



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

Combined Financial Statements

December 31, 2013 and 2012

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

Combined Financial Statements

December 31, 2013 and 2012

CONTENTS

| | Page |
|--|-------------|
| Independent Auditor's Report | 1-2 |
| Combined Financial Statements | |
| Combined Statements of Financial Position | 3 |
| Combined Statements of Activities | 4 |
| Combined Statements of Cash Flows | 5 |
| Notes to Combined Financial Statements | 6-22 |
| Supplementary Information | |
| Saratoga Performing Arts Center, Inc. | |
| Statement of Financial Position | 23 |
| Statement of Activities | 24 |
| Summary of Statement of Activities Based on Internal Operating Statement | 25 |
| National Museum of Dance | |
| Statement of Financial Position | 26 |
| Statement of Activities | 27 |
| Summary of Statement of Activities Based on Internal Operating Statement | 28 |
| Other Operating Revenues | 29 |
| Production Expenses | 30 |
| Advertising and Publicity Expenses | 31 |
| Box Office Expenses | 32 |
| Administrative and General Expenses | 33 |

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying combined financial statements of Saratoga Performing Arts Center, Inc. and the National Museum of Dance, which comprise the combined statement of financial position as of December 31, 2013, and the combined statements of activities and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of Saratoga Performing Arts Center, Inc. and the National Museum of Dance as of December 31, 2013, and the combined activities and changes in net assets and combined cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Prior Year Financial Statements

The combined financial statements of the Saratoga Performing Arts Center, Inc. and the National Museum of Dance, as of and for the year ended December 31, 2012, were audited by Bollam, Sheedy, Torani & Co. LLP which merged with Sax Macy Fromm & Co., PC to form SaxBST LLP as of January 1, 2014. Bollam, Sheedy, Torani & Co. LLP's report dated March 11, 2013, expressed an unmodified opinion on those statements.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the 2013 combined financial statements as a whole. The supplementary information on pages 23 through 33 is presented for purposes of additional analysis 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 2013 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 2013 information is fairly stated in all material respects in relation to the basic combined financial statements taken as a whole. The 2012 supplementary information was audited by Bollam, Sheedy, Torani & Co. LLP, and the report dated March 11, 2013, expressed an unmodified opinion on such information in relation to the financial statements as a whole.

SaxBST LLP

Albany, New York
February 20, 2014

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

Combined Statements of Financial Position

| | December 31, | |
|--|----------------------|---------------------|
| | 2013 | 2012 |
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | \$ 1,823,064 | \$ 983,009 |
| Accounts receivable, net | 206,421 | 395,170 |
| Pledges receivable | 133,023 | 24,450 |
| Accrued interest receivable | 7,337 | 7,597 |
| Other current assets | 86,724 | 119,275 |
| Total current assets | 2,256,569 | 1,529,501 |
| OTHER ASSETS | | |
| Investments | 5,711,537 | 4,653,297 |
| Leasehold improvements and equipment, net | 1,494,678 | 1,426,294 |
| Insurance premiums receivable | 604,702 | 604,702 |
| | \$ 10,067,486 | \$ 8,213,794 |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued expenses | \$ 306,710 | \$ 281,590 |
| Accrued pension expense | 115,231 | 111,605 |
| Current installments of postretirement benefits | 90,882 | 95,600 |
| Deferred revenues | 1,669,341 | 1,092,022 |
| Other current liabilities | 1,024 | - |
| Total current liabilities | 2,183,188 | 1,580,817 |
| LONG-TERM LIABILITIES | | |
| Liability for postretirement benefits, less current installments | 450,732 | 824,482 |
| COMMITMENTS AND CONTINGENCIES | | |
| NET ASSETS | | |
| Unrestricted | | |
| Board designated | 1,130,646 | 912,037 |
| Undesignated | 1,529,261 | 998,724 |
| | 2,659,907 | 1,910,761 |
| Temporarily restricted | 2,188,245 | 1,312,320 |
| Permanently restricted | 2,585,414 | 2,585,414 |
| Total net assets | 7,433,566 | 5,808,495 |
| | \$ 10,067,486 | \$ 8,213,794 |

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, 2013 | | | Total |
|---|------------------------------|----------------------------|----------------------------|----------------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | |
| OPERATING REVENUES AND GAINS | | | | |
| Ticket sales and admissions | \$ 2,673,691 | \$ - | \$ - | \$ 2,673,691 |
| Membership revenues | 1,917,450 | - | - | 1,917,450 |
| Unrestricted gifts and grants | 3,015 | - | - | 3,015 |
| Restricted gifts and grants | 917,418 | 8,182 | - | 925,600 |
| Fundraising benefits, net | 638,044 | - | - | 638,044 |
| Third-party license fees | 1,343,259 | - | - | 1,343,259 |
| Other operating revenues, net | 747,000 | - | - | 747,000 |
| | <u>8,239,877</u> | <u>8,182</u> | <u>-</u> | <u>8,248,059</u> |
| OPERATING EXPENSES | | | | |
| Performance costs | | | | |
| Direct talent | 3,840,490 | - | - | 3,840,490 |
| Production expenses | 1,189,300 | - | - | 1,189,300 |
| Advertising and publicity | 741,780 | - | - | 741,780 |
| Box office | 200,501 | - | - | 200,501 |
| Administrative and general | 2,100,416 | 26,855 | - | 2,127,271 |
| Depreciation | 256,832 | - | - | 256,832 |
| | <u>8,329,319</u> | <u>26,855</u> | <u>-</u> | <u>8,356,174</u> |
| Operating revenues in excess of (less than) operating expenses | <u>(89,442)</u> | <u>(18,673)</u> | <u>-</u> | <u>(108,115)</u> |
| NON-OPERATING REVENUES AND GAINS | | | | |
| Extraordinary gifts | 221,081 | - | - | 221,081 |
| Investment income | 25,378 | 112,250 | - | 137,628 |
| Gains on sales of investments, net | 83,937 | 317,271 | - | 401,208 |
| Unrealized gains on investments, net | 113,359 | 465,077 | - | 578,436 |
| Other interest income | 2,850 | - | - | 2,850 |
| | <u>446,605</u> | <u>894,598</u> | <u>-</u> | <u>1,341,203</u> |
| OTHER CHANGE IN NET ASSETS | | | | |
| Pension related income other than net periodic costs | 391,983 | - | - | 391,983 |
| | <u>391,983</u> | <u>-</u> | <u>-</u> | <u>391,983</u> |
| CHANGE IN NET ASSETS | 749,146 | 875,925 | - | 1,625,071 |
| NET ASSETS, <i>beginning of year</i> | <u>1,910,761</u> | <u>1,312,320</u> | <u>2,585,414</u> | <u>5,808,495</u> |
| NET ASSETS, <i>end of year</i> | <u>\$ 2,659,907</u> | <u>\$ 2,188,245</u> | <u>\$ 2,585,414</u> | <u>\$ 7,433,566</u> |

