

GEORGE STREET PLAYHOUSE, INC.  
FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2017 AND 2016

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
George Street Playhouse, Inc.

I have audited the accompanying financial statements of George Street Playhouse, Inc. (a nonprofit organization) which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

I believe that the audit evidence I obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of George Street Playhouse, Inc. as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

My audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal and state awards is presented for the purpose of additional analysis, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued a report dated August 31, 2017 on my consideration of George Street Playhouse, Inc.'s internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 George Street Playhouse, Inc.'s internal control over financial reporting and compliance.

August 31, 2017  
Hillsborough, NJ

*James M. Wood*

GEORGE STREET PLAYHOUSE, INC.  
 STATEMENTS OF FINANCIAL POSITION  
 JUNE 30, 2017 AND 2016

	2017	2016
<b>Assets</b>		
Cash & cash equivalents	\$ 939,304	\$ 681,117
Certificate of deposit	200,600	200,200
Grants & accounts receivable, net of allowance for doubtful accounts of \$11,400 and \$61,400	146,720	167,807
Prepaid expenses	83,410	72,044
	1,370,034	1,121,168
Property & equipment, net of accumulated depreciation	219,476	162,656
Other assets		
Deposits	13,234	13,354
	\$ 1,602,744	\$ 1,297,178
<b>Liabilities &amp; Net Assets (Deficit)</b>		
Current liabilities		
Accounts payable	\$ 257,866	\$ 95,004
Accrued payroll & payroll tax	47,042	38,554
Revenue received in advance		
Subscriptions & tickets	401,447	464,912
Grants & other	84,263	114,724
Advance on line of credit	200,000	-
Rent security deposits	1,850	1,795
	992,468	714,989
Net assets (deficit)		
Unrestricted		
Undesignated	(94,031)	(135,386)
Board designated	367,373	380,641
Endowment		
Permanently restricted	336,934	336,934
	610,276	582,189
	\$ 1,602,744	\$ 1,297,178

See accompanying notes to financial statements.

GEORGE STREET PLAYHOUSE, INC.  
STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2017 AND 2016

	2017			2016		
	Unrestricted	Board Designated	Endowment Permanently Restricted	Unrestricted	Board Designated	Endowment Permanently Restricted
Revenue			Total			Total
Subscriptions	\$ 583,700	\$ -	\$ 583,700	\$ 609,622	\$ -	\$ 609,622
Ticket sales	472,093	-	472,093	509,124	-	509,124
Co-production	-	-	-	89,805	-	89,805
Enhancement	147,090	-	147,090	2,114	-	2,114
Program advertising	16,150	-	16,150	16,350	-	16,350
Concession income	15,519	-	15,519	20,663	-	20,663
Tour & education fees	421,438	-	421,438	381,558	-	381,558
Rentals	67,677	-	67,677	104,014	-	104,014
Interest & dividends	1,216	1,082	2,298	757	1,078	1,835
Gain on sale of assets	402	-	402	58	-	58
Outside set construction	1,506	-	1,506	116,333	-	116,333
Other	<b>66,886</b>	-	<b>66,886</b>	<b>77,894</b>	-	<b>77,894</b>
	<u>1,793,677</u>	<u>1,082</u>	<u>1,794,759</u>	<u>1,928,292</u>	<u>1,078</u>	<u>1,929,370</u>
Grants & contributions						
Government grants	671,187	-	671,187	175,687	-	175,687
Contributions						
Foundation	667,750	-	667,750	747,250	-	747,250
Corporate	485,592	-	485,592	498,008	-	498,008
Individual	394,917	213,889	608,806	440,193	89,900	530,093
Benefit & special events, net of direct costs of \$98,992 and \$90,748	291,314	-	291,314	239,689	-	239,689
Donated materials & services	51,452	-	51,452	44,611	-	44,611
	<u>2,562,212</u>	<u>213,889</u>	<u>2,776,101</u>	<u>2,145,438</u>	<u>89,900</u>	<u>2,235,338</u>
Total revenue, grants & contributions	4,355,889	214,971	4,570,860	4,073,730	90,978	4,164,708
Assets released from restriction & designation	228,239	(228,239)	-	172,000	(172,000)	-
	4,584,128	(13,268)	4,570,860	4,245,730	(81,022)	4,164,708
Expenses						
Production	3,898,076	-	3,898,076	3,423,216	-	3,423,216
General & administrative	314,216	-	314,216	340,095	-	340,095
Fund raising	330,481	-	330,481	289,402	-	289,402
	<u>4,542,773</u>	<u>-</u>	<u>4,542,773</u>	<u>4,052,713</u>	<u>-</u>	<u>4,052,713</u>
Change in net assets	41,355	(13,268)	28,087	193,017	(81,022)	111,995
Net assets (deficit)						
Beginning of year	(135,386)	380,641	582,189	(328,403)	461,663	470,194
End of year	<u>\$ (94,031)</u>	<u>\$ 367,373</u>	<u>\$ 610,276</u>	<u>\$ (135,386)</u>	<u>\$ 380,641</u>	<u>\$ 582,189</u>

