



**Saratoga Performing Arts Center, Inc.
and National Museum of Dance**

Combined Financial Statements

December 31, 2022 and 2021

Saratoga Performing Arts Center, Inc. and National Museum of Dance

Combined Financial Statements

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Independent Auditor's Report

Boards of Directors
Saratoga Performing Arts Center, Inc.
and National Museum of Dance
Saratoga Springs, New York

Report on the Audit of the Financial Statements

Opinion

We have audited the combined financial statements of Saratoga Performing Arts Center, Inc. and the National Museum of Dance, which comprise the combined statements of financial position as of December 31, 2022 and 2021, the related combined statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Saratoga Performing Arts Center, Inc. and the National Museum of Dance as of December 31, 2022 and 2021, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Saratoga Performing Arts Center, Inc. and the National Museum of Dance and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1r to the financial statements, in 2022, the Saratoga Performing Arts Center, Inc. and the National Museum of Dance adopted new accounting guidance in Financial Accounting Standards Board Accounting Standards Update 2016-02, *Leases* (Topic 842). Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Saratoga Performing Arts Center, Inc. and the National Museum of Dance's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS 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 Saratoga Performing Arts Center, Inc. and the National Museum of Dance'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 Saratoga Performing Arts Center, Inc. and the National Museum of Dance'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 audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and is 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,



Supplementary Information - Continued

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 supplementary 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 March 9, 2023, on our consideration of the Saratoga Performing Arts Center, Inc. and the National Museum of Dance's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant and cooperative agreements, and other matters. The purpose of that report is solely 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 the effectiveness of the Saratoga Performing Arts Center, Inc. and the National Museum of Dance's 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 Saratoga Performing Arts Center, Inc. and the National Museum of Dance's internal control over financial reporting and compliance.

BST+Co.CPAs, LLP

Latham, New York
March 9, 2023



Saratoga Performing Arts Center, Inc. and National Museum of Dance

Combined Statements of Financial Position

	December 31,	
	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 8,292,888	\$ 9,393,481
Accounts receivable, net	1,277,980	666,911
Grants receivable	195,000	-
Current installments of contributions receivable, net	40,000	30,000
Accrued interest receivable	7,246	10,103
Other current assets	111,300	81,578
Total current assets	9,924,414	10,182,073
OTHER ASSETS		
Contributions receivable, net, less current installments	-	30,000
Investments	9,735,600	11,385,687
Right of use asset, operating lease	429,376	-
Leasehold improvements and equipment, net	10,380,786	10,030,067
Insurance premiums receivable	401,389	511,788
Assets for postretirement benefits	103,093	146,292
	\$ 30,974,658	\$ 32,285,907
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 1,935,554	\$ 1,349,556
Accrued pension expense	150,000	148,497
Deferred revenues	2,706,674	3,144,170
Current installments of refundable advance	-	55,533
Current installments of operating lease liability	130,086	-
Total current liabilities	4,922,314	4,697,756
LONG-TERM LIABILITIES, less current installments		
Refundable advance	-	500,193
Operating lease liability	299,290	-
	299,290	500,193
COMMITMENTS		
NET ASSETS		
Without donor restrictions		
Board designated	2,036,542	2,425,821
Undesignated	14,816,874	15,271,202
	16,853,416	17,697,023
With donor restrictions	8,899,638	9,390,935
Total net assets	25,753,054	27,087,958
	\$ 30,974,658	\$ 32,285,907

See accompanying Notes to Combined Financial Statements.

Saratoga Performing Arts Center, Inc. and National Museum of Dance

Combined Statements of Activities

	Year Ended December 31, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES AND GAINS			
Ticket sales and admissions	\$ 2,840,761	\$ -	\$ 2,840,761
Membership revenues	3,194,117	-	3,194,117
Unrestricted gifts and grants	1,799,044	-	1,799,044
Restricted gifts and grants	765,371	518,344	1,283,715
Fundraising event income	56,210	-	56,210
Third-party venue license fees	1,639,842	-	1,639,842
Other operating revenues	1,458,915	-	1,458,915
Net assets released from restriction	160,509	(160,509)	-
	<u>11,914,769</u>	<u>357,835</u>	<u>12,272,604</u>
OPERATING EXPENSES			
Performance and production	9,463,148	-	9,463,148
Fundraising, including event expense	799,194	-	799,194
Management and general	1,921,560	-	1,921,560
	<u>12,183,902</u>	<u>-</u>	<u>12,183,902</u>
CHANGE IN NET ASSETS FROM OPERATIONS	<u>(269,133)</u>	<u>357,835</u>	<u>88,702</u>
NON-OPERATING GAINS AND LOSSES			
Investment income (expense), net	(20,480)	174,877	154,397
Realized gains on sales of investments, net	67,771	200,781	268,552
Unrealized losses on investments, net	(490,244)	(1,224,790)	(1,715,034)
Other losses	(58,542)	-	(58,542)
Loss from disposal of leasehold improvements and equipment, net	(29,780)	-	(29,780)
	<u>(531,275)</u>	<u>(849,132)</u>	<u>(1,380,407)</u>
OTHER CHANGE IN NET ASSETS			
Net periodic income and pension related loss	(43,199)	-	(43,199)
CHANGE IN NET ASSETS	<u>(843,607)</u>	<u>(491,297)</u>	<u>(1,334,904)</u>
NET ASSETS, <i>beginning of year</i>	<u>17,697,023</u>	<u>9,390,935</u>	<u>27,087,958</u>
NET ASSETS, <i>end of year</i>	<u>\$ 16,853,416</u>	<u>\$ 8,899,638</u>	<u>\$ 25,753,054</u>

See accompanying Notes to Combined Financial Statements.

Saratoga Performing Arts Center, Inc. and National Museum of Dance

Combined Statements of Activities

	Year Ended December 31, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES AND GAINS			
Ticket sales and admissions	\$ 1,237,122	\$ -	\$ 1,237,122
Membership revenues	2,934,200	-	2,934,200
Unrestricted gifts and grants	3,806,961	-	3,806,961
Restricted gifts and grants	675,179	93,210	768,389
Fundraising event income	2,805	-	2,805
Third-party venue license fees	1,141,163	-	1,141,163
Other operating revenues	779,316	-	779,316
Net assets released from restriction	697,857	(697,857)	-
	<u>11,274,603</u>	<u>(604,647)</u>	<u>10,669,956</u>
OPERATING EXPENSES			
Performance and production	4,665,728	-	4,665,728
Fundraising, including event expense	600,557	-	600,557
Management and general	1,450,384	-	1,450,384
	<u>6,716,669</u>	<u>-</u>	<u>6,716,669</u>
CHANGE IN NET ASSETS FROM OPERATIONS	<u>4,557,934</u>	<u>(604,647)</u>	<u>3,953,287</u>
NON-OPERATING GAINS AND LOSSES			
Investment income (expense), net	(16,305)	221,740	205,435
Realized gains on sales of investments, net	110,868	398,421	509,289
Unrealized gains on investments, net	339,429	922,143	1,261,572
Other gains	113,010	-	113,010
Loss from disposal of leasehold improvements and equipment, net	-	-	-
	<u>547,002</u>	<u>1,542,304</u>	<u>2,089,306</u>
OTHER CHANGE IN NET ASSETS			
Net periodic income and pension related gain	203,465	-	203,465
	<u>203,465</u>	<u>-</u>	<u>203,465</u>
CHANGE IN NET ASSETS	<u>5,308,401</u>	<u>937,657</u>	<u>6,246,058</u>
NET ASSETS, <i>beginning of year</i>	<u>12,388,622</u>	<u>8,453,278</u>	<u>20,841,900</u>
NET ASSETS, <i>end of year</i>	<u>\$ 17,697,023</u>	<u>\$ 9,390,935</u>	<u>\$ 27,087,958</u>

See accompanying Notes to Combined Financial Statements.