See accompanying Notes to Combined Financial Statements.

| | Year Ended December 31, 2012 | | | |
|---|-------------------------------------|----------------------------|-----------------------------------|----------------------------|
| | Unrestricted | Temporarily | Permanently Restricted | Total |
| OPERATING REVENUES AND GAINS | | | | |
| Ticket sales and admissions | \$ 2,740,024 | \$ - | \$ - | \$ 2,740,024 |
| Membership revenues | 1,882,782 | - | - | 1,882,782 |
| Unrestricted gifts and grants | 39,500 | - | - | 39,500 |
| Restricted gifts and grants | 1,046,989 | 7,853 | - | 1,054,842 |
| Fundraising benefits, net | 596,619 | - | - | 596,619 |
| Third-party license fees | 1,090,930 | - | - | 1,090,930 |
| Other operating revenues, net | 639,187 | - | - | 639,187 |
| | <u>8,036,031</u> | <u>7,853</u> | <u>-</u> | <u>8,043,884</u> |
| OPERATING EXPENSES | | | | |
| Performance costs | | | | |
| Direct talent | 4,094,647 | - | - | 4,094,647 |
| Production expenses | 1,122,095 | - | - | 1,122,095 |
| Advertising and publicity | 573,611 | - | - | 573,611 |
| Box office | 168,098 | - | - | 168,098 |
| Administrative and general | 1,882,639 | 22,384 | - | 1,905,023 |
| Depreciation | 217,788 | - | - | 217,788 |
| | <u>8,058,878</u> | <u>22,384</u> | <u>-</u> | <u>8,081,262</u> |
| Operating revenues in excess of (less than) operating expenses | <u>(22,847)</u> | <u>(14,531)</u> | <u>-</u> | <u>(37,378)</u> |
| NON-OPERATING REVENUES AND GAINS | | | | |
| Extraordinary gifts | 674,482 | - | - | 674,482 |
| Investment income | 23,374 | 107,095 | - | 130,469 |
| Gain on sales of investments, net | 33,240 | 110,262 | - | 143,502 |
| Unrealized gains on investments, net | 27,967 | 119,221 | - | 147,188 |
| Other interest income | 4,126 | - | - | 4,126 |
| | <u>763,189</u> | <u>336,578</u> | <u>-</u> | <u>1,099,767</u> |
| OTHER CHANGE IN NET ASSETS | | | | |
| Pension related loss other than net periodic costs | (40,097) | - | - | (40,097) |
| CHANGE IN NET ASSETS | 700,245 | 322,047 | - | 1,022,292 |
| NET ASSETS, <i>beginning of year</i> | 1,210,516 | 990,273 | 2,585,414 | 4,786,203 |
| NET ASSETS, <i>end of year</i> | <u>\$ 1,910,761</u> | <u>\$ 1,312,320</u> | <u>\$ 2,585,414</u> | <u>\$ 5,808,495</u> |

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

Combined Statements of Cash Flows

| | Years Ended December 31, | |
|---|---------------------------------|--------------------|
| | 2013 | 2012 |
| CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES | | |
| Change in net assets | \$ 1,625,071 | \$ 1,022,292 |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities | | |
| Bad debts | 26,401 | 1,420 |
| Depreciation | 256,832 | 217,788 |
| Realized gains on sales of investments, net | (401,207) | (143,504) |
| Unrealized gains on investments, net | (578,438) | (147,118) |
| Donated equipment | - | (55,000) |
| (Increase) decrease in | | |
| Accounts receivable | 53,775 | (55,108) |
| Accrued interest receivable | 260 | 2,458 |
| Other current assets | 32,551 | (33,916) |
| Increase (decrease) in | | |
| Accounts payable and accrued expenses | 25,120 | 12,102 |
| Accrued pension expense | (373,818) | 5,639 |
| Deferred revenues | 577,319 | 280,991 |
| | 1,243,866 | 1,108,044 |
| CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES | | |
| Purchases of leaseholds and equipment | (325,216) | (708,527) |
| Proceeds from sales of investments | 1,859,761 | 1,716,591 |
| Purchases of investments | (1,938,356) | (2,158,343) |
| | (403,811) | (1,150,279) |
| Net increase (decrease) in cash | 840,055 | (42,235) |
| CASH, beginning of year | 983,009 | 1,025,244 |
| CASH, end of year | \$ 1,823,064 | \$ 983,009 |

See accompanying Notes to Combined Financial Statements.

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

Notes to Combined Financial Statements
December 31, 2013 and 2012

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 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 and Financial Statement Presentation

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.

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

Unrestricted net assets are assets that have arisen from revenues generated from providing services, investments in income-producing assets, and general public support. Additionally, general public support which has been designated by the Boards of Directors for a particular use is classified as unrestricted since the restriction is subject to change at the Boards of Directors' discretion.

Temporarily restricted net assets are assets that have been designated as restricted by donors for a particular purpose.

Permanently restricted net assets are endowments established by various donors which have been invested in perpetuity to provide a permanent source of income, the use of which is generally restricted for classical programming.

c. Estimates

The preparation of combined financial statements requires management to make estimates and assumptions that affect the reported amounts of 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 (Notes 5 and 14).

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

Notes to Combined Financial Statements
December 31, 2013 and 2012

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

e. Accounts Receivable, Net

Accounts 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 receivable are written off when deemed uncollectible. Recoveries of accounts previously written off are recorded when received. An account receivable is considered to be past due if any portion of the receivable balance has been outstanding for more than 90 days. The allowance for doubtful accounts was \$2,000 for both years ended December 31, 2013 and 2012.

f. Investments

Investments are recorded at the fair value. Net realized and unrealized gains (losses) on investments are reflected in the statements of activities.

Management evaluates securities for other-than-temporary impairment at least on an annual basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near term prospects of the issuer, and (3) the intent and ability of SPAC to retain its investments in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. SPAC determined that there were no other-than-temporary impairments as of December 31, 2013 and 2012.

g. Leaseholds and Equipment, Net

Amphitheater and facility improvements, Museum leasehold improvements, dance studio, and equipment are recorded at cost. Assets acquired by gifts and bequests are recorded at the fair market value, established as of the date of receipt. The carrying amount of these assets, and related accumulated depreciation and amortization, are removed from the accounts when such assets are disposed of, and the resulting gain or loss is reported in the statements of activities. Provisions for 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). Expenditures for maintenance and repairs are charged to expense accounts as incurred, and costs of additions, major renewals, and betterments are capitalized.

