

**The Wharton Institute for the Performing Arts, Inc.  
and Subsidiaries**

Consolidated Financial Statements and  
Uniform Guidance Schedules and New Jersey OMB Circular 15-08 Financial Reports  
Together With Independent Auditors' Report

June 30, 2022

# The Wharton Institute for the Performing Arts, Inc. and Subsidiaries

## Consolidated Financial Statements and Uniform Guidance Schedules and New Jersey OMB Circular 15-08 Financial Reports Together With Independent Auditors' Report

June 30, 2022

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## **Independent Auditors' Report**

### **Board of Trustees**

### **The Wharton Institute for the Performing Arts, Inc. and Subsidiaries**

### **Report on Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying consolidated financial statements of The Wharton Institute for the Performing Arts, Inc. and Subsidiaries which comprise the consolidated statements of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Wharton Institute for the Performing Arts, Inc. and Subsidiaries as of June 30, 2022, and the consolidated changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with the 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our audit. We are required to be independent of The Wharton Institute for Performing Arts, Inc. and Subsidiaries and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Wharton Institute for Performing Arts, Inc. and Subsidiaries' ability to continue as a going concern within one year after the date of the consolidated financial statements are available to be issued.

***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Wharton Institute for the Performing Arts, Inc. and Subsidiaries' 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 consolidated financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Wharton Institute for the Performing Arts, Inc. and Subsidiaries' 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.

***Report on Summarized Comparative Information***

We have previously audited The Wharton Institute for the Performing Arts, Inc. and Subsidiaries' 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated November 30, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent in all material respects, with the audited consolidated financial statements from which it has been derived.

**To the Board of Trustees**  
**The Wharton Institute for the Performing Arts, Inc. and Subsidiaries**  
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***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards on page 20, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and schedule of expenditures of state financial assistance on page 21 as required by the *State of New Jersey Department of Treasury Circular 15-08 OMB, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 and state financial assistance are fairly states, in all material respects, in relation to the consolidated 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 January 10, 2023, on our consideration of The Wharton Institute for the Performing Arts, Inc. and Subsidiaries' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant 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 Wharton Institute for the Performing Arts, Inc. and Subsidiaries' 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 Wharton Institute for the Performing Arts, Inc. and Subsidiaries' internal control over financial reporting and compliance.

*PKF O'Connor Davies, LLP*

January 10, 2023

**The Wharton Institute for the Performing Arts, Inc. and Subsidiaries**

Consolidated Statements of Financial Position  
June 30, 2022  
(with comparative amounts at June 30, 2021)

	2022	2021
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,439,734	\$ 1,079,768
Grant receivable	48,500	24,250
Pledges receivable, net	89,776	115,204
Accounts receivable, net	37,579	24,060
Prepaid expenses and other assets	27,836	23,432
Investments	5,876	1,019
Property and equipment, net	131,396	141,954
Security deposits	67,130	50,122
Total Assets	\$ 1,847,827	\$ 1,459,809
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 145,233	\$ 164,552
Deferred revenue	375,922	276,485
Deferred rent	3,484	23,478
Security deposits payable	2,300	2,300
Long-term debt	704,760	775,105
Total Liabilities	1,231,699	1,241,920
Net Assets (Deficiency)		
Without donor restrictions	52,389	23,846
With donor restrictions	563,739	194,043
Total Net Assets	616,128	217,889
	\$ 1,847,827	\$ 1,459,809

See notes to consolidated financial statements

## The Wharton Institute for the Performing Arts, Inc. and Subsidiaries

### Consolidated Statement of Activities Year Ended June 30, 2022 (with summarized totals for year ended June 30, 2021)

	2022			2021 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>REVENUE, SUPPORT, AND RECLASSIFICATIONS</b>				
Tuition and fees	\$ 1,447,967	\$ -	\$ 1,447,967	\$ 1,282,621
Contributions	15,405	450,093	465,498	211,117
In-kind contributions	122,936	-	122,936	39,300
Special events, net of direct costs of \$18,509 and \$15,596, respectively	210,868	89,779	300,647	443,775
Foundation grants	202,640	106,500	309,140	465,937
Government grants	646,349	34,000	680,349	259,214
Program service fees	433,734	-	433,734	281,334
Performances	19,247	-	19,247	-
Rental income	17,563	-	17,563	14,416
Sales of merchandise and other income	2,775	-	2,775	230
Investment return	1,066	-	1,066	1,663
Net assets released from restrictions	<u>310,676</u>	<u>(310,676)</u>	<u>-</u>	<u>-</u>
Total Revenue, Support, and Reclassifications	<u>3,431,226</u>	<u>369,696</u>	<u>3,800,922</u>	<u>2,999,607</u>
<b>OPERATING EXPENSES</b>				
Program Services				
Music education	<u>2,802,975</u>	<u>-</u>	<u>2,802,975</u>	<u>2,312,421</u>
Supporting Services				
General and administrative	741,341	-	741,341	522,281
Fundraising	<u>214,687</u>	<u>-</u>	<u>214,687</u>	<u>212,547</u>
Total Supporting Services	<u>956,028</u>	<u>-</u>	<u>956,028</u>	<u>734,828</u>
Total Expenses Before Depreciation and Amortization	<u>3,759,003</u>	<u>-</u>	<u>3,759,003</u>	<u>3,047,249</u>
Change in Net Assets				
Before Depreciation and Write-offs	(327,777)	369,696	41,919	(47,642)
Depreciation and amortization	31,852	-	31,852	27,551
Write-off of uncollectible pledges receivable	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,000</u>
(Deficiency) Excess of Revenue and Support Over Operating Expenses	<u>(359,629)</u>	<u>369,696</u>	<u>10,067</u>	<u>(120,193)</u>
<b>NON-OPERATING ACTIVITIES</b>				
PPP loan forgiveness	<u>388,172</u>	<u>-</u>	<u>388,172</u>	<u>383,800</u>
Change in Net Assets	28,543	369,696	398,239	263,607
<b>NET ASSETS (DEFICIENCY)</b>				
Beginning of year	<u>23,846</u>	<u>194,043</u>	<u>217,889</u>	<u>(45,718)</u>
End of year	<u>\$ 52,389</u>	<u>\$ 563,739</u>	<u>\$ 616,128</u>	<u>\$ 217,889</u>