Saratoga Performing Arts Center, Inc. and National Museum of Dance

Combined Statements of Functional Expenses

	Year Ended December 31, 2022			
	Performance and Production	Fundraising (Including Event Expense)	Management and General	Total
Salaries and wages	\$ 1,519,827	\$ 385,192	\$ 1,216,788	\$ 3,121,807
Payroll taxes	120,066	30,430	96,127	246,623
Employee benefits	158,960	108,486	174,107	441,553
Accounting and legal	-	-	81,416	81,416
Advertising and publicity	693,688	16,120	-	709,808
Bad debt expense	-	-	19,353	19,353
Custodial	2,314	-	-	2,314
Depreciation	743,531	-	-	743,531
Direct talent cost	4,736,344	-	-	4,736,344
Dues and subscriptions	-	-	3,949	3,949
Food and beverage	9,539	144,632	-	154,171
Theater lighting	131,734	-	-	131,734
Office technology and support	35,447	17,723	35,447	88,617
Exhibit costs	115	-	-	115
Insurance	136,949	2,781	29,313	169,043
Facilities and maintenance	396,755	-	-	396,755
Facility rental costs and commissions	47,484	-	-	47,484
Musical and sound rental	287,304	-	-	287,304
Office supplies	-	-	23,155	23,155
Other	-	33,362	118,924	152,286
Payroll and HR services	49,610	12,403	41,342	103,355
Postage and mailing	3,767	3,767	3,768	11,302
Production costs	100,250	6,746	-	106,996
Service charges	149,869	-	-	149,869
Strategic planning consulting	-	29,688	59,374	89,062
Telephone	7,864	7,864	7,863	23,591
Entertainment/travel	8,113	-	1,416	9,529
Utilities	123,618	-	9,218	132,836
	\$ 9,463,148	\$ 799,194	\$ 1,921,560	\$ 12,183,902

Saratoga Performing Arts Center, Inc. and National Museum of Dance

Combined Statements of Functional Expenses

	Year Ended December 31, 2021			
	Performance and Production	Fundraising (Including Event Expense)	Management and General	Total
Salaries and wages	\$ 1,198,849	\$ 355,498	\$ 927,738	\$ 2,482,085
Payroll taxes	95,908	28,440	69,179	193,527
Employee benefits	159,800	105,015	152,248	417,063
Accounting and legal	-	-	64,499	64,499
Advertising and publicity	140,693	29,744	-	170,437
Bad debt expense	-	-	26,796	26,796
Custodial	4,169	-	-	4,169
Depreciation	505,393	-	-	505,393
Direct talent cost	1,486,818	-	-	1,486,818
Dues and subscriptions	-	-	5,758	5,758
Food and beverage	13,694	16,088	-	29,782
Theater lighting	55,489	-	-	55,489
Office technology and support	-	-	59,333	59,333
Exhibit costs	19,946	-	-	19,946
Insurance	106,250	571	17,778	124,599
Facilities and maintenance	339,566	-	-	339,566
Facility rental costs and commissions	119,676	-	-	119,676
Musical and sound rental	137,360	-	-	137,360
Office supplies	-	-	19,188	19,188
Other	32,067	47,316	87,707	167,090
Payroll and HR services	-	-	-	-
Postage and mailing	2,386	2,386	2,387	7,159
Production costs	81,063	8,293	-	89,356
Service charges	70,393	-	-	70,393
Strategic planning consulting	-	-	-	-
Telephone	7,206	7,206	10,048	24,460
Entertainment/travel	5,566	-	1,953	7,519
Utilities	83,436	-	5,772	89,208
	\$ 4,665,728	\$ 600,557	\$ 1,450,384	\$ 6,716,669

See accompanying Notes to Combined Financial Statements.

Saratoga Performing Arts Center, Inc. and National Museum of Dance

Combined Statements of Cash Flows

	Years Ended December 31,	
	2022	2021
CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES		
Change in net assets	\$ (1,334,904)	\$ 6,246,058
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	743,531	505,393
Realized gains on sales of investments, net	(268,552)	(509,289)
Unrealized (gains) losses on investments, net	1,715,034	(1,261,572)
Bad debts	19,353	26,796
Loss from disposal of leasehold improvements and equipment, net	29,780	-
Adjustment to right of use asset for operating lease	128,317	-
Accretion of lease liability	6,683	-
(Increase) decrease in		
Accounts receivable	(630,422)	(448,170)
Grants receivable	(195,000)	1,500,000
Contributions receivable, net	20,000	28,333
Accrued interest receivable	2,857	(1,014)
Other current assets	(29,722)	(11,647)
Insurance premiums receivable	110,399	(109,117)
Assets for postretirement benefits and accrued pension expense	44,702	(180,034)
Increase (decrease) in		
Accounts payable and accrued expenses	585,998	409,908
Deferred revenues	(437,496)	1,910,468
Refundable advance	(555,726)	555,726
Operating lease liability for cash paid	(135,000)	-
	(180,168)	8,661,839
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES		
Purchases of leaseholds and equipment	(1,124,030)	(208,449)
Proceeds from sales of investments	2,325,037	2,224,969
Purchases of investments	(2,121,432)	(2,596,419)
	(920,425)	(579,899)
CASH FLOWS USED BY FINANCING ACTIVITIES		
Payments on construction line of credit	-	(1,250,000)
Net increase (decrease) in cash and cash equivalents	(1,100,593)	6,831,940
CASH AND CASH EQUIVALENTS, beginning of year	9,393,481	2,561,541
CASH AND CASH EQUIVALENTS, end of year	\$ 8,292,888	\$ 9,393,481

See accompanying Notes to Combined Financial Statements.

Saratoga Performing Arts Center, Inc. and National Museum of Dance

Notes to Combined Financial Statements December 31, 2022 and 2021

Note 1 - Organization and Summary of Significant Accounting Policies

a. Organization

Saratoga Performing Arts Center, Inc. (SPAC) was incorporated as a not-for-profit 501(c)(3) in the State of New York on June 25, 1962, to promote, sponsor, cultivate, and develop, among its members and the community-at-large, an appreciation and understanding of the performing arts. The National Museum of Dance (Museum) was incorporated as a not-for-profit membership organization in the State of New York on April 26, 1985. During 1991, the management of SPAC and the Museum were combined. The museum building is temporarily closed due to structural issues. The accounts of the Museum are maintained as separate, identifiable accounts in the records of SPAC. All intercompany transactions and balances have been eliminated.

b. Basis of Accounting

The combined financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) for not-for-profit entities.

c. Estimates

The preparation of combined financial statements in conformity with U.S. 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 combined financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

d. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date (See Notes 5 and 11).

e. Cash and Cash Equivalents

SPAC's and the Museum's cash and cash equivalents are defined as short-term, highly liquid investments with an initial maturity of three months or less.

f. Accounts Receivable, Net and Grants Receivable

Accounts and grants receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts performed on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and using historical experience applied to an aging of accounts. Accounts and grants receivable are written off when deemed uncollectible. Recoveries of accounts previously written off are recorded when received. An account or grant receivable is considered to be past due if any portion of the receivable balance has been outstanding for more than 90 days. Interest is not charged on outstanding receivables. The allowance for doubtful accounts was \$19,552 and 25,063 at December 31, 2022 and 2021, respectively.

Saratoga Performing Arts Center, Inc. and National Museum of Dance

Notes to Combined Financial Statements December 31, 2022 and 2021

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

g. Contributions Receivable

Contributions receivable represent unconditional promises to give by donors. Contributions receivable that are expected to be collected during the next year are recorded at net realizable value. Contributions receivable expected to be collected after one year are recorded at fair value, which is measured as the present value of estimated future cash flows discounted at an adjusted risk-free rate. Amortization of the discount is reflected as contributions.

Contributions receivable are written off when deemed uncollectible. Recoveries of accounts previously written off are recorded when received. A contribution receivable is considered to be past due if any portion of the receivable balance has been outstanding for more than 90 days. Management considers contributions receivable to be fully collectible; accordingly, no allowance for doubtful accounts was considered necessary at December 31, 2022 or 2021.

h. Investments

Investments are recorded at fair value. Net realized and unrealized gains (losses) on investments are reflected in the statements of activities. Investments are classified as non-current as they will not be used for current operations.

i. Leasehold Improvements and Equipment, Net

Leasehold improvements and equipment are recorded at cost. Expenditures for acquisitions, renewals, and betterments are capitalized, whereas maintenance and repair costs are expensed as incurred. When leasehold improvements and equipment are retired or otherwise disposed of, the appropriate accounts are relieved of costs and accumulated depreciation, and any resultant gain or loss is charged to the change in net assets. Depreciation and amortization are computed using the straight-line method in a manner that is intended to amortize the cost of such assets over their estimated useful lives (5-50 years). Amortization of leasehold improvements, which is included with depreciation in these financial statements, is computed over the shorter of the life of the lease or the life of the asset.