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 the fair value of the asset. There were no impairments on long-lived assets at December 31, 2013 and 2012.

h. Recognition of Donor Restricted Contributions

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The above policy also applies to earnings on permanently restricted net assets where the donor restricts the use of the income, gains, and losses earned on the permanently restricted contribution.

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

Notes to Combined Financial Statements
December 31, 2013 and 2012

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

i. Deferred Revenue

Revenues are recognized as earned. Membership revenue received in advance of the period in which it applies is recorded as a liability.

j. Donated Services

The value of donated services is not reflected in the accompanying combined financial statements since either no specific skills are required for the services or there is no objective basis available by which to measure value. A number of volunteers have donated significant amounts of time to SPAC and the Museum.

k. Membership Revenue

Membership revenue is recognized at the end of the membership period.

l. Revenue from Contracts

Revenue is recognized on contracts ratably over applicable contract periods or as services are performed.

m. Allocation of Expenses

Direct expenses are charged directly to the related event. Expenses that are not directly identifiable with an event, but provide for the overall support, are charged to administrative and general expenses.

n. Advertising and Publicity

Advertising and publicity costs are expensed as incurred. Advertising expenses totaled \$741,780 and \$573,611 for the years ended December 31, 2013 and 2012, respectively.

o. 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 a 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, 2013 and 2012.

Forms 990 filed by SPAC and the Museum are subject to examination by the Internal Revenue Service. SPAC and the Museum are no longer subject to examination for the fiscal years ended December 31, 2009 and prior.

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

Notes to Combined Financial Statements
December 31, 2013 and 2012

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

p. Subsequent Events

SPAC and the Museum have evaluated subsequent events for potential recognition or disclosure through February 20, 2014, the date the combined financial statements were available to be issued.

q. Reclassification

Certain reclassifications were made to the prior year amounts in order to conform to the current year presentation.

Note 2 - Investments

Investments consist of the following:

| | December 31, 2013 | |
|-------------------------|-------------------|--------------|
| | Cost | Fair Value |
| Common stocks | \$ 2,534,021 | \$ 3,524,342 |
| Fixed income securities | 624,288 | 645,275 |
| Mutual funds | 1,369,123 | 1,541,920 |
| Total investments | \$ 4,527,432 | \$ 5,711,537 |
| | December 31, 2012 | |
| | Cost | Fair Value |
| Common stocks | \$ 2,089,815 | \$ 2,611,002 |
| Fixed income securities | 600,104 | 633,723 |
| Mutual funds | 1,357,710 | 1,408,572 |
| Total investments | \$ 4,047,629 | \$ 4,653,297 |

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, | |
|--|--------------|--------------|
| | 2013 | 2012 |
| Cost of constructing amphitheater | \$ 2,687,986 | \$ 2,687,986 |
| Amphitheater and facility improvements | 1,563,315 | 1,563,315 |
| National Museum of Dance, leasehold improvements | 1,583,300 | 1,341,708 |
| Dance studios | 1,048,246 | 1,026,161 |
| Equipment | 2,333,395 | 2,271,857 |
| | 9,216,242 | 8,891,027 |
| Less accumulated depreciation | 7,721,564 | 7,464,733 |
| | \$ 1,494,678 | \$ 1,426,294 |

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

Notes to Combined Financial Statements
December 31, 2013 and 2012

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% (2.87% at both December 31, 2013 and 2012), which is due on demand. There were no amounts outstanding at both December 31, 2013 and 2012. 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 unrestricted net assets in the year in which the changes occur.

Obligations and Funded Status

| | December 31, | |
|------------------------------|--------------|--------------|
| | 2013 | 2012 |
| Projected benefit obligation | \$ 1,912,683 | \$ 2,128,177 |
| Fair value of plan assets | 1,371,069 | 1,208,095 |
| Funded status at end of year | \$ (541,614) | \$ (920,082) |

Amounts recognized on the statements of financial position consist of:

| | December 31, | |
|------------------------|--------------|--------------|
| | 2013 | 2012 |
| Current liabilities | \$ (90,882) | \$ (95,600) |
| Noncurrent liabilities | (450,732) | (824,482) |
| | \$ (541,614) | \$ (920,082) |

| | December 31, | |
|---------------------------|--------------|------------|
| | 2013 | 2012 |
| Net periodic pension cost | \$ 109,139 | \$ 91,548 |
| Employer contributions | \$ 95,624 | \$ 137,995 |
| Benefits paid | \$ 136,480 | \$ 138,250 |

Accumulated benefit obligation was \$1,902,683 and \$2,128,177 at December 31, 2013 and 2012, respectively.

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

Notes to Combined Financial Statements
December 31, 2013 and 2012

Note 5 - Employee Benefit Plan - Continued

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

| | December 31, | |
|-------------------------------|--------------|-------|
| | 2013 | 2012 |
| Discount rate | 4.27% | 3.38% |
| Rate of compensation increase | N/A | N/A |

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

| | December 31, | |
|--|--------------|-------|
| | 2013 | 2012 |
| Discount rate | 4.27% | 3.96% |
| Expected long-term return on plan assets | 7.00% | 7.00% |
| Rate of compensation increase | N/A | N/A |

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, | |
|-------------------|--------------|------|
| | 2013 | 2012 |
| Equity securities | 73% | 70% |
| Debt securities | 24% | 27% |
| Other | 3% | 3% |
| Total | 100% | 100% |

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

Notes to Combined Financial Statements
December 31, 2013 and 2012

Note 5 - Employee Benefit Plan - Continued

SPAC's target asset allocation, by asset category, is as follows:

Asset Category

| | |
|-------------------|--------|
| Equity securities | 35-80% |
| Debt securities | 20-60% |
| Other | 0-10% |

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.

