | (118,840) |
| Adjustments to reconcile operating income (loss) to net cash used in operating activities: | | |
| Change in assets and liabilities: | | |
| Contributions receivable | (75,000) | 108,114 |
| Prepaid postage | (472) | 845 |
| Accounts payable and accrued expenses | 120 | (10,170) |
| Net cash used in operating activities | \$ (9,042) | (20,051) |

See accompanying notes to financial statements.

GARDEN STATE ARTS FOUNDATION, INC.
(A Component Unit of the New Jersey Turnpike Authority)

Notes to Financial Statements

December 31, 2019 and 2018

(1) Organization and Summary of Significant Accounting Policies

The Garden State Arts Foundation, Inc. (the Foundation) (formerly known as the Garden State Arts Center Foundation) was established in 1984 pursuant to the provisions of Title 15A, Corporations-Non-Profit, of the New Jersey State Statutes. The purpose of the Foundation is to receive contributions from the public or other entities, engage in such fundraising activities as the members deem appropriate, fund and administer an annual scholarship program to provide scholarships to students pursuing an undergraduate degree with a performing arts concentration at four-year New Jersey colleges and universities, support the study of performing arts in New Jersey, and support other educational and charitable activities. The Foundation provides free entertainment at the PNC Bank Arts Center and various outreach locations throughout the State of New Jersey for New Jersey's senior citizens, school children, and other deserving residents.

Although legally separate from the Authority, the Foundation is a component unit of the Authority and, accordingly, is included in the Authority's financial statements. The Foundation's members include the Commissioners of the New Jersey Turnpike Authority, who represent a voting majority of the Foundation's members.

(a) Basis of Presentation

The Foundation's financial statements have been prepared on the accrual basis of accounting using the economic resources measurement focus, in accordance with U.S. generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board (GASB).

(b) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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.

(c) Contributions Receivable

Pursuant to an agreement between the Authority and PNC Bank, NA, the Foundation will receive \$75,000 in July 2020. This is in support of classical and cultural performances offered free of charge to the public. As of December 31, 2019 and 2018, the Foundation has recorded total contributions receivable of \$75,000 and \$0, respectively, of which the \$75,000 is expected to be collected within one-year from the date of the statement of net position. There was no allowance for doubtful accounts on such contributions as of December 31, 2019 and 2018.

(d) Classification of Net Position

The Foundation classifies its resources into two net asset categories:

- Unrestricted net position is derived principally from contributions and investment income, and is spent to meet the objectives of the Foundation.
- Restricted net position includes contributions that are restricted for specific purposes by the donor. Funds that are restricted are utilized only for the purposes specified by the donor.

GARDEN STATE ARTS FOUNDATION, INC.
(A Component Unit of the New Jersey Turnpike Authority)

Notes to Financial Statements

December 31, 2019 and 2018

The Foundation's policy is to first utilize available restricted, and then unrestricted, resources in the conduct of its operations.

(e) Classification of Revenue

Operating revenues are defined as activities that serve the Foundation's principal purpose and generally result from contributions from donors. Nonoperating revenues result from interest income and prior year recoveries.

(f) Revenue Recognition

Contributions received by the Foundation are either restricted or unrestricted and reported at their present value on the date of the contribution. Interest income is recognized on the accrual basis.

Pursuant to an agreement between the Authority and PNC Bank, NA, which expired December 31, 2018, the Foundation received a payment of \$75,000 in 2018. This contribution was in support of classical and cultural performances offered free of charge to the public.

At its regular meeting on November 20, 2018, the Authority authorized the Executive Director to execute an amended and restated Sponsorship Agreement between the Authority, Live Nation and PNC Bank. The amended and restated Sponsorship Agreement requires PNC Bank to pay \$75,000 per year on or before July 26, 2019 and July 26, 2020 to provide funding for the Foundation's Classical and Cultural Performances program. The final agreement is effective as of January 1, 2019. The Foundation received a payment of \$75,000 in 2019 and recorded the 2020 payment as a restricted receivable.