Long-lived assets to be held and used are tested for recoverability whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the excess of the asset's carrying amount over its fair value. There were no impairments on long-lived assets at December 31, 2022 and 2021.

j. Paycheck Protection Program

SPAC and the Museum account for Paycheck Protection Program ("PPP") loans as conditional contributions in the form of a refundable advance. Upon legal release, amounts forgiven are recorded as unrestricted gifts and grants.

Saratoga Performing Arts Center, Inc. and National Museum of Dance

Notes to Combined Financial Statements December 31, 2022 and 2021

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

k. Net Assets

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

- Net Assets Without Donor Restrictions are net assets available for use in general operations and not subject to donor restrictions. The Board of Directors has designated, from net assets without donor restrictions, net assets for a board-designated endowment.
- Net Assets With Donor Restrictions consist of net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service.

SPAC and the Museum report contributions restricted by donors 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 statements of activities as net assets released from restrictions.

l. Contract Revenue

Revenue from contracts with customers is recognized in accordance with a five-step model as follows:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligation(s) in the contract; and
- Recognize revenue when or as performance obligations are satisfied.

SPAC and the Museum assess the contract term as the period in which the parties to the contract have presently enforceable rights and obligations. The transaction price is the amount of consideration to which SPAC and the Museum expect to be entitled in exchange for transferring goods and services to the customer. Revenue is recorded based on the transaction price, which is generally established in the contracts.

SPAC earns event related contract revenues principally from the sale of tickets, gift certificates and lawn passes for events that it produces. SPAC's performance obligations with respect to event-related revenues are satisfied at the point in time when the related event occurs.

Saratoga Performing Arts Center, Inc. and National Museum of Dance

Notes to Combined Financial Statements December 31, 2022 and 2021

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

l. Contract Revenue - Continued

SPAC has an agreement with a third party which grants the exclusive right and license to book, co-promote, co-produce, and co-present all Touring and Professional (T&P) events at SPAC through September 2039. In consideration of a guaranteed fee, referred to as venue license fees on the combined statements of activities, paid to SPAC each year, plus a percentage based on attendance, the third party is entitled to all revenues derived from, relating to, or otherwise generated by the presentation of T&P events presented at SPAC. In addition, the third party bears all the financial risk associated with the promotion, production, and presentation of each T&P event. SPAC's performance obligations with respect to event-related revenues from the venue license fees from the third-party promoter are satisfied at the point in time when the related event occurs.

As a part of the agreement with the third-party promoter, SPAC receives variable consideration for bonuses for attendance, concessions and parking that are affected by various levels of attendance. The amount of variable consideration included in the transaction price is constrained and is included only to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The amount of attendance and as such, the variable consideration, is known after each event occurs.

Other operating revenue mainly includes restaurant revenue, box office fees and revenue from the rental of the amphitheater. Restaurant revenue is recognized when food, beverages and/or services are provided to the customer as that is the point in which the related performance obligation is satisfied. Box office fees are the handling fees that are charged upon purchase of a ticket, which are recognized at a point in time. Revenue from the rental of the amphitheater is recognized as the event/rental occurs.

The timing of revenue recognition may not align with the right to invoice the customer. SPAC records accounts receivable when it has the unconditional right to issue an invoice and receive payment regardless of whether revenue has been recognized. If revenue has not yet been recognized, a contract liability (deferred revenue) also is recorded. The following details SPAC's accounts receivable and deferred revenue from contract revenue:

	December 31,		
	2022	2021	2020
Accounts receivable, net	\$ 1,286,395	\$ 469,905	\$ 124,658
Deferred revenue	558,025	243,453	260,588

m. Contributions, Grants and Membership Dues

SPAC and the Museum recognize contributions and grants when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional contributions, grants and promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

Saratoga Performing Arts Center, Inc. and National Museum of Dance

Notes to Combined Financial Statements December 31, 2022 and 2021

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

m. Contributions, Grants and Membership Dues - Continued

Membership revenue is recognized at the end of the calendar year membership period. Membership revenue received in advance of the period in which it applies is recorded as deferred revenue.

In 2021, SPAC obtained a \$4,464,908 grant from the Small Business Administration (“SBA”) pursuant to the Shuttered Venue Operators Grant (SVOG) under the Economic Aid to Hard-Hit Small Business, Nonprofits and Venues Act (the Economic Aid Act). Recipients of the SVOG have eighteen months from the date of the initial award was disbursed to expend all the funds. At the end of the eighteen months, any unexpended funds must be returned to the SBA. In relation, SPAC recognized \$996,553 (reported in deferred revenues at December 31, 2021) and \$3,468,355 in unrestricted gifts and grants during the years ended December 31, 2022 and 2021, respectively.

In March 2021, SPAC obtained a \$555,726 loan pursuant to the PPP under Section 311 of the Economic Aid Act which allowed the SBA to guarantee additional loans under the PPP. PPP loans under the Economic Aid Act are forgivable after twenty-four weeks if, in general, employee and compensation levels are maintained, and the proceeds are used for eligible expenses including payroll, benefits, rent, and utilities, certain operating expenses and worker protection expenses.

Management applied for forgiveness-in-full and, in June 2022, received notification from the lender that the application was approved by SBA, and that the SBA repaid the refundable advance/PPP loan to the lender. The forgiveness of the refundable advance/PPP loan is recorded as unrestricted gifts and grants during the year ended December 31, 2022.

n. Donated Services

Donated services, marketable securities, property and equipment and other non-cash donations are recorded as contributions at their fair value at the date of donation. Such donations are recorded as increases in net assets without donor restrictions unless the donor has restricted the donated asset for a specific purpose.

o. Functional Allocation of Expenses

Expenses that are specific to a function are charged directly to that function. The Executive Director’s salary is allocated between fundraising and management and general based on time and effort. Insurance costs are allocated based on time and effort.

p. Advertising and Publicity

Advertising and publicity costs are expensed as incurred.

Saratoga Performing Arts Center, Inc. and National Museum of Dance

Notes to Combined Financial Statements December 31, 2022 and 2021

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

q. Tax Status

SPAC and the Museum are not-for-profit organizations as described in Section 501(c)(3) of the Internal Revenue Code and are exempt from federal income taxes. SPAC and the Museum have been classified as publicly supported organizations that are not private foundations under Section 509(a) of the Code.

SPAC and the Museum each file Form 990 annually with the Internal Revenue Service. When annual returns are filed, some tax positions taken are highly certain to be sustained upon examination by the taxing authorities, while other tax positions are subject to uncertainty about the technical merits of the position or amount of the position's tax benefit that would ultimately be sustained. Management evaluated SPAC's and the Museum's tax positions, including interest and penalties attributable thereto, and concluded that SPAC and the Museum have taken no tax positions that required adjustment in their financial statements as of December 31, 2022 and 2021.

r. Adoption of New Accounting Standard

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Codification (ASC) Topic 842, *Leases*, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their balance sheets as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, *Leases*) and operating leases, with classification affecting the pattern of expense recognition in the statement of activities. SPAC and the Museum adopted Topic 842 on January 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, SPAC and the Museum have applied Topic 842 to reporting periods beginning on January 1, 2022, while prior periods continue to be reported and disclosed in accordance with SPAC and the Museum's historical accounting treatment under ASC Topic 840, *Leases*.

SPAC and the Museum elected the "package of practical expedients" under the transition guidance within Topic 842, in which SPAC and the Museum do not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases. SPAC and the Museum have elected to adopt the "hindsight" practical expedient.

SPAC and the Museum determine if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) SPAC and the Museum obtain substantially all of the economic benefits from the use of that underlying asset and direct how and for what purpose the asset is used during the term of the contract. SPAC and the Museum also consider whether their service arrangements include the right to control the use of an asset.

