

GOVERNOR NELSON A. ROCKEFELLER EMPIRE STATE PLAZA  
PERFORMING ARTS CENTER CORPORATION  
(an Enterprise Fund of the State of New York)

FINANCIAL STATEMENTS  
(and Report of Independent Auditors)

March 31, 2015

GOVERNOR NELSON A. ROCKEFELLER EMPIRE STATE PLAZA  
PERFORMING ARTS CENTER CORPORATION  
(An Enterprise Fund of the State of New York)

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the  
Governor Nelson A. Rockefeller Empire State Plaza Performing Arts Center Corporation

### Report on the Financial Statements

We have audited the accompanying financial statements of the Governor Nelson A. Rockefeller Empire State Plaza Performing Arts Center Corporation, (an enterprise fund of the State of New York) (the "Egg"), as of and for the year ended March 31, 2015, and the related notes to the financial statements, which collectively comprise Governor Nelson A. Rockefeller Empire State Plaza Performing Arts Center Corporation's basic financial statements as listed in the table of contents.

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

Governor Nelson A. Rockefeller Empire State Plaza Performing Arts Center Corporation's 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*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Egg'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 Egg's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position Governor Nelson A. Rockefeller Empire State Plaza Performing Arts Center Corporation, as of March 31, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Emphasis of Matter***

As described in Note 2 to the financial statements, the Egg restated net position at March 31, 2014 by \$151,043 to properly reflect its note payable obligations related to its pension plan.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2015 on our consideration of Governor Nelson A. Rockefeller Empire State Plaza Performing Arts Center Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Governor Nelson A. Rockefeller Empire State Plaza Performing Arts Center Corporation's internal control over financial reporting and compliance.

*Pattison, Kosvey, Howe & Bucci, CPAs, P.C.*

Valatie, New York  
June 25, 2015

GOVERNOR NELSON A. ROCKEFELLER EMPIRE STATE PLAZA  
PERFORMING ARTS CENTER CORPORATION  
(An Enterprise Fund of the State of New York)  
MANAGEMENT DISCUSSION AND ANALYSIS

The Gov. Nelson A. Rockefeller Empire State Plaza Performing Arts Center, hereafter referred to as the “The Egg”, is pleased to present its 2015 Annual Financial Report developed in compliance with the Statement of Governmental Standard No. 34 (GASB34) and related standards.

**1. Responsibilities and Controls**

The management of The Egg has prepared and is responsible for the financial statements and related information included in this report. A system of internal controls is maintained to provide reasonable assurance that assets are safeguarded and the books and records reflect only authorized transactions. Limitations exist in any system of internal controls. However, based on the recognition that the cost of the system should not exceed its benefits, management believes that its system of internal accounting controls maintains an appropriate cost/benefit relationship.

The Egg’s system of internal accounting controls is evaluated on an ongoing basis by The Egg’s internal financial staff. Independent external auditors also consider certain elements of the internal control system in order to determine their auditing procedures for the purpose of expressing an opinion on the financial statements.

The Finance Committee of The Egg’s Board of Directors serves the role of an Audit Committee. It is composed of members of the Board who are not employees of The Egg and who provide a broad view of management’s financial reporting and control functions. Periodically, this Committee meets with management and the independent external auditors to ensure these groups are fulfilling their obligations and to discuss auditing, controls and financial reporting matters.

Management believes that its policies and procedures provide guidance and reasonable assurance that The Egg’s operations are conducted according to the management’s intentions and to a high standard of business ethics. In management’s opinion, the financial statements present fairly, in all material aspects, the financial position, results of operations, and cash flows of the Authority in conformity with the accounting principles generally accepted in the United States of America.

**2. Audit Assurance**

The unmodified (i.e. clean) opinion of our independent external auditors, Pattison, Koskey, Howe & Bucci, CPAs. P.C , is included on pages 1 and 2 of this report. This section presents management’s discussion and analysis of The Egg’s financial condition and activities for the year ended March 31, 2015. This information should be read in conjunction with the financial statements.

**3. Financial Highlights**

The following are some of the key highlights of the last fiscal year:

- The Egg was able to end the year with an operating budget surplus attributed primarily to the NYS funding provided through the New York State Council on the Arts to support the Center’s work in managing the operations of the NYS Presenters Network.
- The Center also saw an increase in rental income and contracted services which combined with administrative efficiencies and generally profitable programming provided the income necessary to pay for operations.
- The Center’s fund raising activities continued to produce results with a March concert gala netting a total \$11,842.