The plan's assets measured at fair value on a recurring basis at December 31, 2013 and 2012, are summarized below (see Note 13 for definitions of investment classes and levels):

| | December 31, 2013 | | | Total |
|-------------------------|-------------------|---------|---------|-----------|
| | Level 1 | Level 2 | Level 3 | |
| Assets | | | | |
| Common stocks | | | | |
| Consumer goods | \$ 52,843 | \$ - | \$ - | \$ 52,843 |
| Energy | 98,660 | - | - | 98,660 |
| Financial | 125,412 | - | - | 125,412 |
| Health care | 53,972 | - | - | 53,972 |
| Industrial | 113,164 | - | - | 113,164 |
| Technology | 119,684 | - | - | 119,684 |
| Other | 43,230 | - | - | 43,230 |
| | 606,965 | - | - | 606,965 |
| Fixed income securities | | | | |
| Corporate bonds | - | 329,928 | - | 329,928 |
| | - | 329,928 | - | 329,928 |

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

Notes to Combined Financial Statements
December 31, 2013 and 2012

Note 5 - Employee Benefit Plan - Continued

| | December 31, 2013 | | | |
|-------------------------|---------------------|-------------------|-------------|---------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets - Continued | | | | |
| Mutual funds | | | | |
| Bank Loan Funds | 58,653 | - | - | 58,653 |
| Bond Funds | 63,178 | - | - | 63,178 |
| Growth Funds | 74,280 | - | - | 74,280 |
| Value Funds | 123,012 | - | - | 123,012 |
| World Stock Funds | 74,528 | - | - | 74,528 |
| | <u>393,651</u> | <u>-</u> | <u>-</u> | <u>393,651</u> |
| Cash and equivalents | <u>40,525</u> | <u>-</u> | <u>-</u> | <u>40,525</u> |
| Total investments | <u>\$ 1,041,141</u> | <u>\$ 329,928</u> | <u>\$ -</u> | <u>\$ 1,371,069</u> |
| December 31, 2012 | | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | |
| Common stocks | | | | |
| Basic materials | \$ 63,439 | \$ - | \$ - | \$ 63,439 |
| Consumer goods | 8,364 | - | - | 8,364 |
| Energy | 69,737 | - | - | 69,737 |
| Financial | 123,953 | - | - | 123,953 |
| Health care | 41,339 | - | - | 41,339 |
| Industrial | 53,156 | - | - | 53,156 |
| Technology | 113,300 | - | - | 113,300 |
| Other | 9,680 | - | - | 9,680 |
| | <u>482,968</u> | <u>-</u> | <u>-</u> | <u>482,968</u> |
| Fixed income securities | | | | |
| Corporate bonds | <u>-</u> | <u>327,860</u> | <u>-</u> | <u>327,860</u> |
| Mutual funds | | | | |
| Bank Loan Funds | 58,368 | - | - | 58,368 |
| Bond Funds | 59,724 | - | - | 59,724 |
| Growth Funds | 58,464 | - | - | 58,464 |
| Value Funds | 119,238 | - | - | 119,238 |
| World Stock Funds | 63,784 | - | - | 63,784 |
| | <u>359,578</u> | <u>-</u> | <u>-</u> | <u>359,578</u> |
| Cash and equivalents | <u>37,689</u> | <u>-</u> | <u>-</u> | <u>37,689</u> |
| Total investments | <u>\$ 880,235</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,208,095</u> |

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

Notes to Combined Financial Statements
December 31, 2013 and 2012

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, | |
| 2014 | \$ 148,754 |
| 2015 | 145,034 |
| 2016 | 148,509 |
| 2017 | 145,044 |
| 2018 | 141,673 |
| 2019 through 2023 | 657,196 |

SPAC's contributions to the plan for the year ended December 31, 2013, are expected to be \$90,882.

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.

Note 6 - Profit Sharing Plan

SPAC has a non-contributory defined contribution profit sharing 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 \$115,231 and \$111,605 were accrued as of December 31, 2013 and 2012, respectively.

Note 7 - Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purpose:

| | | |
|------------------------|---------------------|---------------------|
| | December 31, | |
| | <u>2013</u> | <u>2012</u> |
| Classical performances | <u>\$ 2,188,245</u> | <u>\$ 1,312,320</u> |

Note 8 - Permanently Restricted Net Assets

Permanently restricted net assets are restricted for the following purposes:

| | | |
|------------------------|---------------------|---------------------|
| | December 31, | |
| | <u>2013</u> | <u>2012</u> |
| Classical performances | \$ 2,500,000 | \$ 2,500,000 |
| Other | <u>85,414</u> | <u>85,414</u> |
| | <u>\$ 2,585,414</u> | <u>\$ 2,585,414</u> |

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

Notes to Combined Financial Statements
December 31, 2013 and 2012

Note 8 - Permanently Restricted Net Assets - Continued

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 for the purpose of partially endowing the New York City Opera residency at SPAC. Under the terms of the agreement, SPAC had also designated an amount equal to the grant for this purpose. The grant monies had been used exclusively for the Opera residency until the expiration of the agreement on June 30, 1997. Effective July 1, 1997, the \$2,500,000 Foundation grant supported general opera activities of SPAC while the Board-designated matching funds became unrestricted. During December 2000, a new agreement between SPAC and the Foundation was executed designating all income derived from the original \$2,500,000 to be used at SPAC's discretion for presentations of ballet, orchestra, chamber music, and opera.

Note 9 - Endowment

SPAC's endowment consists of various investments overseen by the Investment 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 adopted the New York State Not-For-Profit Corporation Law (NPCL) requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. On September 17, 2010, the New York Prudent Management of Institutional Funds Act (Act) became effective. The Act added Article 5-A to the NPCL. The interpretation views the 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. As a result of this interpretation, SPAC classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by SPAC in a manner consistent with the standard procedures prescribed in NPCL Article 5-A. SPAC considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- a. The duration and preservation of the fund;
- b. The purposes of SPAC and the donor-restricted endowment fund;
- c. General economic conditions;
- d. The possible effect of inflation and deflation;
- e. The expected total return from income and the appreciation of investments;
- f. Other resources of the organization;
- g. Where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the organization, and
- h. The investment policies of the organization.