On December 7, 2017, the Authority entered into a new 25-year agreement with Live Nation that expires on December 31, 2042. Under the terms of the new lease agreement, Live Nation shall pay the Foundation the annual sum \$400,000 by March 31st of each lease year. In addition, Live Nation will contribute \$105,000 on March 31 of each lease year for the annual ticket surcharge regardless of the surcharge amount collected by Live Nation. The Foundation cannot require the contributions if the Authority and Live Nation terminate the lease agreement. Contributions received from Live Nation in accordance with the PNC Bank Arts Center lease agreement are reported as unrestricted contributions. The Foundation received payments of \$400,000 for the annual contribution from Live Nation in 2019 and 2018. The Foundation received payments of \$105,000 for the contribution of surcharges in 2019 and 2018.

(g) Tax Status

The Foundation has received a determination letter from the Internal Revenue Service stating that it is an organization as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and, therefore, is exempt from Federal income taxes under Section 501(a) of the Code.

GARDEN STATE ARTS FOUNDATION, INC.
(A Component Unit of the New Jersey Turnpike Authority)

Notes to Financial Statements

December 31, 2019 and 2018

(2) Deposits and Investments

The Foundation's cash balance as of December 31, 2019 and 2018 includes a book balance of \$611,309 and \$613,054, respectively. The actual amount of cash on deposit in the Foundation's bank accounts as of December 31, 2019 and 2018 was \$618,809 and \$658,343, respectively. Amounts insured by the Federal Deposit Insurance Corporation (FDIC) were \$434,892 and \$434,246, in 2019 and 2018, respectively and \$183,917 and \$224,097, respectively, was not insured or collateralized.

Custodial Credit Risk – The Foundation is required to disclose whether its deposits are exposed to custodial credit risk (risk that in the event of failure of the counterparty, the Foundation would not be able to recover the value of its deposit). Deposits are considered to be exposed to custodial credit risk if they are: uninsured and uncollateralized (securities are not pledged to the depositor), collateralized with the securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the name of the Foundation.

As of December 31, 2019, and 2018, the Foundation is exposed to custodial credit risk on \$183,917 and \$224,097, respectively, held on deposit. The Foundation minimizes its custodial credit risk by depositing such uninsured and uncollateralized deposits in highly rated financial institutions.

(3) Related Party Transactions

Administrative and other professional and related expenses of \$26,331 and \$31,487 were paid by the Authority on behalf of the Foundation and were reimbursed to the Authority as of December 31, 2019 and 2018, respectively.

(4) Subsequent Events

The Foundation evaluated its December 31, 2019 financial statements for subsequent events through the date the financial statements were issued. As a result of the COVID-19 pandemic, the spring 2020 concert season at the PNC Bank Arts Center has been postponed. While the impact of the pandemic is expected to be temporary, there is considerable uncertainty around the duration of the pandemic. The Foundation expects that this will impact operating results in 2020, however, such potential impact is unknown at this time.

GARDEN STATE ARTS FOUNDATION, INC.
(A Component Unit of the New Jersey Turnpike Authority)

Schedules of Contributions

Years ended December 31, 2019 and 2018

| | 2019 | 2018 |
|---|-------------|-------------|
| Unrestricted: | | |
| Live Nation | \$ 400,000 | 400,000 |
| Outright contributions | 30,323 | 44,555 |
| PNC Bank contribution | 75,000 | 75,000 |
| Ticket surcharges on PNC Bank Arts Center shows | 105,000 | 105,000 |
| Total unrestricted contributions | 610,323 | 624,555 |
| Restricted: | | |
| PNC Bank contribution | 75,000 | — |
| Total restricted contributions | 75,000 | — |
| Total contributions | \$ 685,323 | 624,555 |

See accompanying independent auditors' report.