See accompanying notes to financial statements.

**GEORGE STREET PLAYHOUSE, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**YEARS ENDED JUNE 30, 2017 AND 2016**

	2017			2016			
	Production	General & Administrative	Fund Raising	Total	General & Administrative	Fund Raising	Total
Salaries	\$ 1,480,809	\$ 131,475	\$ 225,074	\$ 1,837,358	\$ 137,316	\$ 205,121	\$ 1,735,421
Payroll taxes	190,785	4,450	33,198	228,433	6,014	30,255	229,832
Employee benefits	199,996	47,577	13,427	261,000	65,373	3,049	215,252
	<u>1,871,590</u>	<u>183,502</u>	<u>271,699</u>	<u>2,326,791</u>	<u>208,703</u>	<u>238,425</u>	<u>2,180,505</u>
Direct production	354,588	-	-	354,588	-	-	246,069
Royalties	67,274	-	-	67,274	-	-	67,389
Theater payroll	19,855	-	-	19,855	-	-	19,482
Subscriptions	26,754	-	-	26,754	-	-	28,652
Marketing	185,598	-	-	185,598	-	-	202,308
Production supplies	25,762	-	-	25,762	-	-	64,958
Insurance	55,438	6,600	3,960	65,998	5,038	3,023	50,382
Telephone	7,392	2,450	2,592	12,434	1,954	2,801	12,603
Repairs & maintenance	19,399	894	5,367	25,660	991	5,948	29,058
Outside services	188,505	25,502	-	214,007	20,220	-	241,590
Miscellaneous	17,091	1,115	-	18,206	440	-	6,503
Concessions	6,988	-	-	6,988	-	-	7,413
Travel	115,805	957	-	116,762	2,431	-	58,348
Office expenses	1,319	30,235	22,536	54,090	46,547	22,688	70,283
Dues & subscriptions	12,888	-	-	12,888	-	-	12,885
Professional fees	-	18,650	-	18,650	35,503	-	35,503
Interest	-	2,358	-	2,358	512	-	512
Rent & utilities	243,438	10,539	567	254,544	9,242	500	243,313
Credit card & bank charges	29,880	1,385	4,300	35,565	507	1,367	38,253
Tour/education program	364,967	-	-	364,967	-	-	363,649
Building transition expenses	211,256	11,358	4,543	227,157	-	-	-
Donated materials	32,219	6,326	12,907	51,452	2,303	13,748	44,611
& services	5,075	-	-	5,075	-	-	6,621
Accessibility services							
Total expenses before depreciation	3,863,081	301,871	328,471	4,493,423	334,391	288,500	4,030,890
Depreciation	34,995	12,345	2,010	49,350	5,704	902	21,823
	<u>\$ 3,898,076</u>	<u>\$ 314,216</u>	<u>\$ 330,481</u>	<u>\$ 4,542,773</u>	<u>\$ 340,095</u>	<u>\$ 289,402</u>	<u>\$ 4,052,713</u>

See accompanying notes to financial statements.