Saratoga Performing Arts Center, Inc. and National Museum of Dance

Notes to Combined Financial Statements December 31, 2022 and 2021

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

r. Adoption of New Accounting Standard - Continued

SPAC and the Museum made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or January 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, SPAC and the Museum made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date for leases existing upon the adoption of Topic 842.

Adoption of Topic 842 resulted in the recording of a ROU asset and a lease liability related to SPAC's operating lease of \$557,693 at January 1, 2022. The adoption of the new lease standard did not materially impact combined net earnings or combined cash flows and did not result in a cumulative-effect adjustment to the opening balance of net assets.

s. Subsequent Events

SPAC and the Museum have evaluated subsequent events for potential recognition or disclosure through March 9, 2023, the date the combined financial statements were available to be issued.

Note 2 - Liquidity and Availability

	December 31,	
	2022	2021
Total assets	\$ 30,974,658	\$ 32,285,907
Less: assets not available for general expenditures		
Cash and cash equivalents, held in endowment	(594,449)	(219,987)
Accrued interest receivable, held in endowment	(7,246)	(10,103)
Other current assets	(111,300)	(81,578)
Long-term portion of contribution receivable	-	(30,000)
Investments, held in endowment	(9,735,600)	(11,385,687)
Right of use asset, operating	(429,376)	-
Leasehold improvements and equipment, net	(10,380,786)	(10,030,067)
Insurance premiums receivable	(401,389)	(511,788)
Asset for postretirement benefits	(103,093)	(146,292)
Financial assets available for general expenditures	\$ 9,211,419	\$ 9,870,405

Saratoga Performing Arts Center, Inc. and National Museum of Dance

Notes to Combined Financial Statements December 31, 2022 and 2021

Note 2 - Liquidity and Availability - Continued

SPAC and the Museum have \$9,211,419 of financial assets available within one year of the statement of financial position date as reflected in the table above. To help manage unanticipated liquidity needs, SPAC has an available line-of-credit in the amount of \$500,000 (See Note 4). Although SPAC and the Museum do not intend to spend from endowment funds (and have historically not done so), they include \$2,036,542 in unrestricted, board designated funds that are not subject to donor restrictions and could be made available by the Board, if necessary. The endowment includes \$5,505,338 in earnings on corpus that is subject to the spending policy and can be used to support classical programming. SPAC prepares annual operating budgets designed to balance revenue and expenditures at a breakeven level and carefully monitors liquidity needs through regular review of those budgets.

Note 3 - Leasehold Improvements and Equipment, Net

A summary of SPAC's and the Museum's leasehold improvements and equipment, net, is as follows:

	December 31,	
	2022	2021
Cost of constructing amphitheater	\$ 2,687,986	\$ 2,687,986
Amphitheater and facility improvements	10,889,137	11,038,695
National Museum of Dance, leasehold improvements	2,045,023	2,045,023
Dance studios	1,135,302	1,135,302
Equipment	3,905,592	3,563,744
	20,663,040	20,470,750
Less accumulated depreciation	10,282,254	10,440,683
	\$ 10,380,786	\$ 10,030,067

Note 4 - Line-of-Credit

SPAC has a line-of-credit with Adirondack Trust Company for \$500,000, under which SPAC may borrow at the prime rate minus .38% (7.12% and 2.87% at December 31, 2022 and 2021, respectively), which is due on demand. There were no amounts outstanding at both December 31, 2022 and 2021. This line-of-credit is secured by investments.

Note 5 - Employee Benefit Plan

SPAC accounts for its defined benefit pension plan by recognizing the funded status of an asset or liability in its statement of financial position. Changes in the plan's funded status are recognized in net assets without donor restrictions in the year in which the changes occur.

Effective September 30, 2005, the plan was frozen. Employees will not accrue any further benefits after this date. All employees participating in the plan at that date became fully vested in their accrued benefits as of September 30, 2006.

**Saratoga Performing Arts Center, Inc.
and National Museum of Dance**

Notes to Combined Financial Statements
December 31, 2022 and 2021

Note 5 - Employee Benefit Plan - Continued

Obligations and Funded Status

	December 31,	
	2022	2021
Projected benefit obligation	\$ 993,679	\$ 1,163,253
Fair value of plan assets	1,096,772	1,309,545
Funded status at end of year	\$ 103,093	\$ 146,292

The funded status is recognized as an other asset in the statement of financial position as of December 31, 2022 and 2021, respectively.

	December 31,	
	2022	2021
Net periodic pension income	\$ (55,480)	\$ (45,936)
Benefits paid	\$ 83,922	\$ 83,922

The Plan recognized a net loss in the other change in net assets of \$43,199 during the year ended December 31, 2022. This was largely the result of the decrease in the value of plan assets due to market performance.

SPAC made no contributions to the plan for the years ended December 31, 2022 or 2021.

The following are weighted-average assumptions used to determine benefit obligations:

	December 31,	
	2022	2021
Discount rate	4.85%	2.93%
Rate of compensation increase	N/A	N/A

The following are weighted-average assumptions used to determine net periodic benefit cost:

	December 31,	
	2022	2021
Discount rate	2.93%	1.93%
Expected long-term return on plan assets	6.50%	6.50%
Rate of compensation increase	N/A	N/A

Saratoga Performing Arts Center, Inc. and National Museum of Dance

Notes to Combined Financial Statements
December 31, 2022 and 2021

Note 5 - Employee Benefit Plan - Continued

Plan Assets

SPAC's expected long-term return on plan assets assumption is based on a periodic review and modeling of the plan's asset allocation and liability structure over a long-term period. Expectations of returns for each asset class are the most important of the assumptions used in the review and modeling and are based on comprehensive reviews of historical data and economic/financial market theory. The expected long-term rate of return on assets was selected from within the reasonable range of rates determined by: (1) historical real returns, net of inflation, for the asset classes covered by the investment policy; and (2) projections of inflation over the long-term period during which benefits are payable to plan participants.

The Plan's weighted-average asset allocation, by asset category, is as follows:

	December 31,	
	2022	2021
Equity securities	58%	62%
Debt securities	38%	35%
Other	4%	3%
Total	100%	100%

SPAC's target asset allocation by asset category at December 31, 2022 was 35% - 80% equity securities, 20% - 60% debt securities, and 0% - 10% other.

SPAC's investment policy includes various guidelines and procedures designed to ensure assets are invested in a manner necessary to meet expected future benefits earned by participants. The investment guidelines consider a broad range of economic conditions. Central to the policy are target allocation ranges (shown above) by major asset categories.

The objectives of the target allocations are to maintain investment portfolios that diversify risk through prudent asset allocation parameters, achieve asset returns that meet or exceed the plan's actuarial assumptions, and achieve asset returns that are competitive with like institutions employing similar investment strategies.

The investment policy is periodically reviewed by SPAC and a designated third-party fiduciary for investment matters. The policy is established and administered in a manner that is compliant at all times with applicable government regulations.