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

Notes to Combined Financial Statements
December 31, 2013 and 2012

Note 9 - Endowment - Continued

Relevant Law - Continued

2013

Endowment net asset composition by type of fund:

| | December 31, 2013 | | | Total |
|----------------------------------|---------------------|---------------------------|---------------------------|---------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | |
| Donor-restricted endowment funds | \$ - | \$ 2,188,245 | \$ 2,585,414 | \$ 4,773,659 |
| Board-designated endowment funds | 1,130,646 | - | - | 1,130,646 |
| Total funds | <u>\$ 1,130,646</u> | <u>\$ 2,188,245</u> | <u>\$ 2,585,414</u> | <u>\$ 5,904,305</u> |

Changes in endowment net assets:

| | Year Ended December 31, 2013 | | | Total |
|---|------------------------------|---------------------------|---------------------------|---------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | |
| Endowment net assets, beginning of year | \$ 912,037 | \$ 1,312,320 | \$ 2,585,414 | \$ 4,809,771 |
| Investment return | | | | |
| Investment income | 25,377 | 120,432 | - | 145,809 |
| Net gain, realized | 83,938 | 317,270 | - | 401,208 |
| Fees to managers | (5,415) | (26,854) | - | (32,269) |
| Net gain, unrealized | 113,359 | 465,077 | - | 578,436 |
| Total investment return | <u>217,259</u> | <u>875,925</u> | <u>-</u> | <u>1,093,184</u> |
| Contributions | <u>1,350</u> | <u>-</u> | <u>-</u> | <u>1,350</u> |
| Endowment net assets, end of year | <u>\$ 1,130,646</u> | <u>\$ 2,188,245</u> | <u>\$ 2,585,414</u> | <u>\$ 5,904,305</u> |

2012

Endowment net asset composition by type of fund:

| | December 31, 2012 | | | Total |
|----------------------------------|-------------------|---------------------------|---------------------------|---------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | |
| Donor-restricted endowment funds | \$ - | \$ 1,312,320 | \$ 2,585,414 | \$ 3,897,734 |
| Board-designated endowment funds | 912,037 | - | - | 912,037 |
| Total funds | <u>\$ 912,037</u> | <u>\$ 1,312,320</u> | <u>\$ 2,585,414</u> | <u>\$ 4,809,771</u> |

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

Notes to Combined Financial Statements
December 31, 2013 and 2012

Note 9 - Endowment - Continued

Relevant Law - Continued

2012 - Continued

Changes in endowment net assets:

| | Year Ended December 31, 2012 | | | Total |
|---|------------------------------|---------------------------|---------------------------|---------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | |
| Endowment net assets, beginning of year | \$ 794,796 | \$ 990,273 | \$ 2,585,414 | \$ 4,370,483 |
| Investment return | | | | |
| Investment income | 23,374 | 114,948 | - | 138,322 |
| Net gain, realized | 33,241 | 110,262 | - | 143,503 |
| Fees to managers | (5,250) | (22,384) | - | (27,634) |
| Net gain, unrealized | 27,966 | 119,221 | - | 147,187 |
| Total investment return | <u>79,331</u> | <u>322,047</u> | <u>-</u> | <u>401,378</u> |
| Contributions | <u>37,910</u> | <u>-</u> | <u>-</u> | <u>37,910</u> |
| Endowment net assets, end of year | <u>\$ 912,037</u> | <u>\$ 1,312,320</u> | <u>\$ 2,585,414</u> | <u>\$ 4,809,771</u> |

A description of amounts classified as permanently restricted net assets and temporarily restricted net assets (endowment only) is as follows:

| | December 31, | |
|--|---------------------|---------------------|
| | <u>2013</u> | <u>2012</u> |
| Permanently restricted net assets | | |
| The portion of perpetual endowment funds that is required to be retained permanently by explicit donor stipulation | <u>\$ 2,585,414</u> | <u>\$ 2,585,414</u> |
| Temporarily restricted net assets | | |
| Purpose restrictions | <u>\$ 2,188,245</u> | <u>\$ 1,312,320</u> |

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires SPAC to retain it as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature would be reported in unrestricted net assets. These deficiencies could result from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that were deemed prudent by the Board of Directors. There were no such deficiencies as of December 31, 2013 and 2012.

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

Notes to Combined Financial Statements
December 31, 2013 and 2012

Note 9 - Endowment - Continued

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. Endowment assets include those assets of donor-restricted funds that SPAC must hold in perpetuity or for a donor-specified period(s) as well as Board-designated funds. 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 plan 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 Investment 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.

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 10 - In-Kind Contributions

In 2013 and 2012, SPAC entered into barter agreements, whereby it received \$326,405 and \$252,164, respectively, in gifts in-kind. A portion of these gifts include exchanging ticket inventory for future advertising credits. When these gifts included ticket inventory, the value of the ticket inventory, at the lower of cost or market value, was netted against the value of the gift in-kind, and only the net value was recorded as in-kind.

Note 11 - License Agreement

SPAC has an agreement with a third party to receive exclusive right and license to book, co-promote, co-produce, and co-present all Touring and Professional (T&P) events at SPAC through September 2019. In consideration of a guaranteed fee 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 shall bare all the financial risk associated with the promotion, production, and presentation of each T&P event.

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

Notes to Combined Financial Statements
December 31, 2013 and 2012

Note 12 - 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 a variable split dollar life insurance policy and 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 these policies and is to be repaid in full for those premiums from the proceeds of the policies. Additionally, the agreement includes a supplemental retirement agreement which provides for annual payments to be made to a deferred compensation account of which SPAC is the beneficiary. Payments to SPAC's then President, are scheduled to begin at the later of his attainment of age 60 or his retirement date. The individual resigned and a termination agreement resolved most aspects of the employment agreement. Assets of SPAC under these provisions of the agreements are reflected in the combined statements of financial position as insurance premiums receivable.

Note 13 - Commitments and Contingencies

a. Concentrations of Credit Risk

SPAC and the Museum maintain cash balances in several financial institutions located in the Northeast. 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 for a period of fifty years. SPAC has the right to renew the license, which expires February 28, 2019, for an additional period of fifty years.

The Museum is currently leasing its facility from the New York State Office of Parks, Recreation and Historic Preservation. The original lease was signed in December 1984. The most recent amendment extends the lease until December 31, 2017. The lease requires an annual rental payment of \$25,000.

c. Escrow Account

SPAC is party to an agreement with the New York State 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 2016. Under the terms of the agreement, SPAC is required to remit to OPRHP the greater of \$20,000 or 45% of the revenue earned by SPAC under the agreement on an annual basis. Additionally, SPAC is required to deposit an additional 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 license's 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 \$125,668 and \$133,462 at December 31, 2013 and 2012, respectively, and is reflected in accounts payable and accrued expenses on the combined statements of financial position.

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

Notes to Combined Financial Statements
December 31, 2013 and 2012

Note 14 - 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 or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

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

- Level 1 Unadjusted quoted market prices in active markets for identical assets or liabilities.
- 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

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, 2013 and 2012:

Common Stocks and U.S. Treasury Obligations: 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.

Mortgage-Backed Securities and Corporate Bonds: 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.

Cash and Cash Equivalents: The carrying amounts approximate fair value because of the short maturity of these instruments.