See independent auditors’ report

GOVERNOR NELSON A. ROCKEFELLER EMPIRE STATE PLAZA  
PERFORMING ARTS CENTER CORPORATION  
(An Enterprise Fund of the State of New York)  
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

**4. Required Financial Statements**

The financial statements for The Egg report information about the accounting methods which are used and are similar to those used by private sector companies. These statements offer short and long term financial information about its activities.

The statement of net position includes all of The Egg's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations to The Egg's creditors (liabilities).

All of the current year's revenues and expenses are accounted for in the statement of revenues, expenses and change in net position. This statement measures the success of The Egg's operations over the past year and can be used to determine whether The Egg has successfully met all its costs and fees through its admissions and rental of the facility.

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of the material data provided in the statements. The notes present information about The Egg's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies, and subsequent events, if any.

**5. Summary of Organization and Business**

The Governor Nelson A. Rockefeller Empire State Plaza Performing Arts Center Corporation (a/k/a The Egg) was created by an act of Legislation in 1979 to provide upstate New York with a world class performing arts center in order to present the finest artistic talent in New York State as well as provide a venue for international artists. A public benefit corporation, The Egg presents world class modern dance and family entertainment, as well as a wide variety of music and theater events. Although predominantly local, The Egg's audience comes from Western Massachusetts, Syracuse, Poughkeepsie, the Adirondack Region, as well as national and international tour groups. In addition, it is The Egg's policy to provide free tickets to many public service organizations in the Capital Region so that those who are living below the poverty level can have the same cultural opportunities as those who can afford a full price ticket. In this way, as well as programming, The Egg attracts the most diverse audiences, bringing them together through the shared experience of artistic creation. The Egg also provides space and develops programs for civic, governmental, performing arts, and other cultural and public entities for the benefit of the citizens of New York State, as well as the departments and agencies of New York State government.

The Egg pays the New York State Office of General Services (OGS), a related party, for its maintenance, insurance, parking and telephones. The venue is maintained by OGS, but is operated and managed by The Egg and consists of the Kitty Carlisle Hart Theater (982 seats) and The Lewis A. Swyer Theater (445 seats). Each theater offers a spacious lounge area; the Hart Theater Lounge is capable of holding large receptions. Offices are located on the Concourse and P-1 Levels of the Empire State Plaza; the P-1 area contains a scene shop, costume shop, paint room, 2 large rehearsal rooms as well as storage.

**6. General Authority Data**

The Egg hosted more than 190 events during its 2014-15 season with more than 77,000 people attending.

GOVERNOR NELSON A. ROCKEFELLER EMPIRE STATE PLAZA  
PERFORMING ARTS CENTER CORPORATION  
(An Enterprise Fund of the State of New York)  
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

**7. Financial Analysis**

The following comparative condensed financial statements and other selected information provide key financial data and indicators for management, monitoring and planning:

	<u>Condensed Statement of Net Position</u>			
	<u>2015</u>	<u>2014</u>	<u>\$ Change</u>	<u>% Change</u>
<b>ASSETS</b>				
Current assets	\$ 714,017	\$ 788,001	\$ (73,984)	(9)
Equipment, net	25,946	11,187	14,759	132
Total assets	<u>\$ 739,963</u>	<u>\$ 799,188</u>	<u>\$ (59,225)</u>	<u>(7)</u>
<b>LIABILITIES AND NET POSITION</b>				
Current liabilities	\$ 488,382	\$ 607,104	\$ (118,722)	(20)
Non-current liabilities				
Long-term debt	139,356	145,405	(6,049)	(4)
Other postemployment benefits	474,669	361,304	113,365	31
Total non-current liabilities	<u>614,025</u>	<u>506,709</u>	<u>107,316</u>	<u>21</u>
Net position				
Invested in capital assets	25,946	11,187	14,759	132
Unrestricted	<u>(388,390)</u>	<u>(325,812)</u>	<u>(62,578)</u>	<u>(19)</u>
Total net position	<u>(362,444)</u>	<u>(314,625)</u>	<u>(47,819)</u>	<u>(15)</u>
Total liabilities and net position	<u>\$ 739,963</u>	<u>\$ 799,188</u>	<u>\$ (59,225)</u>	<u>(7)</u>