GEORGE STREET PLAYHOUSE, INC.  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<b>Cash flows from operating activities</b>		
Increase in net assets	\$ 28,087	\$ 111,995
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	49,350	21,823
(Increase) decrease in		
Grants and accounts receivable	21,087	21,010
Prepaid expenses	(11,366)	(22,997)
Deposits	120	500
Increase (decrease) in		
Accounts payable	162,862	5,138
Accrued payroll & payroll tax	8,488	(6,194)
Revenue received in advance	(93,926)	(92,349)
Rent security deposits	55	-
	164,757	38,926
<b>Cash flows from investing activities</b>		
Proceeds from maturity of certificate of deposit	200,200	200,199
Acquisition of certificate of deposit	(200,600)	(200,200)
Acquisition of fixed assets	(106,170)	(113,948)
	(106,570)	(113,949)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in outstanding lines of credit	200,000	-
	200,000	-
Net increase (decrease) in cash & cash equivalents	258,187	(75,023)
<b>Cash &amp; cash equivalents</b>		
Beginning of year	681,117	756,140
End of year	\$ 939,304	\$ 681,117
<b>Supplemental Disclosure:</b>		
Cash paid for interest	\$ 2,358	\$ 512

See accompanying notes to financial statements.



GEORGE STREET PLAYHOUSE, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2017 AND 2016

(1) **Nature of Organization**

George Street Playhouse, Inc. (the Company) is a non-profit Equity theater in New Brunswick, New Jersey, presenting new and established plays and musicals.

(2) **Summary of Significant Accounting Policies**

*Basis of presentation*

In accordance with generally accepted accounting principles, the Company reports its statements of financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

*Certificates of deposit*

Certificates of deposit are carried at cost plus accrued interest which approximates fair value.

*Contributions*

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

Awards, grants, sponsorships, and operating revenue are recognized as income during the period intended by the grantor or purchaser. Ticket sales revenue received prior to the fiscal year to which it applies is not recognized as revenue until the year earned.

*Cash*

For the purposes of the statement of cash flows, cash includes cash in demand deposit accounts.

*Fixed assets*

Fixed assets are stated at cost less accumulated depreciation. Depreciation is provided over the estimated useful lives of the respective assets on a straight line basis.

*Board designated net assets*

During the year ended June 30, 2010, the Company launched the Next Stage Campaign for the purpose of financing new works, building artistic excellence, creating an educational scholarship fund, increasing cash reserves, and improving lighting, sound and information technology. The Campaign is administered at the discretion of the Board of Trustees; contributions received are not restricted to specific use.

*Temporarily restricted net assets*

The Company had active development initiatives where related pledge revenue was restricted to certain uses or time periods. During the years ended June 30, 2017 and 2016, all donor-imposed temporary restrictions were met.

*Permanently restricted net assets*

The Company receives pledges for its endowment fund created during fiscal 2002. Pledges and subsequent collections are permanently restricted; investment earnings may be expended on artistic initiatives.

GEORGE STREET PLAYHOUSE, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2017 AND 2016

*Donated materials & services*

Donated materials and services are recorded as contributions at fair market value at the date of receipt. Expense values are recorded at an amount equal to the gift in kind contributions, except for capitalized furniture and equipment contributions with a remaining economic life in excess of one year.

*Functional allocation of expenses*

The costs of providing the various programs and other activities have been summarized on a functional basis in the schedule of functional expenses. Direct costs are charged to production or fund raising. Indirect costs and general support items are charged to general and administrative. Certain costs have been allocated among functions based on the benefit derived.

*Use of estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

*Reclassifications*

Certain items in the 2016 financial statements have been reclassified to conform with current year presentation.

*Concentrations of credit and market risk*

Financial instruments that potentially expose the Company to concentrations of credit and market risk consist primarily of cash equivalents and investments. Cash equivalents are maintained at high-quality financial institutions, and credit exposure is limited to any one institution. The Company has not experienced any losses on its cash equivalents. The Company's investments do not represent significant concentrations of market risk inasmuch as the investment portfolio is invested in a certificate of deposit.

*Accounting for uncertainty in income taxes*

The Company's accounting policy is to provide liabilities for uncertain tax positions when a liability is probable and estimable. Management is not aware of any violation of tax status or exposure to uncertain tax positions that could require accrual or which could affect its liquidity or future cash flows. The Company's exempt organization filings for the years ended June 30, 2014 through 2017 are subject to examination by the Internal Revenue Service and the State of New Jersey. Further, the Internal Revenue Service may examine the Company's financial activities for income and unrelated business income tax for those years.