Saratoga Performing Arts Center, Inc. and National Museum of Dance

Notes to Combined Financial Statements December 31, 2022 and 2021

Note 5 - Employee Benefit Plan - Continued

Plan Assets - Continued

The plan's assets measured at fair value on a recurring basis at December 31, 2022 and 2021 are summarized below (See Note 11 for definitions of investment classes and levels):

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Assets				
Common stocks				
Consumer goods	\$ 85,517	\$ -	\$ -	\$ 85,517
Energy	16,515	-	-	16,515
Financial	71,526	-	-	71,526
Health care	-	-	-	-
Industrial	65,103	-	-	65,103
Information technology	104,157	-	-	104,157
Real estate	-	-	-	-
International	-	-	-	-
Other	37,230	-	-	37,230
Fixed income securities				
Corporate bonds	-	412,497	-	412,497
Mutual funds				
Emerging Markets Fund	14,305	-	-	14,305
Growth Fund	65,352	-	-	65,352
Value Fund	131,886	-	-	131,886
International Fund	50,220	-	-	50,220
Cash and cash equivalents	42,464	-	-	42,464
Total investments	\$ 684,275	\$ 412,497	\$ -	\$ 1,096,772
	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Assets				
Common stocks				
Consumer goods	\$ 70,984	\$ -	\$ -	\$ 70,984
Energy	45,332	-	-	45,332
Financial	76,738	-	-	76,738
Health care	29,937	-	-	29,937
Industrial	50,553	-	-	50,553
Information technology	180,790	-	-	180,790
Real estate	13,458	-	-	13,458
International	22,542	-	-	22,542
Other	-	-	-	-
Fixed income securities				
Corporate bonds	-	451,694	-	451,694
Mutual funds				
Emerging Markets Fund	18,870	-	-	18,870
Growth Fund	89,700	-	-	89,700
Value Fund	148,512	-	-	148,512
International Fund	67,860	-	-	67,860
Cash and cash equivalents	42,575	-	-	42,575
Total investments	\$ 857,851	\$ 451,694	\$ -	\$ 1,309,545

**Saratoga Performing Arts Center, Inc.
and National Museum of Dance**

Notes to Combined Financial Statements
December 31, 2022 and 2021

Note 5 - Employee Benefit Plan - Continued

Cash Flows

Projected benefit payments expected for the next ten years are as follows:

For the year ending December 31,		
2023	\$	95,405
2024		92,631
2025		89,588
2026		86,464
2027		84,934
2028 through 2032		396,081

SPAC is not expecting to make any contributions to the plan for the year ending December 31, 2023.

Note 6 - Defined Contribution Plan

SPAC has a non-contributory defined contribution plan covering substantially all full-time employees. Eligible employees must have completed one year of service and worked at least 1,000 hours. Employer contributions of \$150,000 and \$148,497 were accrued as of December 31, 2022 and 2021, respectively. SPAC has a second defined contribution 403(b) plan covering substantially all full-time employees for which SPAC is not required to make contributions.

Note 7 - Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes:

	December 31,	
	2022	2021
Subject to expenditure for specific purpose:		
For use in the year ended December 31, 2023	\$ 440,000	\$ -
For new dance floor	41,701	41,702
For educational purposes	-	5,000
For classical performances	75,000	82,093
For Museum exhibits	12,184	12,184
	<u>568,885</u>	<u>140,979</u>
Subject to the passage of time:		
For periods after December 31,	30,000	60,000
Subject to the spending policy and appropriations:		
Investment to be held in perpetuity, the income from which is expendable to support classical performances	5,505,338	6,394,541
Not subject to appropriation for expenditures:		
Gifts to be held in perpetuity to support classical performances	2,795,415	2,795,415
Total net assets with donor restrictions	<u>\$ 8,899,638</u>	<u>\$ 9,390,935</u>

Saratoga Performing Arts Center, Inc. and National Museum of Dance

Notes to Combined Financial Statements December 31, 2022 and 2021

Note 7 - Net Assets With Donor Restrictions

SPAC has entered into an agreement with the H. Schaffer Foundation (Foundation) whereby the Foundation made a grant in the amount of \$2,500,000 designating all income derived from the grant to be used at SPAC's discretion for presentations of ballet, orchestra, chamber music, and opera.

Note 8 - Endowment

SPAC's endowment consists of various investments overseen by the Finance and Audit Committee of the Board of Directors. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Relevant Law

The Board of Directors of SPAC has interpreted the New York State Not-For-Profit Corporation Law (NPCL) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. At December 31, 2022 and 2021, there were no such donor stipulations. As a result of this interpretation, SPAC retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts donated to the endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Board of Directors in a manner consistent with the standard of prudence prescribed by Uniform Prudent Management of Institutional Funds Act (UPMIFA). We consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

**Saratoga Performing Arts Center, Inc.
and National Museum of Dance**

Notes to Combined Financial Statements
December 31, 2022 and 2021

Note 8 - Endowment - Continued

Relevant Law - Continued

Endowment net asset composition by type of fund:

	December 31, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 8,300,753	\$ 8,300,753
Board-designated endowment funds	2,036,542	-	2,036,542
Total funds	\$ 2,036,542	\$ 8,300,753	\$ 10,337,295

Changes in endowment net assets:

	Year Ended December 31, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, <i>beginning of year</i>	\$ 2,425,821	\$ 9,189,956	\$ 11,615,777
Investment income	52,174	174,877	227,051
Net gain, realized	67,771	200,781	268,552
Fees to managers	(19,239)	(53,415)	(72,654)
Net loss, unrealized	(490,244)	(1,224,790)	(1,715,034)
Total investment return	(389,538)	(902,547)	(1,292,085)
Contributions	259	13,344	13,603
Endowment net assets, <i>end of year</i>	\$ 2,036,542	\$ 8,300,753	\$ 10,337,295

Endowment net asset composition by type of fund:

	December 31, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 9,189,956	\$ 9,189,956
Board-designated endowment funds	2,425,821	-	2,425,821
Total funds	\$ 2,425,821	\$ 9,189,956	\$ 11,615,777

Saratoga Performing Arts Center, Inc. and National Museum of Dance

Notes to Combined Financial Statements December 31, 2022 and 2021

Note 8 - Endowment - Continued

Changes in endowment net assets:

	Year Ended December 31, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, <i>beginning of year</i>	\$ 1,934,355	\$ 7,689,009	\$ 9,623,364
Investment return			
Investment income	60,171	221,740	281,911
Net gain, realized	110,868	398,421	509,289
Fees to managers	(19,002)	(57,474)	(76,476)
Net gain, unrealized	339,429	922,143	1,261,572
Total investment return	491,466	1,484,830	1,976,296
Contributions	-	16,117	16,117
Endowment net assets, <i>end of year</i>	\$ 2,425,821	\$ 9,189,956	\$ 11,615,777

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). SPAC has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. There were no such deficiencies as of December 31, 2022 and 2021.

Return Objectives and Risk Parameters

SPAC has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to obtain a real rate of return on plan assets so that endowment assets both grow in value at a rate that exceeds the rate of inflation over the long-term and in a way that limits yearly volatility to acceptable levels as reviewed and determined by the Finance and Audit Committee.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, SPAC relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). SPAC targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Saratoga Performing Arts Center, Inc. and National Museum of Dance

Notes to Combined Financial Statements December 31, 2022 and 2021

Note 8 - Endowment - Continued

Spending Policy and How the Investment Objectives Relate to Spending Policy

SPAC's policy for distributing endowment fund earnings is based on the need to support its classical programming. Whether any distributions are made from endowment funds is decided annually by the Board of Directors in conjunction with SPAC's annual operating budget. Accordingly, over the long term, SPAC expects the current spending policy to allow its endowment to grow at a rate that exceeds the rate of inflation. This is consistent with SPAC's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Note 9 - Related Party Transactions

During 1998, SPAC's Board of Directors entered into an employment agreement with the then President of SPAC for a term of eight years. The agreement included provisions for an estate enhancement program last survivor variable split dollar life insurance policy. Under the terms of the agreement, SPAC was obligated to pay annual premiums on this policy and is to be repaid in full for those premiums from the proceeds of the policy. SPAC is entitled to receive the greater of the premiums paid or cash surrender value of the policy. These payments are recorded on the statements of financial position as insurance premiums receivable.

Note 10 - Commitments and Risks

a. Concentrations of Credit Risk

SPAC and the Museum maintain cash balances in several financial institutions. Accounts at these institutions are insured up to certain limits established by the Federal Deposit Insurance Corporation (FDIC). At times, SPAC and the Museum have bank deposits in excess of amounts insured by the FDIC.

b. License and Lease Agreements

SPAC constructed an amphitheater on land owned by the State of New York, at a cost of \$2,687,986 from 1964 to 1966. In accordance with the provisions of a licensee agreement dated March 1, 1969, SPAC transferred title of the amphitheater to the State in exchange for exclusive use of the amphitheater during the months of June through September each year. The right of use license requires no exchange of consideration and expires February 28, 2069.

c. Operating Lease and Escrow Account

SPAC is party to an agreement with the State of New York's Office of Parks, Recreation and Historic Preservation (OPRHP) granting SPAC a license to use the Hall of Springs for the purpose of operating a concession for the sale of food and beverages through March 2026. Under the terms of the agreement, SPAC is required to remit to OPRHP the greater of \$135,000, or 45% of the revenue earned by SPAC under the agreement on an annual basis.