See notes to consolidated financial statements

## The Wharton Institute for the Performing Arts, Inc. and Subsidiaries

### Consolidated Statement of Functional Expenses Year Ended June 30, 2022 (with summarized totals for the year ended June 30, 2021)

	2022						Total 2021
	Program Services	Supporting Services			Cost of Direct Benefits To Donors	2022	
	Music Education	General and Administrative	Fundraising	Total Supporting Services			
Salaries and wages	\$ 1,673,661	\$ 211,161	\$ 98,241	\$ 309,402	\$ -	\$ 1,983,063	\$ 1,737,322
Payroll taxes	141,615	19,423	6,875	26,298	-	167,913	141,656
Employee benefits	10,566	16,999	24,914	41,913	-	52,479	64,970
Total Salaries and Related Expenses	1,825,842	247,583	130,030	377,613	-	2,203,455	1,943,948
Professional fees	2,950	234,138	15,730	249,868	-	252,818	174,793
Advertising	77,046	2,745	6,888	9,633	6,583	93,262	76,774
Insurance	48,138	16,046	-	16,046	-	64,184	51,454
Performance travel & other expenses	90,202	1,500	32,644	34,144	-	124,346	45,681
Dues and subscriptions	31,904	-	-	-	-	31,904	28,213
Program supplies, materials and office expense	142,011	50,246	9,784	60,030	5,890	207,931	89,160
Postage and printing	13,207	7,300	16,785	24,085	-	37,292	33,243
Bank charges and processing fees	36,867	1,144	231	1,375	-	38,242	34,989
Interest	-	21,468	-	21,468	-	21,468	14,755
Occupancy	353,088	95,831	-	95,831	-	448,919	384,001
Repairs and maintenance	56,952	18,588	2,090	20,678	-	77,630	69,075
Equipment lease and rental	7,355	12,032	-	12,032	-	19,387	9,455
Technology - computer expense	63,412	6,024	-	6,024	-	69,436	51,380
Licenses and fees	20,403	770	-	770	-	21,173	12,281
Cost of sales	4,340	-	505	505	-	4,845	7,286
Outside contractors	19,543	540	-	540	6,036	26,119	26,221
Telephone	5,650	7,984	-	7,984	-	13,634	12,539
Conferences and workshops	4,065	8,794	-	8,794	-	12,859	6,211
Bad debt (recovery)	-	8,608	-	8,608	-	8,608	(8,614)
Total Expenses Before Depreciation and Amortization and Costs of Direct Benefits to Donors	2,802,975	741,341	214,687	956,028	18,509	3,777,512	3,062,845
Less: Costs of Direct Benefits to Donors	-	-	-	-	(18,509)	(18,509)	(15,596)
Total Expenses Before Depreciation and Amortization	2,802,975	741,341	214,687	956,028	-	3,759,003	3,047,249
Depreciation and amortization	15,926	15,926	-	15,926	-	31,852	27,551
Total Expenses	\$ 2,818,901	\$ 757,267	\$ 214,687	\$ 971,954	\$ -	\$ 3,790,855	\$ 3,074,800

See notes to consolidated financial statements

## The Wharton Institute for the Performing Arts, Inc. and Subsidiaries

### Consolidated Statements of Cash Flows Year Ended June 30, 2022

(with comparative amounts for the year ended June 30, 2021)