GEORGE STREET PLAYHOUSE, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2017 AND 2016

*New accounting pronouncements*

The Financial Accounting Standards Board (FASB) issued Update No. 2016-02, *Leases* (Topic 842), in February 2016. Under this guidance, lessees are required to record most leases on their balance sheets but recognize expenses in the income statement. All entities will classify leases to determine how to recognize lease-related revenue and expense. In applying this guidance, entities must also determine whether an arrangement contains a lease or service agreement. Disclosures are required by lessees and lessors to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The amendments in this Update are effective for fiscal years beginning after December 15, 2019 and for interim periods within fiscal years beginning after December 15, 2020. Management is evaluating the impact of this updated guidance on its financial statements.

The Financial Accounting Standards Board (FASB) issued Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), in August 2016. Under this guidance, not-for-profit entities will report *net assets with donor restrictions* and *net assets without donor restrictions* instead of the currently-required three classes. Not-for-profit entities will also provide enhanced disclosures regarding board designations, composition of net assets with donor restrictions, management of liquid resources available to meet cash needs, cost allocation among program and support functions, and underwater endowment funds. The guidance requires reporting of investment returns net of investment expenses and clarifies accounting and disclosure for gifts restricted to the acquisition or construction of long-lived assets. The amendments in this Update are effective for years beginning after December 15, 2017 and for interim periods within fiscal years beginning after December 15, 2018. Management is evaluating the impact of this updated guidance on its financial statements.

**(3) Certificate of Deposit**

As of June 30, 2017, the Company holds one certificate of deposit of \$200,600 bearing interest at .20% and maturing on January 1, 2018. As of June 30, 2016, the Company held one certificate of deposit of \$200,200 bearing interest at .20% which matured on January 1, 2017.

**(4) Property & Equipment**

Property & equipment at June 30, 2017 and 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
Leasehold improvements	\$ 7,500	\$ 237,652
Office equipment	243,632	196,832
Capital improvements	25,895	25,895
Theater equipment	<u>671,974</u>	<u>618,244</u>
	949,001	1,078,623
Less accumulated depreciation	<u>729,525</u>	<u>915,967</u>
	<u>\$ 219,476</u>	<u>\$ 162,656</u>

**GEORGE STREET PLAYHOUSE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2017 AND 2016**

**(5) Lines of Credit**

*Letter of credit - Amboy National Bank*

The Company maintains a letter of credit in the of amount of \$51,700 with Amboy National Bank, secured by a minimum in Asset Management Business Account in the same amount. The letter is extended to the Actors' Equity Association to guarantee Equity members a minimum of two weeks' salary in accordance with Actors' Equity Association regulations. The letter expires July 31, 2018.

*Line of credit - PNC Bank*

The Company maintains a \$300,000 line of credit with PNC Bank to provide for working capital requirements. Amounts borrowed on the line bear interest at .50% below the highest prime rate as published by the Wall Street Journal. Outstanding balances are secured by a \$200,000 certificate of deposit; the line matures on December 12, 2017. As of June 30, 2017 and 2016, there were outstanding advances of \$200,000 and \$0, respectively.

**(6) Operating Leases**

*9 Livingston Avenue*

The Company leased the first and second floors and part of the basement of the building at 9 Livingston Avenue, New Brunswick, New Jersey from the New Brunswick Cultural Center (NBCC) through May 31, 2017.

*103 College Farm Road*

Beginning May 26, 2017, the Company leases its performance and administrative space in New Brunswick, New Jersey from Rutgers University. The lease expires on August 31, 2019.

*1470 Jersey Avenue*

The Company leases space for its scene-shop located at 1470 Jersey Avenue, North Brunswick, New Jersey, expiring in August 2023. Monthly lease payments are \$7,466.

*Office equipment*

The Company leases a copier under an operating lease. The terms of the lease call for 36 monthly payments of \$195 for thirty-six months, expiring in April 2019. The Company also leases a postage meter with quarterly payments of \$390; the lease expires in March 2019.