Saratoga Performing Arts Center, Inc. and National Museum of Dance

Notes to Combined Financial Statements December 31, 2022 and 2021

Note 10 - Commitments and Risks

c. Operating Lease and Escrow Account - Continued

Operating lease cost is recognized on a straight-line basis over the lease term. The components of lease expense, which is included in facilities and maintenance in the statement of functional expenses, are as follows for the year ended December 31, 2022:

Operating lease cost	\$ 135,000
Variable lease cost	<u>87,168</u>
	<u><u>\$ 222,168</u></u>

Future undiscounted cash flows for the next four years using a discount rate of 1.37% and a reconciliation to the operating lease liability recognized on the balance sheet are as follows as of December 31, 2022:

Years ending December 31,	
2023	\$ 135,000
2024	135,000
2025	135,000
2026	<u>33,750</u>
Total lease payments	\$ 438,750
Less imputed interest	<u>(9,374)</u>
Total present value of operating lease liability	429,376
Current installments of operating lease liability	<u>130,086</u>
Long-term portion of operating lease liability	<u><u>\$ 299,290</u></u>

Pursuant to this agreement, SPAC is required to deposit 10% of annual revenues earned into a replacement and refurbishment account. The intent of the account is to provide funds to enhance and refurbish portions of the licensed premises. All expenditures from the account require the prior approval of OPRHP and co-authorization by SPAC and OPRHP. SPAC's liability under the agreement is \$186,434 and \$146,040 at December 31, 2022 and 2021, respectively, and is included in accounts payable and accrued expenses on the combined statements of financial position.

d. Fair Value of Investments

Investment securities held by SPAC are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risk in the near term could materially affect the amounts reported in the statements of financial position and the statements of activities.

Saratoga Performing Arts Center, Inc. and National Museum of Dance

Notes to Combined Financial Statements December 31, 2022 and 2021

Note 11 - Fair Value of Financial Instruments

U.S. GAAP provides a framework for measuring fair value that includes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest priority to unobservable inputs (Level 3).

The following three levels of inputs may be used to measure fair value:

- Level 1 Unadjusted quoted market prices in active markets for identical assets.
- Level 2 Observable inputs other than quoted market prices and can include active markets and markets not considered to be active.
- Level 3 Unobservable inputs that are supported by little or no market activity.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value at December 31, 2022 and 2021:

- Common Stocks: Valued at the quoted closing price reported in the active market in which the individual security is traded.
- Mutual Funds: Valued at the quoted net asset value (NAV) of shares held at year-end.
- Fixed Income Securities: Valued at yields currently available on comparable securities of issuers with similar credit ratings. Corporate bonds are valued under a discounted cash flows approach that maximizes observable inputs, such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks.
- Alternative Investments (Private Equity Master Fund): Valued based upon the shares of the fund held by SPAC at year end multiplied by the respective share value. As a practical expedient, the alternative investment does not have a readily determined fair value and is valued at NAV provided by the fund manager. The NAV for each class of shares is determined by dividing the value of total assets attributable to the class minus liabilities attributable to the class by the total number of commons shares outstanding of the class. The share value is calculated based on the fair value of the underlying investments, using quoted market prices, market value of comparable companies, discounted cash flows, realizable value of any collateral, and other estimates. The NAV is not a publicly quoted price in an active market and is computed in accordance with investment company measurement principles.

Saratoga Performing Arts Center, Inc. and National Museum of Dance

Notes to Combined Financial Statements December 31, 2022 and 2021

Note 11 - Fair Value of Financial Instruments - Continued

A summary of assets measured at fair value on a recurring basis are summarized below:

	December 31, 2021			Total
	Level 1	Level 2	Level 3	
Assets				
Common stocks	\$ 6,513,073	\$ -	\$ -	\$ 6,513,073
Fixed income securities	-	2,186,651	-	2,186,651
Mutual funds	835,876	-	-	835,876
Total investments in the fair value hierarchy	<u>\$ 7,348,949</u>	<u>\$ 2,186,651</u>	<u>\$ -</u>	9,535,600
Investment measured at NAV (a)				
Alternative investment				
Private equity master fund				200,000
				<u>\$ 9,735,600</u>

	December 31, 2021			Total
	Level 1	Level 2	Level 3	
Assets				
Common stocks	\$ 7,489,313	\$ -	\$ -	\$ 7,489,313
Fixed income securities	-	2,368,216	-	2,368,216
Mutual funds	1,528,158	-	-	1,528,158
Total investments in the fair value hierarchy	<u>\$ 9,017,471</u>	<u>\$ 2,368,216</u>	<u>\$ -</u>	11,385,687
Investment measured at NAV (a)				
Alternative investment				
Private equity master fund				-
				<u>\$ 11,385,687</u>

- (a) Certain investments that were measured at net asset value per share (or its equivalent) have not been included in the fair value hierarchy. The fair value presented in these tables are intended to permit reconciliation of the fair value hierarchy of the line items presented on the statement of financial position.

Saratoga Performing Arts Center, Inc. and National Museum of Dance

Supplementary Information - Statements of Financial Position - Saratoga Performing Arts Center, Inc.

	December 31,	
	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 8,247,816	\$ 9,342,059
Accounts receivable, net	1,277,980	666,911
Grants receivable	195,000	-
Current installments of contributions receivable, net	40,000	30,000
Accrued interest receivable	7,246	10,103
Other current assets	104,717	74,995
Total current assets	9,872,759	10,124,068
OTHER ASSETS		
Contributions receivable, net, less current installments	-	30,000
Investments	9,735,600	11,385,687
Right of use asset, operating lease	429,376	-
Leasehold improvements and equipment, net	10,311,895	9,692,493
Insurance premiums receivable	401,389	511,788
Assets for postretirement benefits	103,093	146,292
	\$ 30,854,112	\$ 31,890,328
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 1,935,470	\$ 1,340,310
Accrued pension expense	150,000	148,497
Deferred revenues	2,692,374	3,129,870
Current installments of refundable advance	-	55,533
Current installments of operating lease liability	130,086	-
Total current liabilities	4,907,930	4,674,210
LONG-TERM LIABILITIES, less current installments		
Refundable advance	-	500,193
Operating lease liability	299,290	-
	299,290	500,193
COMMITMENTS		
NET ASSETS		
Without donor restrictions		
Board designated	2,036,542	2,425,821
Undesignated	14,722,896	14,911,353
	16,759,438	17,337,174
With donor restrictions	8,887,454	9,378,751
Total net assets	25,646,892	26,715,925
	\$ 30,854,112	\$ 31,890,328

See Independent Auditor's Report.

Saratoga Performing Arts Center, Inc. and National Museum of Dance

Supplementary Information - Statements of Activities - Saratoga Performing Arts Center, Inc.

	Years Ended December 31,			
	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
OPERATING REVENUES AND GAINS				
Ticket sales and admissions	\$ 2,840,761	\$ -	\$ 2,840,761	\$ 1,237,222
Membership revenues	3,194,117	-	3,194,117	2,934,200
Unrestricted gifts and grants	1,792,539	-	1,792,539	3,511,141
Restricted gifts and grants	765,371	518,344	1,283,715	768,389
Fundraising event income	56,210	-	56,210	2,805
Third-party venue license fees	1,639,842	-	1,639,842	1,141,163
Other operating revenues	1,458,915	-	1,458,915	550,184
Net assets released from restrictions	160,509	(160,509)	-	-
	<u>11,908,264</u>	<u>357,835</u>	<u>12,266,099</u>	<u>10,145,104</u>
OPERATING EXPENSES				
Performance and production	9,195,736	-	9,195,736	4,351,521
Fundraising, including event expense	799,194	-	799,194	600,557
Management and general	1,916,559	-	1,916,559	1,354,402
	<u>11,911,489</u>	<u>-</u>	<u>11,911,489</u>	<u>6,306,480</u>
CHANGE IN NET ASSETS FROM OPERATIONS	<u>(3,225)</u>	<u>357,835</u>	<u>354,610</u>	<u>3,838,624</u>
NON-OPERATING GAINS AND LOSSES				
Investment income (expense), net	(20,480)	174,877	154,397	205,435
Realized gains on sales of investments, net	67,771	200,781	268,552	509,289
Unrealized gains (losses) on investments, net	(490,244)	(1,224,790)	(1,715,034)	1,261,572
Other gains (losses)	(58,579)	-	(58,579)	112,929
Loss from disposal of leasehold improvements and equipment, net	(29,780)	-	(29,780)	-
	<u>(531,312)</u>	<u>(849,132)</u>	<u>(1,380,444)</u>	<u>2,089,225</u>
OTHER CHANGE IN NET ASSETS				
Net periodic income and pension related gain (loss)	(43,199)	-	(43,199)	203,465
CHANGE IN NET ASSETS	<u>(577,736)</u>	<u>(491,297)</u>	<u>(1,069,033)</u>	<u>6,131,314</u>
NET ASSETS, beginning of year	<u>17,337,174</u>	<u>9,378,751</u>	<u>26,715,925</u>	<u>20,584,611</u>
NET ASSETS, end of year	<u>\$ 16,759,438</u>	<u>\$ 8,887,454</u>	<u>\$ 25,646,892</u>	<u>\$ 26,715,925</u>