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 398,239	\$ 263,607
Adjustments to reconcile change in net assets to net cash from operating activities		
Forgiveness of Paycheck Protection Program loan	(388,172)	(383,800)
Depreciation and amortization	31,852	27,551
Deferred rent	(19,994)	(17,172)
Net realized and unrealized gain on investments	(137)	(1,130)
Donated Securities	(4,719)	-
Allowance of doubtful accounts	8,608	(8,614)
Write-off of uncollectible pledge	-	45,000
Change in operating assets and liabilities		
Contributions receivable	-	15,000
Grant receivable	(24,250)	(23,350)
Pledges receivable	16,820	(89,561)
Accounts receivable	(13,519)	70,694
Prepaid expenses and other assets	(4,404)	(5,836)
Secruity deposits	(17,008)	-
Accounts payable and accrued expenses	(19,319)	112,056
Deferred revenue	<u>99,437</u>	<u>87,438</u>
Net Cash from Operating Activities	<u>63,434</u>	<u>91,883</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	-	(90)
Sale proceeds from investments	-	18,000
Purchase of property and equipment	<u>(21,295)</u>	<u>(69,849)</u>
Net Cash from Investing Activities	<u>(21,295)</u>	<u>(51,939)</u>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from long-term debt	350,000	250,000
Proceeds from Paycheck Protection Program loan	-	388,172
Principal repayments of long-term debt	<u>(32,173)</u>	<u>(266,452)</u>
Net Cash from Financing Activities	<u>317,827</u>	<u>371,720</u>
 Change in Cash and Cash Equivalents	359,966	411,664
 <b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>1,079,768</u>	<u>668,104</u>
 End of year	<u>\$ 1,439,734</u>	<u>\$ 1,079,768</u>
 <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during the year for interest	<u>\$ 21,468</u>	<u>\$ 14,755</u>
<b>NON-CASH FINANCING ACTIVITY</b>		
Forgiveness of Paycheck Protection Program loan	<u>\$ 388,172</u>	<u>\$ 383,800</u>
See notes to consolidated financial statements		

# The Wharton Institute for the Performing Arts, Inc. and Subsidiaries

Notes to Consolidated Financial Statements  
June 30, 2022 and 2021

## 1. Organization and Tax Status

The Wharton Institute for the Performing Arts, Inc. (“Wharton”) was founded on May 3, 1985 to provide music instruction, educational programs and performances to people of all ages, abilities, and backgrounds, so as to inspire them to achieve musical excellence and to use their inherent creativity to its greatest potential. Wharton was formerly known as The Judith G. Wharton Music Center, Inc. until it changed its name effective September 28, 2015.

New Jersey Youth Symphony, LLC (“NJYS”) was organized on February 16, 2012 as a wholly-owned subsidiary of Wharton. On July 10, 2012, it completed the acquisition of the assets of the New Jersey Youth Symphony, Inc. (the “Symphony”) pursuant to a combination agreement between Wharton, NJYS and the Symphony.

NJYC Acquisition, LLC (“NJYC”) was organized on February 28, 2022 as a wholly-owned subsidiary of Wharton. On June 29, 2022, it completed the acquisition of the assets of the New Jersey Youth Chorus, Inc. (the “Chorus”) pursuant to a combination agreement between Wharton, NJYC and the Chorus.

Wharton and its subsidiaries NJYS and NJYC (together, the “Institute”), are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and corresponding provisions of New Jersey State law. Accordingly, no income tax expense or liability is recorded in the consolidated financial statements.

## 2. Summary of Significant Accounting Policies

### ***Principles of Consolidation***

The consolidated financial statements include the accounts of Wharton, NJYS, and NJYC. All intercompany balances and transactions have been eliminated.

### ***Basis of Accounting and Use of Estimates***

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, (“US GAAP”), which 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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly actual results could differ from those estimates.

### ***Revenue and Revenue Recognition***

As shown on the accompanying consolidated statement of activities, the Institute has two primary revenue sources which are tuition and fees and program service fees, and to a lesser degree, ticket sales from performances and special events, merchandise sales, and investment income. Contributions, grants, and investment returns do not have commercial substance and are therefore scoped out of *Revenue from Contracts with Customers* (Topic 606). Consequently, the Institute will continue to follow the guidance in Accounting Standards Codification 958-605, where applicable (including most government grants which are deemed to be contributions under Accounting Standards Update (“ASU”) 2018-08 guidance).

## The Wharton Institute for the Performing Arts, Inc. and Subsidiaries

Notes to Consolidated Financial Statements  
June 30, 2022 and 2021

### 2. Summary of Significant Accounting Policies *(continued)*

#### ***Revenue and Revenue Recognition (continued)***

The Institute has reviewed its various revenue sources and concluded that each of its contracts with customers (oral or written) include a single performance obligation that are satisfied either 1) at a point in time which include: merchandise sales (which occur at the point of sale); or ticket sales from performances (which occurs on the event date) or 2) over time which include: tuition and fees, program service fees and rental income which are all satisfied over time. Tuition from individual students is recognized monthly as earned based on the timing and duration of classes. Contracts with schools for music programs led by the Institute are entered into based on the timing of classes and service rate for each school. Schools are required to make payments on a quarterly basis and the Institute recognizes revenue over time for the duration of the contract. Tuition and program service revenue typically align with the local schools' academic calendars; accordingly, these performance obligations are satisfied by the Institute's year end (June 30). However, the Institute does require advance payment of tuition deposits for the summer and following school year classes, which amount is included in deferred revenue in the consolidated statements of financial position. When revenue is earned over a period of time that may span beyond the Institute's year end (i.e. summer tuition and fees, and ticket sales), any advance payments are also included in deferred revenue and revenue is recognized in the applicable period in which it is earned or the event takes place.