*285 George Street*

The Company leases an apartment for its actors in New Brunswick. The terms of the lease call for monthly payments of \$1,447 expiring in August 2018.

Minimum future base rental payments for years ending June 30 are:

2018	\$235,560
2019	220,973
2020	112,020
2021	89,600
2022	91,600
Thereafter	<u>107,333</u>
	<u>\$857,086</u>

Rent expense for the years ended June 30, 2017 and 2016 totaled \$144,285 and \$139,583, respectively.

GEORGE STREET PLAYHOUSE, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2017 AND 2016

(7) **Related Parties**

George Street Playhouse, Inc. is a resident company of the New Brunswick Cultural Center. Through May 31, 2017, the Company occupied space located at 9 Livingston Avenue, New Brunswick, New Jersey which was owned and operated by New Brunswick Cultural Center. As of the date of these financial statements, that space has been vacated by the Company, demolished, and is being replaced by a state-of-the-art facility. The Company is currently occupying temporary space, leased from Rutgers University. George Street Playhouse expects to occupy the new space at 9 Livingston Avenue beginning in the late summer of 2019, joining other resident companies of New Brunswick Cultural Center.

(8) **Income Taxes**

The Company is exempt from income taxes as a non-profit corporation under Internal Revenue Code Section 501(c)(3) and, accordingly, the financial statements do not reflect a provision for federal or state income taxes. All applicable returns for the exempt organization are filed in a timely manner. The Company is liable for payment of payroll taxes as an employer; all such amounts are paid in a timely manner as required by state and federal regulations.

(9) **Retirement Plan**

The Company sponsors a salary reduction plan under Section 403(b) of the Internal Revenue Code wherein employees may make elective contributions.

(10) **Insured Deposits**

As of June 30, 2017 and 2016, cash exceeding federally insured limits in one depository institution totaled \$354,421 and \$203,158 respectively.

(11) **Restrictions on Net Assets**

Endowment Fund

Permanently restricted net assets as of June 30, 2017 and 2016 consist of an endowment fund established in 2002 to support the ongoing activities of the Company. Contributions to the endowment fund are subject to donor restrictions that stipulate the original principal of the gift is to be held and invested by the Company indefinitely, and income from the fund is to be expended on operations. Contributions to the endowment fund are classified as permanently restricted net assets; the historic dollar value of those contributions must be maintained inviolate. The donor-restricted endowment fund is invested in money market funds and certificates of deposit.

(12) **Subsequent Events**

Evaluation

The Company has evaluated subsequent events through August 31, 2017, the date which the financial statements were available to be issued.

GEORGE STREET PLAYHOUSE, INC.  
 SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
 YEAR ENDED JUNE 30, 2017

Grantor Pass-through Grantor Program Title	Federal CFDA Number	Contract Number	Grant Period	Award Amount		Period Expenditures		
				Federal	State	Federal	State	Total
New Jersey State Council on the Arts General Operating Support Arts Education Special Initiative	1704X010074		7/1/16-6/30/17	\$ -	\$ 160,687	\$ -	\$ 160,687	\$ 160,687
	1715B040003		7/1/16-6/30/17	-	15,000	-	15,000	15,000
				-	175,687	-	175,687	175,687
National Endowment for the Humanities New Jersey Council for the Humanities American Sons & Daughters: A Community Response to the Racial Divide	45.129	2016-27	7/1/16-6/30/17	20,000	-	20,000	-	20,000
				\$ 20,000	\$ 175,687	\$ 20,000	\$ 175,687	\$ 195,687



**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 Auditor's Report

To the Board of Trustees  
George Street Playhouse, Inc.

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of George Street Playhouse, Inc., as of and for the year ended June 30, 2017 and the related notes to the financial statements and have issued my report thereon dated August 31, 2017.

**Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered George Street Playhouse, Inc.'s internal control over financial reporting (internal control) to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, I do not express an opinion on the effectiveness of George Street Playhouse Inc.'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 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.

My 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 my audit, I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the organization's financial statements are free of material misstatement, I 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance 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 my testing of internal control and compliance and the result 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.

*James M. Wood*

August 31, 2017  
Hillsborough, NJ