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

| | December 31, 2013 | | | |
|-----------------|-------------------|---------|---------|------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | |
| Common stocks | | | | |
| Basic materials | \$ 319,334 | \$ - | \$ - | \$ 319,334 |
| Consumer goods | 375,268 | - | - | 375,268 |
| Financial | 906,609 | - | - | 906,609 |
| Health care | 485,013 | - | - | 485,013 |
| Industrial | 644,685 | - | - | 644,685 |
| Service | 317,798 | - | - | 317,798 |
| Technology | 446,148 | - | - | 446,148 |
| Utilities | 29,487 | - | - | 29,487 |
| Total | 3,524,342 | - | - | 3,524,342 |

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

Notes to Combined Financial Statements
December 31, 2013 and 2012

Note 14 - Fair Value of Financial Instruments - Continued

| | December 31, 2013 | | | Total |
|----------------------------|---------------------|-------------------|-------------|---------------------|
| | Level 1 | Level 2 | Level 3 | |
| Assets - Continued | | | | |
| Fixed income securities | | | | |
| Corporate bonds | - | 590,319 | - | 590,319 |
| Mortgage backed securities | - | 1,091 | - | 1,091 |
| U.S. treasury obligations | 53,865 | - | - | 53,865 |
| Total | <u>53,865</u> | <u>591,410</u> | <u>-</u> | <u>645,275</u> |
| Mutual funds | | | | |
| Bank Loan Funds | 185,220 | - | - | 185,220 |
| Bond Funds | 195,648 | - | - | 195,648 |
| Growth Funds | 309,500 | - | - | 309,500 |
| Value Funds | 540,288 | - | - | 540,288 |
| World Stock Funds | 311,264 | - | - | 311,264 |
| | <u>1,541,920</u> | <u>-</u> | <u>-</u> | <u>1,541,920</u> |
| Total investments | <u>\$ 5,120,127</u> | <u>\$ 591,410</u> | <u>\$ -</u> | <u>\$ 5,711,537</u> |
| December 31, 2012 | | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | |
| Common stocks | | | | |
| Basic materials | \$ 540,343 | \$ - | \$ - | \$ 540,343 |
| Consumer goods | 57,198 | - | - | 57,198 |
| Financial | 696,123 | - | - | 696,123 |
| Health care | 198,555 | - | - | 198,555 |
| Industrial | 349,955 | - | - | 349,955 |
| Service | 168,006 | - | - | 168,006 |
| Technology | 533,943 | - | - | 533,943 |
| Utilities | 25,420 | - | - | 25,420 |
| Other | 41,458 | - | - | 41,458 |
| Total | <u>2,611,001</u> | <u>-</u> | <u>-</u> | <u>2,611,001</u> |
| Fixed income securities | | | | |
| Corporate bonds | - | 576,609 | - | 576,609 |
| Mortgage backed securities | - | 1,208 | - | 1,208 |
| U.S. treasury obligations | 55,907 | - | - | 55,907 |
| Total | <u>55,907</u> | <u>577,817</u> | <u>-</u> | <u>633,724</u> |
| Mutual funds | | | | |
| Bank Loan Funds | 184,320 | - | - | 184,320 |
| Bond Funds | 190,548 | - | - | 190,548 |
| Growth Funds | 243,600 | - | - | 243,600 |
| Value Funds | 523,712 | - | - | 523,712 |
| World Stock Funds | 266,392 | - | - | 266,392 |
| | <u>1,408,572</u> | <u>-</u> | <u>-</u> | <u>1,408,572</u> |
| Total investments | <u>\$ 4,075,480</u> | <u>\$ 577,817</u> | <u>\$ -</u> | <u>\$ 4,653,297</u> |

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

Notes to Combined Financial Statements
December 31, 2013 and 2012

Note 15 - Subsequent Event

As of February 15, 2014, SPAC is entitled to recoup its portion of the cumulative premium payments related to the split-dollar life insurance policy with the former president. SPAC is eligible to receive the lesser of the cash value or its cumulative premiums paid. SPAC is expected to receive the cumulative premiums paid of \$444,702. The payment is expected within 30 days of February 15, 2014.

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

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

| | December 31, | |
|--|---------------------|---------------------|
| | 2013 | 2012 |
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | \$ 1,156,900 | \$ 464,394 |
| Accounts receivable, net | 197,598 | 220,374 |
| Pledges receivable | 133,023 | - |
| Accrued interest receivable | 7,337 | 7,597 |
| Other current assets | 70,462 | 90,324 |
| Due from affiliate | 104,744 | 48,274 |
| Total current assets | 1,670,064 | 830,963 |
| OTHER ASSETS | | |
| Investments | 5,711,537 | 4,653,297 |
| Leasehold improvements and equipment, net | 1,198,181 | 1,365,291 |
| Insurance premiums receivable | 604,702 | 604,702 |
| | \$ 9,184,484 | \$ 7,454,253 |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued expenses | \$ 219,666 | \$ 230,678 |
| Current installments of postretirement benefits | 90,882 | 95,600 |
| Deferred revenues | 1,585,864 | 792,222 |
| Other current liabilities | 1,024 | - |
| Total current liabilities | 1,897,436 | 1,118,500 |
| LONG-TERM LIABILITIES | | |
| Liability for postretirement benefits, less current installments | 565,963 | 936,087 |
| COMMITMENTS AND CONTINGENCIES | | |
| NET ASSETS | | |
| Unrestricted | | |
| Board designated | 1,130,646 | 912,037 |
| Undesignated | 816,780 | 589,895 |
| | 1,947,426 | 1,501,932 |
| Temporarily restricted | 2,188,245 | 1,312,320 |
| Permanently restricted | 2,585,414 | 2,585,414 |
| Total net assets | 6,721,085 | 5,399,666 |
| | \$ 9,184,484 | \$ 7,454,253 |

See Independent Auditor's Report.