Under US GAAP, the Institute must only recognize revenue for the amount expected to be collected. Based on the Institute's strong collection experience, the Institute has concluded that all revenue recognized is probable of collection. As permitted by the guidance, the School has applied a portfolio approach to evaluating the ability to pay of both its students, and the schools included in its contract service programs, rather than evaluating each student's and school's ability to pay separately.

In accordance with ASU 2018-08, the Institute recognizes contributions when cash, securities or other assets; or an unconditional promise to give is received. Conditional promises to give, those with a measurable performance or other barrier and right of return, are not recognized until the conditions on which they depend have been met. The Institute receives conditional and unconditional promises to give from the NJ State Council on the Arts, the National Endowment for the Arts, and the Union County Heart Grant each year. These and other federal, state and county contracts and grants may be conditioned upon certain performance requirements. The Institute may also receive conditional promises to give from foundations or other private donors. All conditional promises to give are recognized as revenue when the Institute has incurred expenditures and/or achieved other measurable performance or other barriers in compliance with specific contract or grant provisions.

## The Wharton Institute for the Performing Arts, Inc. and Subsidiaries

Notes to Consolidated Financial Statements  
June 30, 2022 and 2021

### 2. Summary of Significant Accounting Policies *(continued)*

#### ***Net Asset Presentation***

The Institute reports information regarding financial position and activities in two classes of net assets: without and with donor restrictions.

*Without donor restrictions* – consist of resources available for the general support of the Institute’s operations. Net assets without donor restrictions may be used at the discretion of the Institute’s management and Board of Trustees. The Board has designated a portion of the Institute’s net assets for endowment purposes.

*With donor restrictions* – represent amounts restricted by donors to be used for specific activities or at some future date, or which require the Institute to maintain in perpetuity, including funds that are subject to restrictions or gift instruments requiring that the principal be invested in perpetuity and the income be used for specific or general purposes. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

#### ***Cash and Cash Equivalents***

Cash and cash equivalents include cash deposited with banks and short term highly liquid investments with maturities of three months or less at the time of purchase.

Included in cash and cash equivalents at June 30 is restricted cash for the following purposes:

	<u>2022</u>	<u>2021</u>
Donor restricted	\$ 452,610	\$ -
Board designated	<u>133,000</u>	<u>-</u>
	<u>\$ 585,610</u>	<u>\$ -</u>

The restricted cash amount above is pending a transfer into an investment account and the establishment of policies required under Uniform Prudent Management of Institutional Funds Act (“UPMIFA”).

#### ***Fair Value Measurements***

The Institute follows US GAAP guidance on *Fair Value Measurements* which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

## **The Wharton Institute for the Performing Arts, Inc. and Subsidiaries**

Notes to Consolidated Financial Statements  
June 30, 2022 and 2021

### **2. Summary of Significant Accounting Policies (continued)**

#### ***Investments and Investment Income Recognition***

Investments are carried at fair value. Purchases and sales of securities are recorded on a settlement-date basis. Interest and dividend income is recorded when earned. Realized and unrealized gains and losses are included in the determination of the change in net assets.

#### ***Grant, Pledge, and Contribution Receivables***

Grant, pledge, and contribution receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding, after management has used reasonable collection efforts, are written off through a charge to the valuation allowance and a credit to grant, pledge, or contribution receivables.

At June 30, 2022 and 2021, the allowance for doubtful pledges amounted to \$10,258 and \$6,029. Grant and contributions receivables are considered fully collectible.

#### ***Accounts Receivable and Allowance for Doubtful Accounts***

Accounts receivable are comprised primarily of fees from tuition and program services and are non-interest bearing. Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to expense and a credit to a valuation allowance based on its assessment of the current status of individual accounts, in addition to a general allowance based on a percentage of overall accounts receivable. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Uncollectible amounts are determined on a case by case basis. At June 30, 2022 and 2021, the allowance for uncollectible accounts amounted to \$8,653.

#### ***Property and Equipment***

Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Purchases of property and equipment with a unit value of less than \$1,500 are expensed. Leasehold improvements are amortized over the life of the lease using the straight line method. Property and equipment are written down to fair value when considered impaired. No impairment change has been recognized for the years ended June 30, 2022 and 2021.

## The Wharton Institute for the Performing Arts, Inc. and Subsidiaries

Notes to Consolidated Financial Statements  
June 30, 2022 and 2021

### 2. Summary of Significant Accounting Policies *(continued)*

#### ***Contract Assets and Liabilities***

Contract assets represent payments due from performance obligations completed, but that are not yet billable. Contract liabilities represent payments received or receivables billed for performance obligations not yet completed. The beginning and ending contract assets and liabilities we as follows:

	June 30,		
	2022	2021	2020
Tuition receivable	\$ 8,207	\$ 9,844	\$ 1,848
Deferred tuition	\$ 375,922	\$ 276,485	\$ 189,047

#### ***Deferred Revenue***

Deferred revenue consists of amounts received for program events which will be recognized as income in future periods when the services are performed or the event occurs. The Institute's tuition fees received in the current fiscal year for the next semester are deferred until the instruction commences, since the Institute recognizes tuition revenue in the period in which the related instruction is performed.