Saratoga Performing Arts Center, Inc. and National Museum of Dance

Supplementary Information - Summary of Statement of Activities Based on Internal Operating Statement - Saratoga Performing Arts Center, Inc.

	Years Ended December 31,			
	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
OPERATING REVENUES				
Ticket sales and admissions	\$ 2,840,761	\$ -	\$ 2,840,761	\$ 1,237,222
Membership revenues	3,194,117	-	3,194,117	2,934,200
Gifts and grants	2,002,184	518,344	2,520,528	3,748,530
Third-party venue license fees	1,639,842	-	1,639,842	1,141,163
Fundraising event income	56,210	-	56,210	2,805
Paychex protection program contribution	555,726	-	555,726	531,000
Other operating revenues	1,458,915	-	1,458,915	550,184
Net assets released from restrictions	160,509	(160,509)	-	-
Operating revenues	<u>11,908,264</u>	<u>357,835</u>	<u>12,266,099</u>	<u>10,145,104</u>
OPERATING EXPENSES				
Performance costs				
Direct talent	4,690,031	-	4,690,031	1,486,818
Production expenses	2,305,676	-	2,305,676	1,646,312
Advertising and publicity	965,479	-	965,479	324,537
Box office	490,553	-	490,553	298,055
Other operating expenses	269,148	-	269,148	213,820
Fundraising, including event expense	799,194	-	799,194	600,557
Management and general	1,916,559	-	1,916,559	1,354,402
Operating expenses	<u>11,436,640</u>	<u>-</u>	<u>11,436,640</u>	<u>5,924,501</u>
CHANGE IN NET ASSETS FROM OPERATIONS	<u>471,624</u>	<u>357,835</u>	<u>829,459</u>	<u>4,220,603</u>
NON-OPERATING REVENUE (EXPENSES)				
Depreciation	(474,849)	-	(474,849)	(381,979)
Investment income (expense)	(6,405)	174,877	168,472	394,840
Realized gains on sales of investments, net	67,771	200,781	268,552	509,289
Investment management fees	(72,654)	-	(72,654)	(76,476)
Other pension related gains (losses)	(43,199)	-	(43,199)	203,465
Unrealized gains (losses) on investments, net	(490,244)	(1,224,790)	(1,715,034)	1,261,572
Loss from disposal of leasehold improvements and equipment, net	(29,780)	-	(29,780)	-
	<u>(1,049,360)</u>	<u>(849,132)</u>	<u>(1,898,492)</u>	<u>1,910,711</u>
CHANGE IN NET ASSETS	<u>(577,736)</u>	<u>(491,297)</u>	<u>(1,069,033)</u>	<u>6,131,314</u>
NET ASSETS, beginning of year	<u>17,337,174</u>	<u>9,378,751</u>	<u>26,715,925</u>	<u>20,584,611</u>
NET ASSETS, end of year	<u>\$ 16,759,438</u>	<u>\$ 8,887,454</u>	<u>\$ 25,646,892</u>	<u>\$ 26,715,925</u>

**Saratoga Performing Arts Center, Inc.
and National Museum of Dance**

Supplementary Information -
Statements of Financial Position - National Museum of Dance

	December 31,	
	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 45,072	\$ 51,422
Other current assets	6,583	6,583
Total current assets	51,655	58,005
LEASEHOLD IMPROVEMENTS AND EQUIPMENT, net	68,891	337,574
	\$ 120,546	\$ 395,579
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 84	\$ 9,246
Deferred revenues	14,300	14,300
Total current liabilities	14,384	23,546
NET ASSETS		
Without donor restrictions	93,978	359,849
With donor restrictions	12,184	12,184
Total net assets	106,162	372,033
	\$ 120,546	\$ 395,579

**Saratoga Performing Arts Center, Inc.
and National Museum of Dance**

Supplementary Information -
Statements of Activities - National Museum of Dance

	Years Ended December 31,			
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2022 Total</u>	<u>2021 Total</u>
OPERATING REVENUES AND GAINS				
Unrestricted gifts and grants	6,505	-	6,505	295,720
Other operating revenues	-	-	-	229,132
	<u>6,505</u>	<u>-</u>	<u>6,505</u>	<u>524,852</u>
OPERATING EXPENSES				
Performance and production	267,412	-	267,412	314,207
Fundraising, including event expense	-	-	-	-
Management and general	5,001	-	5,001	95,982
	<u>272,413</u>	<u>-</u>	<u>272,413</u>	<u>410,189</u>
CHANGE IN NET ASSETS FROM OPERATIONS	(265,908)	-	(265,908)	114,663
NON-OPERATING REVENUES				
Interest income	37	-	37	81
CHANGE IN NET ASSETS	(265,871)	-	(265,871)	114,744
NET ASSETS, <i>beginning of year</i>	<u>359,849</u>	<u>12,184</u>	<u>372,033</u>	<u>257,289</u>
NET ASSETS, <i>end of year</i>	<u>\$ 93,978</u>	<u>\$ 12,184</u>	<u>\$ 106,162</u>	<u>\$ 372,033</u>

**Saratoga Performing Arts Center, Inc.
and National Museum of Dance**

Supplementary Information -
Summary of Statement of Activities Based on
Internal Operating Statement - National Museum of Dance

	Years Ended December 31,	
	2022	2021
OPERATING REVENUES		
Service fees	-	52,679
Gifts and grants	6,505	295,720
Interest income	37	81
Other operating revenues	-	176,453
	6,542	524,933
OPERATING EXPENSES		
Program expenses	(1,270)	190,793
Management and general	5,001	95,982
	3,731	286,775
Operating income	2,811	238,158
NON-OPERATING EXPENSES		
Depreciation	(268,682)	(123,414)
Net income (loss)	\$ (265,871)	\$ 114,744

**Saratoga Performing Arts Center, Inc.
and National Museum of Dance**

Supplementary Information - Other Operating Revenues Net of Related Expenses
Based on Internal Operating Statement -
Saratoga Performing Arts Center, Inc.

	Years Ended December 31,	
	2022	2021
RESTAURANT		
Fees	\$ 481,271	\$ 200,953
Less related expenses	222,168	105,936
	259,103	95,017
 AMPHITHEATER		
Rental fees	252,876	226,477
Less related expenses	46,980	107,884
	205,896	118,593
 BOX OFFICE SERVICE FEES	325,918	5,793
 SARATOGA JAZZ FESTIVAL	46,599	13,516
 EDUCATION PROGRAM AND SCHOOL OF THE ARTS	260,352	-
 OTHER	91,899	103,445
	\$ 929,415	\$ 336,364

**Saratoga Performing Arts Center, Inc.
and National Museum of Dance**

Supplementary Information - Production Expenses
Based on Internal Operating Statement -
Saratoga Performing Arts Center, Inc.