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

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

| | Year Ended December 31, 2013 | | | | 2012 Total |
|--|------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | 2013 Total | |
| OPERATING REVENUES AND GAINS | | | | | |
| Ticket sales and admissions | \$ 2,654,560 | \$ - | \$ - | \$ 2,654,560 | 2,722,738 |
| Membership revenues | 1,893,945 | - | - | 1,893,945 | 1,849,112 |
| Unrestricted gifts and grants | 1,350 | - | - | 1,350 | 37,910 |
| Restricted gifts and grants | 759,387 | 8,182 | - | 767,569 | 1,033,603 |
| Fundraising benefits, net | 466,413 | - | - | 466,413 | 365,349 |
| Third-party license fees | 1,343,259 | - | - | 1,343,259 | 1,090,930 |
| Other operating revenues, net | 464,424 | - | - | 464,424 | 409,338 |
| | <u>7,583,338</u> | <u>8,182</u> | <u>-</u> | <u>7,591,520</u> | <u>7,508,980</u> |
| OPERATING EXPENSES | | | | | |
| Performance costs | | | | | |
| Direct talent costs | 3,840,490 | - | - | 3,840,490 | 4,094,647 |
| Production expenses | 991,180 | - | - | 991,180 | 1,013,064 |
| Advertising and publicity | 731,041 | - | - | 731,041 | 568,044 |
| Box office | 200,501 | - | - | 200,501 | 168,098 |
| Administrative and general | 1,770,152 | 26,855 | - | 1,797,007 | 1,595,814 |
| Depreciation | 221,403 | - | - | 221,403 | 196,684 |
| | <u>7,754,767</u> | <u>26,855</u> | <u>-</u> | <u>7,781,622</u> | <u>7,636,351</u> |
| Operating expenses (over) operating revenues | <u>(171,429)</u> | <u>(18,673)</u> | <u>-</u> | <u>(190,102)</u> | <u>(127,371)</u> |
| NON-OPERATING REVENUES AND GAINS | | | | | |
| Extraordinary gifts | - | - | - | - | 674,482 |
| Investment income, net | 25,378 | 112,250 | - | 137,628 | 130,469 |
| Gains on sales of investments, net | 83,937 | 317,271 | - | 401,208 | 143,502 |
| Unrealized gains on investments, net | 113,359 | 465,077 | - | 578,436 | 147,188 |
| Other interest income | 2,266 | - | - | 2,266 | 3,462 |
| | <u>224,940</u> | <u>894,598</u> | <u>-</u> | <u>1,119,538</u> | <u>1,099,103</u> |
| OTHER CHANGE IN NET ASSETS | | | | | |
| Pension related gains (losses) other than net periodic costs | 391,983 | - | - | 391,983 | (40,097) |
| CHANGE IN NET ASSETS | 445,494 | 875,925 | - | 1,321,419 | 931,635 |
| NET ASSETS, beginning of year | 1,501,932 | 1,312,320 | 2,585,414 | 5,399,666 | 4,468,031 |
| NET ASSETS, end of year | <u>\$ 1,947,426</u> | <u>\$ 2,188,245</u> | <u>\$ 2,585,414</u> | <u>\$ 6,721,085</u> | <u>\$ 5,399,666</u> |

See Independent Auditor's Report.

**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, | |
|---|---------------------------------|--------------------------|
| | 2013 | 2012 |
| OPERATING REVENUES | | |
| Ticket sales and admissions | \$ 2,654,560 | \$ 2,722,738 |
| Gifts and bequests | 768,919 | 1,071,513 |
| Third-party license fees | 1,343,259 | 1,090,930 |
| Membership revenues | 1,893,945 | 1,849,112 |
| Fundraising benefits, net | 466,413 | 365,349 |
| Other operating revenues, net | 464,424 | 409,338 |
| | <u>7,591,520</u> | <u>7,508,980</u> |
| OPERATING EXPENSES | | |
| Direct talent | 3,840,490 | 4,094,647 |
| Production expenses | 991,180 | 1,013,064 |
| Advertising and publicity | 731,041 | 568,044 |
| Box office | 200,501 | 168,098 |
| Administrative and general | 1,764,737 | 1,557,276 |
| | <u>7,527,949</u> | <u>7,401,129</u> |
| Operating income | <u>63,571</u> | <u>107,851</u> |
| NON-OPERATING REVENUE (EXPENSES) | | |
| Depreciation | (221,403) | (196,684) |
| Extraordinary gifts | - | 674,482 |
| Investment income | 139,894 | 133,931 |
| Gains on sales of investments, net | 401,208 | 143,502 |
| Investment management fees | (32,270) | (38,538) |
| Other pension related costs | 391,983 | (40,097) |
| Unrealized gains on investments, net | 578,436 | 147,188 |
| | <u>578,436</u> | <u>147,188</u> |
| Net income | <u>\$ 1,321,419</u> | <u>\$ 931,635</u> |

See Independent Auditor's Report.

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

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

| | December 31, | |
|--|---------------------|-------------------|
| | 2013 | 2012 |
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | \$ 666,164 | \$ 518,615 |
| Accounts receivable | 8,823 | 199,246 |
| Other current assets | 16,262 | 28,951 |
| Total current assets | 691,249 | 746,812 |
| LEASEHOLD IMPROVEMENTS AND EQUIPMENT, net | 296,497 | 61,003 |
| | \$ 987,746 | \$ 807,815 |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued expenses | \$ 87,044 | \$ 50,912 |
| Deferred revenues | 83,477 | 299,800 |
| Due to affiliate | 104,744 | 48,274 |
| Total current liabilities | 275,265 | 398,986 |
| NET ASSETS, unrestricted | 712,481 | 408,829 |
| | \$ 987,746 | \$ 807,815 |