#### ***Deferred Rent***

The Institute has entered into an operating lease agreement which contains a provision for future rent increases. The total amount of rental payments due over the lease term is being charged to rent expense on the straight-line method. The difference between rent expense recorded and the amount paid is charged to deferred rent in the accompanying consolidated statements of financial position.

#### ***In-Kind Contributions and Donated Services***

It is the Institute's policy to record non-cash items and in-kind gifts at their fair value on the date they are received. The Board of Trustees makes significant contributions of time relative to general management and operations of the Institute. The value of this contributed time is not reflected in these consolidated financial statements since it does not meet criteria for recognition under US GAAP. The Institute recognizes the fair value of donated services which create or enhance nonfinancial assets, or require specialized skills provided by individuals possessing those skills and would typically be purchased if not provided by donation. Contributed services which do not meet these criteria are not recognized as revenue and are not reported in the accompanying consolidated financial statements. Revenue amounts are reflected in in-kind contributions on the consolidated statement of activities. Expense amounts for donated use of facilities are reflected in occupancy expense and professional fees for pro bono legal services on the consolidated statement of functional expenses.

## The Wharton Institute for the Performing Arts, Inc. and Subsidiaries

Notes to Consolidated Financial Statements  
June 30, 2022 and 2021

### 2. Summary of Significant Accounting Policies *(continued)*

#### ***In-Kind Contributions and Donated Services (continued)***

For the years ended June 30, the Institute received the following in-kind contributions and donated services:

	2022	2021	Usage in Program/Activities	Donor Restrictions	Fair Value Techniques
Legal services	\$ 65,700	\$ 39,300	General operations	None	Estimated based on current rates of legal services provided by law firm
Use of facilities	57,236	-	Paterson Music Project	None	Estimated based on comparable market rate costs of square footage and size of facilities used
	<u>\$ 122,936</u>	<u>\$ 39,300</u>			

#### ***Advertising Costs***

The Institute uses advertising to promote its programs among the audiences it services. Advertising expense for the years ended June 30, 2022 and 2021 was \$86,679 and \$75,585.

#### ***Functional Allocation of Expenses***

Expenses are charged to each program or supporting services if it is directly related to the program or supporting service. Any expenditures not directly chargeable are allocated among program and supporting services on the basis of percentage of time spent by staff on a particular program or task, square footage, and other criteria as determined by the management of the Institute. Program expenses are those related to the provision of musical education programs. General and administrative expenses relate to the overall administration of the Institute. Fundraising expenses include the allocation of employees' salaries and other costs involved in fundraising and special events based on methods as described above.

#### ***Prior Year Summarized Comparative Information***

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with US GAAP. Accordingly, such information should be read in conjunction with the Institute's consolidated financial statements as of and for the year ended June 30, 2021, from which the summarized comparative information was derived.

#### ***Accounting for Uncertainty in Income Taxes***

The Institute recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management has determined that the Institute had no uncertain tax positions that would require financial statement recognition or disclosure. The Institute is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to June 30, 2019.

## The Wharton Institute for the Performing Arts, Inc. and Subsidiaries

Notes to Consolidated Financial Statements  
June 30, 2022 and 2021

### 2. Summary of Significant Accounting Policies *(continued)*

#### ***Measure of Operations***

Operations include all revenues and expenses that are integral part of the Institute's programs and supporting activities. The measure of operations excludes Paycheck Protection Program ("PPP") as a part of the Coronavirus Aid, Relief and Economic Securities Act ("CARES Act") revenue.

#### ***Subsequent Events Evaluation by Management***

Management has evaluated subsequent events for disclosure and/or recognition in the consolidated financial statements through the date that the consolidated financial statements were available to be issued, which is January 10, 2023.

### 3. Pledges Receivable

Pledges receivable at June 30 are as follows:

	2022	2021
Less than one year	\$ 55,883	\$ 54,450
One to five years	46,700	71,900
Discount for present value	(2,549)	(5,117)
Allowance for doubtful pledges	(10,258)	(6,029)
	\$ 89,776	\$ 115,204

Pledges receivable with due dates extending beyond one year were discounted using a federal discount rate of 3.01% and .087% as of June 30, 2022 and 2021. Uncollectible promises are based on the credit worthiness of the donor.