	Years Ended December 31,	
	<u>2022</u>	<u>2021</u>
SALARIES AND WAGES		
Stage crew	\$ 452,882	\$ 239,999
Security and parking	239,893	156,486
Theater staff	381,231	478,194
Payroll taxes	84,846	69,974
Fringe benefits	78,841	98,397
	<u>1,237,693</u>	<u>1,043,050</u>
OTHER		
Custodial supplies	2,314	4,018
Production manager	100,250	81,063
Maintenance	93,735	46,898
Maintenance of grounds	77,998	86,378
Lighting, sound and video	419,038	192,849
Utilities	128,361	71,066
Other	246,287	120,990
	<u>1,067,983</u>	<u>603,262</u>
	<u>\$ 2,305,676</u>	<u>\$ 1,646,312</u>

**Saratoga Performing Arts Center, Inc.
and National Museum of Dance**

Supplementary Information - Advertising and Publicity Expenses
Based on Internal Operating Statement -
Saratoga Performing Arts Center, Inc.

	Years Ended December 31,	
	2022	2021
Salaries and wages	\$ 220,058	\$ 149,580
Payroll taxes	17,385	11,966
Fringe benefits	34,348	22,298
Advertising and publicity	416,174	91,001
Design of advertising	35,441	13,774
Printing	25,275	15,531
Social media	70,538	20,387
Media strategy	64,411	-
Website development	15,000	-
Other	66,849	-
	\$ 965,479	\$ 324,537

**Saratoga Performing Arts Center, Inc.
and National Museum of Dance**

Supplementary Information - Box Office Expenses
Based on Internal Operating Statement -
Saratoga Performing Arts Center, Inc.

	Years Ended December 31,	
	2022	2021
Salaries and wages	\$ 225,763	\$ 174,590
Payroll taxes	17,835	13,967
Fringe benefits	45,771	39,105
Printing and forms	4,636	-
Service charges	149,869	70,393
Ticketing software	43,523	-
Other	3,156	-
	\$ 490,553	\$ 298,055

**Saratoga Performing Arts Center, Inc.
and National Museum of Dance**

Supplementary Information - Management and General Expenses
Based on Internal Operating Statement -
Saratoga Performing Arts Center, Inc.

	Years Ended December 31,	
	2022	2021
Salaries and wages	\$ 1,216,788	\$ 892,797
Payroll taxes	96,127	67,598
Employee benefits	174,107	145,698
Accounting and legal	78,089	64,499
Bad debt expense	19,353	1,796
Payroll and HR services	41,342	-
Dues and subscriptions	3,949	3,861
Office technology and support	34,858	47,102
Strategic planning consulting	59,374	-
Insurance	28,253	15,463
Office supplies	23,130	12,249
Other	118,924	83,179
Postage	3,768	2,387
Telephone	7,863	10,048
Entertainment/travel	1,416	1,953
Utilities	9,218	5,772
	<u>\$ 1,916,559</u>	<u>\$ 1,354,402</u>



Single Audit Reports

Year Ended December 31, 2022

**Saratoga Performing Arts Center, Inc.
and National Museum of Dance**

Single Audit Reports

Year Ended December 31, 2022

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**Saratoga Performing Arts Center, Inc.
and National Museum of Dance**

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2022

<u>Federal Grantor/ Passthrough Grantor/ Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Entity Identification Number</u>	<u>Passed Through to Subrecipients</u>	<u>Federal Expenditures</u>
U.S Small Business Administration Shuttered Venue Operators Grant	59.075	n/a	-	\$ 996,553

See accompanying Notes to Schedule of Expenditures of Federal Awards, 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*, and Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance.

Saratoga Performing Arts Center, Inc. and National Museum of Dance

Notes to Schedule of Expenditures of Federal Awards Year Ended December 31, 2022

Note 1 - Summary of Significant Accounting Policies

a. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) has been prepared in accordance with 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). The purpose of the Schedule is to present a summary of those activities of the Saratoga Performing Arts Center, Inc. (SPAC) and National Museum of Dance (Museum) funded by the federal government or pass-through entities for the year ended December 31, 2022, using the accrual basis of accounting. For purposes of this Schedule, federal awards include assistance provided by a federal agency directly or indirectly in the form of grants, contracts, cooperative agreements, loans and loan guarantees, and other noncash assistance. Negative amounts, if any, on the Schedule represent adjustments made to prior year expenditures in the normal course of business.

b. Relationship to Combined financial statements

Federal award revenues are reported in SPAC and the Museum's combined financial statements as unrestricted gifts and grants. SPAC and the Museum's combined financial statements are presented using the accrual basis of accounting. The Schedule presents only a selected portion of the activities of SPAC and the Museum. It is not intended to, and does not, present either the financial position, changes in net assets, or cash flows of SPAC and the Museum.

c. Direct and Indirect Costs

Expenditures for direct and indirect costs are recognized as incurred using the accrual method of accounting and in accordance with OMB A-122, *Cost Principles for Non-Profit Organizations and the Uniform Guidance*. Under those cost principles, certain types of expenditures are not allowable or are limited as to reimbursement.

SPAC and the Museum have not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 2 - Noncash Assistance

There were no federal awards expended in the form of noncash assistance by SPAC and the Museum during the year ended December 31, 2022.



**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 Directors
Saratoga Performing Arts Center, Inc. and National Museum of Dance
Saratoga Springs, New York

We have audited, 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, the combined financial statements of Saratoga Performing Arts Center, Inc. (SPAC) and National Museum of Dance (Museum), which comprise SPAC and the Museum's combined statement of financial position as of December 31, 2022, the related combined statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the combined financial statements (collectively, the financial statements), and have issued our report thereon dated March 9, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered SPAC and the Museum's internal control over financial reporting (internal control) as a basis for designing 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 SPAC and the Museum's internal control. Accordingly, we do not express an opinion on the effectiveness of SPAC and the Museum'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 entity'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether SPAC and the Museum's financial statements are free from material misstatement, we performed tests of their compliance with certain provisions of laws, regulations, contracts, and grant and cooperative agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BST+Co.CPAs, LLP

Latham, New York
March 9, 2023





**Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and Report on
Schedule of Expenditures of Federal Awards Required by
the Uniform Guidance**

Board of Directors
Saratoga Performing Arts Center, Inc. and National Museum of Dance
Saratoga Springs, New York

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Saratoga Performing Arts Center, Inc. (SPAC) and National Museum of Dance's (Museum) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on SPAC and the Museum's major federal program for the year ended December 31, 2022. SPAC and the Museum's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, SPAC and the Museum complied, in all material aspects, with the compliance requirements referred to above that could have a direct and material effect on their major federal program for the year ended December 31, 2022.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of SPAC and the Museum 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 the major federal program. Our audit does not provide a legal determination of SPAC and the Museum's compliance with the compliance requirements referred to above.

Responsibility 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 provisions of contracts or grant agreements applicable to SPAC and the Museum's federal program.

Report on Compliance for Each Major Federal Program - Continued

Auditor's Responsibility 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 SPAC and the Museum'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 GAAS, *Government Auditing Standards*, and the Uniform Guidance 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 SPAC and the Museum's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, 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 SPAC and the Museum'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 SPAC and the Museum'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 SPAC and the Museum'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 federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal 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 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.



Report on Internal Control Over Compliance - Continued

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's 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 were not 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. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the combined financial statements of SPAC and the Museum as of and for the year ended December 31, 2022 and have issued our report thereon dated March 9, 2023, which contained an unmodified opinion on those combined financial statements. Our audit was performed for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the combined financial statements as a whole.

BST & Co. CPAs, LLP

Latham, New York
March 9, 2023



**Saratoga Performing Arts Center, Inc.
and National Museum of Dance**

Schedule of Findings and Questioned Costs
Year Ended December 31, 2022

Section I - Summary of Auditor’s Results

Financial statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with U.S. GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None Reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None Reported

Type of auditor’s report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ Yes X No

Identification of major federal programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
59.075	Shuttered Venue Operators Grant

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

Auditee qualified as low-risk auditee? X Yes _____ No

**Saratoga Performing Arts Center, Inc.
and National Museum of Dance**

Schedule of Findings and Questioned Costs
Year Ended December 31, 2022

Section II - Financial statements Findings

None reported.

Section III - Federal Award Findings and Questioned Costs

None reported.