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

Supplementary Information -
Statement of Activities - National Museum of Dance

| | Year Ended December 31, 2013 | | | |
|---|------------------------------|---------------------------|--------------------------|--------------------------|
| | Unrestricted | Temporarily Restricted | 2013 Total | 2012 Total |
| REVENUES AND GAINS | | | | |
| Admissions | \$ 19,131 | \$ - | \$ 19,131 | \$ 17,286 |
| Membership revenue | 23,505 | - | 23,505 | 33,670 |
| Unrestricted gifts and grants | 1,665 | - | 1,665 | 1,590 |
| Restricted gifts and grants | 158,031 | - | 158,031 | 23,566 |
| Fund raising, net | 171,631 | - | 171,631 | 228,945 |
| Other operating revenues, net | 282,576 | - | 282,576 | 229,846 |
| | <u>656,539</u> | <u>-</u> | <u>656,539</u> | <u>534,903</u> |
| EXPENSES | | | | |
| Museum program | 198,120 | - | 198,120 | 109,031 |
| Advertising and publicity | 10,739 | - | 10,739 | 5,566 |
| Administrative and general | 330,264 | - | 330,264 | 309,209 |
| Depreciation | 35,429 | - | 35,429 | 21,104 |
| | <u>574,552</u> | <u>-</u> | <u>574,552</u> | <u>444,910</u> |
| Operating revenues over operating expenses | <u>81,987</u> | <u>-</u> | <u>81,987</u> | <u>89,993</u> |
| NON-OPERATING REVENUES AND GAINS | | | | |
| Extraordinary gifts | 221,081 | - | 221,081 | - |
| Interest income | 584 | - | 584 | 664 |
| | <u>221,665</u> | <u>-</u> | <u>221,665</u> | <u>664</u> |
| CHANGE IN NET ASSETS | 303,652 | - | 303,652 | 90,657 |
| NET ASSETS, <i>beginning of year</i> | <u>408,829</u> | <u>-</u> | <u>408,829</u> | <u>318,172</u> |
| NET ASSETS, <i>end of year</i> | <u>\$ 712,481</u> | <u>\$ -</u> | <u>\$ 712,481</u> | <u>\$ 408,829</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, | |
|--|---------------------------------|-------------------------|
| | 2013 | 2012 |
| OPERATING REVENUES | | |
| Admissions | \$ 19,131 | \$ 17,286 |
| Service fees | 406,000 | 335,394 |
| Gifts and grants | 159,696 | 25,156 |
| Membership income | 23,505 | 33,670 |
| Interest income | 584 | 664 |
| Revenues from auxiliary activities | 25,627 | 13,940 |
| Fundraising income, net | 171,631 | 228,945 |
| Other operating revenues | 2,496 | 2,616 |
| | <u>808,670</u> | <u>657,671</u> |
| OPERATING EXPENSES | | |
| Program expenses | 208,859 | 114,597 |
| Management and general | 330,264 | 309,209 |
| Costs of sales and expense of auxiliary activities | 151,547 | 122,104 |
| | <u>690,670</u> | <u>545,910</u> |
| Operating income (loss) | 118,000 | 111,761 |
| NON-OPERATING REVENUE (EXPENSES) | | |
| Extraordinary gifts | 221,081 | - |
| Depreciation | (35,429) | (21,104) |
| | <u>(13,348)</u> | <u>(21,104)</u> |
| Net income | <u>\$ 303,652</u> | <u>\$ 90,657</u> |

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

Supplementary Information - Other Operating Revenues

| | Years Ended December 31, | |
|---|---------------------------------|-------------------|
| | 2013 | 2012 |
| RESTAURANT | | |
| Fees | \$ 324,977 | \$ 329,028 |
| Less related expenses | 151,290 | 156,363 |
| | 173,687 | 172,665 |
| AMPHITHEATER | | |
| Rental fees | 135,129 | 80,914 |
| Less related expenses | 77,203 | 36,344 |
| | 57,926 | 44,570 |
| BOX OFFICE SERVICE FEES | 160,343 | 108,789 |
| HOUSE PROGRAM AND SOUVENIR ITEMS | 3,353 | 6,181 |
| SARATOGA JAZZ FESTIVAL | 43,286 | 45,455 |
| OTHER | 25,829 | 31,678 |
| | \$ 464,424 | \$ 409,338 |

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

Supplementary Information - Production Expenses

| | <u>Years Ended December 31,</u> | |
|---------------------------|---------------------------------|----------------------------|
| | <u>2013</u> | <u>2012</u> |
| SALARIES AND WAGES | | |
| Stage crew | \$ 219,585 | \$ 227,116 |
| Security and parking | 45,677 | 39,387 |
| Theater staff | 78,267 | 93,482 |
| Payroll taxes | 20,232 | 25,318 |
| Other | 17,942 | 7,487 |
| | <u>381,703</u> | <u>392,790</u> |
| | | |
| Custodial supplies | 4,168 | 3,010 |
| Electrical supplies | 64,909 | 76,828 |
| Licenses and fees | 3,403 | 3,521 |
| Maintenance | 70,729 | 81,847 |
| Maintenance of grounds | 54,905 | 45,985 |
| Musical and sound rental | 112,408 | 108,865 |
| Piano tuning | 1,520 | 1,995 |
| Utilities | 57,291 | 57,981 |
| Other | 240,144 | 240,242 |
| | <u>240,144</u> | <u>240,242</u> |
| | <u>\$ 991,180</u> | <u>\$ 1,013,064</u> |

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

Supplementary Information - Advertising and Publicity Expenses

| | Years Ended December 31, | |
|--------------------------------------|---------------------------------|--------------------------|
| | 2013 | 2012 |
| Salaries and wages | \$ 295,259 | \$ 242,223 |
| Payroll taxes | 27,182 | 28,163 |
| Advertising and publicity | 333,635 | 246,217 |
| Design of advertising | 41,555 | 24,163 |
| Distribution and vehicle maintenance | 513 | 197 |
| Mailing list maintenance | 1,015 | 5,892 |
| Printing | 17,341 | 10,406 |
| Other | 14,541 | 10,783 |
| | <u>\$ 731,041</u> | <u>\$ 568,044</u> |

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

Supplementary Information - Box Office Expenses

| | Years Ended December 31, | |
|--------------------|---------------------------------|--------------------------|
| | 2013 | 2012 |
| Salaries and wages | \$ 106,522 | \$ 88,027 |
| Payroll taxes | 14,191 | 11,921 |
| Printing and forms | 4,717 | 3,301 |
| Service charges | 67,562 | 58,273 |
| Other | 7,509 | 6,576 |
| | <u>\$ 200,501</u> | <u>\$ 168,098</u> |

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

Supplementary Information - Administrative and General Expenses

| | <u>Years Ended December 31,</u> | |
|------------------------------------|---------------------------------|---------------------|
| | <u>2013</u> | <u>2012</u> |
| Salaries and wages | \$ 833,536 | \$ 769,736 |
| Payroll taxes | 68,840 | 62,782 |
| Employee benefits | 342,627 | 296,284 |
| Accounting and legal | 39,950 | 40,600 |
| Bad debt expense | 26,401 | 1,420 |
| Custodial | 8,431 | 8,434 |
| Development office fund raising | 98,267 | 79,202 |
| Dues and subscriptions | 4,997 | 5,196 |
| Equipment rental | 57,654 | 36,716 |
| Facility repairs and maintenance | 49,501 | 50,149 |
| Insurance | 99,705 | 96,209 |
| Interest expense | - | 568 |
| Investment management fees | 32,270 | 27,634 |
| Office supplies | 16,313 | 18,238 |
| Postage | 31,674 | 22,725 |
| Telephone | 26,094 | 26,938 |
| Travel and entertainment, Director | 21,503 | 20,608 |
| Other | 39,244 | 32,375 |
| | <u>\$ 1,797,007</u> | <u>\$ 1,595,814</u> |