### 4. Investments

Investments are stated at fair value, based on quoted market prices, and are comprised of the following as of June 30:

	2022			2021		
	Cost	Fair Value (Level 1)	Unrealized Appreciation	Cost	Fair Value (Level 1)	Unrealized Appreciation
Mutual Funds - other	\$ 5,739	\$ 5,876	\$ 137	\$ 967	\$ 1,019	\$ 52

**The Wharton Institute for the Performing Arts, Inc. and Subsidiaries**

Notes to Consolidated Financial Statements  
June 30, 2022 and 2021

**5. Property and Equipment**

Property and equipment at June 30 consists of the following:

	Estimated Useful Lives	<u>2022</u>	<u>2021</u>
Leasehold improvements	11 years	\$ 1,085,017	\$ 1,085,017
Instruments	7-10 years	283,353	280,853
Computer and equipment	3-5 years	27,456	27,456
Office equipment	5-10 years	165,255	165,255
Furniture and fixtures	7 years	<u>160,749</u>	<u>141,954</u>
Total Property and Equipment		1,721,830	1,700,535
Less accumulated depreciation		<u>1,590,434</u>	<u>1,558,581</u>
Total		<u>\$ 131,396</u>	<u>\$ 141,954</u>

**6. Long-term Debt**

***Loan Payable***

On December 11, 2020, the Institute entered into a \$250,000 term loan with a bank which carries a fixed 3.875% rate of interest, and requires monthly payments of \$3,409, with a final balloon payment of \$81,974 due January 1, 2026. The loan is secured by a commercial security interest on all assets of the Institute. As of June 30, 2022 and 2021, the Institute has an outstanding balance of \$204,760 and \$236,933.

<u>Year</u>	<u>Amount</u>
2023	\$ 40,907
2024	40,907
2025	40,907
2026	<u>82,039</u>
	<u>\$ 204,760</u>

***Line of Credit***

Effective October 18, 2019, the Institute established a \$100,000 line of credit with Peapack-Gladstone Bank, which it can draw upon as needed for general operating purposes. The line of credit has a maturity date of October 18, 2023 and an interest rate equal to the higher of the U.S. prime rate plus 0.500 percentage points, or 5.25% per annum. There was no balance outstanding on the line at June 30, 2022 and 2021.

## The Wharton Institute for the Performing Arts, Inc. and Subsidiaries

Notes to Consolidated Financial Statements  
June 30, 2022 and 2021

### 6. Long-term Debt (*continued*)

#### ***Paycheck Protection Program Loan Payable***

On January 31, 2021 the Institute received loan proceeds in the amount of \$388,172 under the Paycheck Protection Program (“PPP”). The PPP was established as part of the Coronavirus Aid, Relief and Economic Securities Act (“CARES Act”). The loan and accrued interest is forgivable after two years as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of forgiveness will be reduced if the borrower terminates employees or reduces salaries during the forgivable loan period. In May 2022, the Small Business Administration (“SBA”) authorized the full forgiveness of the PPP loan and as such, the bank applied the forgiveness to the Institute’s loan account and offset all interest accrued. In accordance with ASC 470, Debt, the income was recognized upon forgiveness with the forgiveness amount recorded as revenue in the 2022 consolidated statement of activities. The SBA authorized forgiveness of previous PPP loan in the amount of \$383,800 on April 21, 2021 with such amount recorded as revenue for the year ended June 30, 2021.

#### ***Economic Injury Disaster Loan Payable***

On May 28, 2020, the Institute received a \$150,000 Economic Injury Disaster Loan (“EIDL”) authorized by the SBA. The Loan is to be used solely as working capital to alleviate economic injury caused by the coronavirus disaster occurring in January 2020 and still ongoing. Interest accrues at 2.75% annually, and the loan is secured by a lien on all assets of the Institute. Monthly installment payments of \$641, including interest and principal, will begin twenty-four months from the date of the loan, and the balance of interest and principal is payable thirty years from the date of the loan. On August 10, 2021 the loan amount was increased to \$500,000 and remains outstanding as June 30, 2022.

Principal payments on the EIDL Loan are payable as follows:

<u>Year</u>	<u>Amount</u>
2023	\$ 17,241
2024	17,241
2025	17,241
2026	17,241
2027	17,241
Thereafter	413,795
	<u>\$ 500,000</u>

## The Wharton Institute for the Performing Arts, Inc. and Subsidiaries

Notes to Consolidated Financial Statements  
June 30, 2022 and 2021

### 7. Net Assets With Donor Restrictions

Net assets with donor restrictions were available for the following purposes at June 30:

	2022	2021
Endowment fund	\$ 350,000	\$ -
Time restriction	95,729	111,927
Scholarships	74,711	44,824
Capital expenditures	38,000	1,085
NJYS	3,292	12,367
Instruments	1,507	4,840
Performing Arts School	500	500
Outreach - Paterson Music Project	-	15,000
Day of Clarity Retreat	-	3,500
	\$ 563,739	\$ 194,043

Net assets released from donor restrictions consisted of following for the years ended June 30:

	2022	2021
Outreach - Paterson Music Project	\$ 129,472	\$ 279,213
NJYS	104,218	100,946
Time restriction	52,767	21,100
Instruments	11,419	8,687
Scholarships	5,000	-
Performing arts school	4,300	2,625
Day of Clarity Retreat	3,500	-
COVID-19 related	-	99,000
Capital expenditures	-	15,000
Musical theater arts	-	649
	\$ 310,676	\$ 527,220

### 8. Liquidity and Availability of Resources

The following reflects the Institute's available financial assets, reduced by amounts not available for general use within one year. Amounts not available for use within one year include financial assets received with donor restrictions or Board designations that are designated for a specific purpose, timeline or contractual obligation, and have been earmarked as resources available for future years. Total financial assets available to meet cash needs for general expenditures within one year at June 30 are as follows:

## The Wharton Institute for the Performing Arts, Inc. and Subsidiaries

Notes to Consolidated Financial Statements  
June 30, 2022 and 2021

### 8. Liquidity and Availability of Resources *(continued)*

	2022	2021
Cash and cash equivalents	\$ 1,439,734	1,079,768
Grant receivable	48,500	24,250
Pledges receivable, net	89,776	115,204
Accounts receivable, net	37,579	24,060
Investments	5,876	1,019
Total financial assets	1,621,465	1,244,301
Less amounts unavailable for general expenditure within one year due:		
Restricted cash - endowment fund	350,000	-
Board designated - endowment fund	133,000	-
Net assets with donor restrictions	213,739	194,043
Less net assets with time restrictions to be met in less than one year	(53,334)	(49,333)
Financial assets available to meet cash needs for general expenditures within one year	\$ 978,060	\$ 1,099,591

The Institute monitors the availability of resources to meet its operating needs and contractual commitments. As part of its liquidity management, the Institute has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Institute considers all expenditures related to its ongoing missions related activities, as well as services undertaken to support these activities, to be general expenditures.

The Institute is substantially supported by tuition and fees, special events, grants and contracts, and contributions with and without donor restrictions. The timing of cash receipts related to this support significantly impacts the Institute's cash flows. The Institute generally maintains cash available to meet 30 to 60 days' operating expenses. Effective October 18, 2019, the Institute established a \$100,000 line of credit (see Note 6), which serves to provide working capital as needed.

### 9. Retirement Plan

Employees of the Institute who meet the eligibility requirements may participate in an Internal Revenue Code Section 403(b) retirement savings plan. The plan is funded solely by employee contributions to the plan, pursuant to a salary reduction agreement.

### 10. Commitments

The Institute is committed under various operating leases for office space and equipment which expire at various dates.

## The Wharton Institute for the Performing Arts, Inc. and Subsidiaries

Notes to Consolidated Financial Statements  
June 30, 2022 and 2021

### 10. Commitments (*continued*)

Future minimum rental payments due under the leases at June 30, 2022 are as follows:

Fiscal year ending:	Amount
2023	\$ 288,857
2024	298,605
2025	277,909
2026	90,720
2027	22,842
Total	<u>\$ 978,933</u>

On March 9, 2021, the Institute entered into a five-year lease extension agreement for one of their locations. The extension runs from October 1, 2021 through September 30, 2026, and went on a month to month basis through the year ended June 30, 2021.

Rent expense was \$328,443 in 2022 and \$310,488 in 2021, exclusive of in-kind contributions.

### 11. Concentrations

Financial instruments, which potentially subject the Institute to concentrations of credit risk, consist primarily of cash and cash equivalents, and receivables. At times, amounts invested with financial institutions may exceed federally insured limits. Concentrations of credit risk with respect to receivables are generally diversified due to the large number of individuals composing the Institute's donor database. The Institute performs ongoing collectability evaluations and writes off uncollectible amounts as they become known.

As of June 30, 2022, one donor individually represents 30%, one donor individually represents 24%, and one additional donor individually represents 15% of the Institute's total pledges receivable. As of June 30, 2021, two donors individually represent 32% and 16%, and two additional donors individually represent 12% of the Institute's total pledges receivable. In 2022, one donor individually represents 30% and one donor individually represents 13%, and in 2021, one donor individually represented 24% of the Institute's total support, which includes contributions, in-kind contributions, special events, and foundation and government grants.

### 12. COVID-19

The full duration and extent of the COVID-19 pandemic, related to business and travel restrictions and changes to behavior intended to reduce its spread are uncertain as of the date of these consolidated financial statements were available for issuance, as the pandemic continues to evolve globally. Therefore, the full extent of any adverse impact on the results of consolidated changes in net assets, consolidated financial position and consolidated cash flows in fiscal year 2023 and beyond cannot be reasonably estimated at this time.

\* \* \* \* \*

**The Wharton Institute for the Performing Arts, Inc.  
and Subsidiaries**

Uniform Guidance and New Jersey OMB Circular 15-08  
Schedules and Reports

June 30, 2022

**The Wharton Institute for the Performing Arts, Inc. and Subsidiaries**

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2022

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Federal Expenditures</u>
U.S. Small Business Administration				
Shuttered Venue Operators Grant Program	59.075		\$ -	\$ 571,349
Disaster Assistance Loans	59.008		-	500,000
Total U.S. Small Business Administration			-	<u>1,071,349</u>
National Endowment for the Arts				
Promotion of the Arts to Organizations and Individuals	45.024		-	15,000
Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 1,086,349</u>

See independent auditors' report and notes to schedule of expenditures of federal awards

## The Wharton Institute for the Performing Arts, Inc. and Subsidiaries

Notes to Schedules of Expenditures of Federal Awards  
Year Ended June 30, 2022

### 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of The Wharton Institute for the Performing Arts, Inc. and Subsidiaries (the "Institute") under programs of the federal government for the year ended June 30, 2022. The information in the Schedule is presented in accordance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only selected portion of the operations of the Institute, it is not intended to and does not present the consolidated financial position, changes in net assets or cash flows of the Institute.

### 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

### 3. Loan Outstanding Balance

The Institute's Schedule includes a loan from the Small Business Administration. The outstanding balance of the loan at June 30, 2022 consists of:

Federal Assistance Listing Number	Program Name	Outstanding Balance
59.008	Disaster Assistance Loans	\$ 500,000

### 4. Indirect Cost Rate

The Institute has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**The Wharton Institute for the Performing Arts, Inc. and Subsidiaries**

Schedule of Expenditures of State Financial Assistance  
Year Ended June 30, 2022

State Grantor/Pass-through Grantor/Program Title	Pass-through Grant Number	Grant Award Period	Award Amount	Expenditures
<u>State of New Jersey - Department of State</u>				
New Jersey State Council on the Arts				
General Operating Support	2202X010107	7/1/2021- 6/30/2022	<u>\$ 60,000</u>	<u>\$ 60,000</u>
Total State Financial Assistance			<u>\$ 60,000</u>	<u>\$ 60,000</u>

See independent auditors' report and notes to schedule of expenditures of state financial assistance

## **The Wharton Institute for the Performing Arts, Inc. and Subsidiaries**

Notes to Schedules of Expenditures of State Assistance  
Year Ended June 30, 2022

### **1. Basis of Presentation**

The accompanying Schedule of Expenditures of State Financial Assistance (the "Schedule") includes the state award activity of The Wharton Institute for the Performing Arts, Inc. and Subsidiaries (the "Institute") under programs of the New Jersey state government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of the New Jersey Office of Management and Budget Circular Letter 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid* ("New Jersey OMB Circular Letter 15-08"). Because the Schedule presents only a selected portion of the operations of the Institute, it is not intended and does not present the consolidated financial position, changes in net assets or cash flows of the Institute.

### **2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, "Uniform Guidance" and New Jersey OMB Circular Letter 15-08, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

### **3. Subrecipients**

For the year ended June 30, 2022, the Institute provided no funds to subrecipients.

### **4. Indirect Cost Rate**

The Institute has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**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**

**Independent Auditors' Report**

**Board of Trustees**

**The Wharton Institute for the Performing Arts, Inc. and Subsidiaries**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of The Wharton Institute for the Performing Arts, Inc. and Subsidiaries (the "Institute"), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated January 10, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered the Institute's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control. Accordingly, we do not express an opinion on the effectiveness of the Institute'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 may exist that have not been identified.

**Board of Trustees****The Wharton Institute for the Performing Arts, Inc. and Subsidiaries**

Page 2

**Report on Compliance and Other Matters**

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

*PKF O'Connor Davies, LLP*

January 10, 2023



## **Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by Uniform Guidance**

### **Independent Auditors' Report**

#### **Board of Trustees**

**The Wharton Institute for the Performing Arts, Inc. and Subsidiaries**

#### **Report on Compliance for Each Major Federal Program**

##### ***Opinion on Each Major Federal Program***

We have audited The Wharton Institute for the Performing Arts, Inc. and Subsidiaries' (the "Institute") 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 each of the Institute's major federal programs for the year ended June 30, 2022. The Institute's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Institute complied, with all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

##### ***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 Auditors' Responsibilities for the Audit of Compliance section of our report.

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

##### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Institute's federal programs.

## **Board of Trustees**

### **The Wharton Institute for the Performing Arts, Inc. and Subsidiaries**

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#### ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Institute'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 generally accepted auditing standards, *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 the Institute's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 the Institute's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Institute's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Institute'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.

**Board of Trustees**

**The Wharton Institute for the Performing Arts, Inc. and Subsidiaries**

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**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 a 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.

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

*PKF O'Connor Davies, LLP*

January 10, 2023

## The Wharton Institute for the Performing Arts, Inc. and Subsidiaries

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2022

### Section I - Summary of Auditors' Results

#### Consolidated Financial Statements

Type of report the auditor issued on whether the consolidated 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 consolidated 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 auditors' 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:

Federal Assistance Listing Number(s)

Name of Federal Program or Cluster

59.075

Shuttered Venue Operators Grant  
Program – COVID-19

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

\_\_\_ yes X no

### Section II – Consolidated Financial Statement Findings

During our audit, we noted no material findings for the year ended June 30, 2022.

### Section III – Federal Award Findings and Questioned Costs

During our audit, we noted no material instances of noncompliance and none of the costs reported in the federal financially assisted programs are questioned or recommended to be disallowed.

### Section IV – Prior Year Audit Findings

Not applicable as a Uniform Guidance audit was not required for the year ended June 30, 2021.