Condensed Statement of Revenues, Expenses and Change in Net Position

	<u>2015</u>	<u>2014</u>	<u>\$ Change</u>	<u>% Change</u>
Operating revenue	\$ 1,887,384	\$ 1,817,839	\$ 69,545	4
Non-operating revenue	172	519	(347)	(67)
Total revenues	<u>1,887,556</u>	<u>1,818,358</u>	<u>69,198</u>	<u>4</u>
Depreciation expense	9,603	5,529	4,074	74
Other operating expense	1,925,772	1,733,466	192,306	11
Total expenses	<u>1,935,375</u>	<u>1,738,995</u>	<u>196,380</u>	<u>11</u>
Change in net position	(47,819)	79,363	(127,182)	(160)
Net position, beginning of year, as restated	<u>(314,625)</u>	<u>(393,988)</u>	<u>79,363</u>	<u>(20)</u>
Net position, end of year	<u>\$ (362,444)</u>	<u>\$ (314,625)</u>	<u>\$ (47,819)</u>	<u>(15)</u>

See independent auditors' report

GOVERNOR NELSON A. ROCKEFELLER EMPIRE STATE PLAZA  
PERFORMING ARTS CENTER CORPORATION  
(An Enterprise Fund of the State of New York)  
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

**8. Financial Condition**

Net position at March 31, 2015 was (\$362,444). A major contributor to this negative net position is unfunded obligations for the future projected pay out of postretirement benefits totaling \$474,669. At March 31, 2015, The Egg's current assets exceed current liabilities by \$225,635. Total net position decreased \$47,819 during the year ended March 31, 2015

As noted in previous financial statements, over the past two decades, The Egg has received 33% to 50% of its operating revenue from the State of New York. While the percentage has significantly declined in recent years due to the success of programming and management of The Egg, these funds remain critical to The Egg's ability to deliver on its mission to present a wide range of artistic talent to its diverse audience.

**9. Long Term Obligations**

With its current cash flow, The Egg has been able to pay all of its vendors within the Prompt Payment Guidelines that have been established by management.

Long-term obligations are comprised of notes payable related to certain pension obligations and other postretirement benefits.

**10. Contacting the Authority's Financial Manager**

This financial report is intended to provide a general overview of The Egg's fiscal health and to illustrate The Egg's accountability for the revenue it receives. If you have questions about this report or need further information, contact the Business Manager, Matthew G. Moross at The Egg, PO Box 2065, Albany, NY 12220 or at [www.theegg.org](http://www.theegg.org).

**11. Principal Officials**

The Egg's Board of Directors is as follows:

<u>Name</u>	<u>Appointed by</u>
Susan T. Cleary	Governor
Thomas Nardacci	Governor
Sari O'Connor	Governor
RoAnn Desito	OGS Commissioner
Anthony Esposito	Governor
Sharon Bright Holub	County Executive
Charles M. Liddle	Governor
Brian Petraitis, Acting Chair	Speaker of the Assembly
James I. Sullivan	Governor
Reg Willcocks	Minority Leader of Assembly
John A. Frederick	Mayor of Albany
Vincent McArdle	Governor
Joyce Shenker	Speaker of the Assembly
Alexander Boschi	President of the Senate
Maston Sansom	President of the Senate
Anthony Williamson	Minority Leader of the Senate

Peter A. Lesser, Executive Director

See independent auditors' report

GOVERNOR NELSON A. ROCKEFELLER EMPIRE STATEMENT PLAZA  
 PERFORMING ARTS CENTER CORPORATION  
 STATEMENT OF NET POSITION  
 March 31, 2015

ASSETS

Current assets:	
Cash and cash equivalents	\$ 631,644
Accounts receivable	53,953
Prepaid expenses	28,420
Total current assets	714,017
Property and equipment, net \$127,207 of accumulated depreciation	25,946
Total assets	\$ 739,963

LIABILITIES AND NET POSITION

Current liabilities:	
Accounts payable and accrued expenses	\$ 95,048
Unearned revenue	147,974
Vendor tickets payable	239,311
Pension notes payable, current portion	6,049
Total current liabilities	488,382
Non-current liabilities:	
Pension notes payable	139,356
Other post retirement benefits	474,669
Total non-current liabilities	614,025
Total liabilities	1,102,407
Net position:	
Unrestricted	(388,390)
Invested in capital assets	25,946
Total net position	(362,444)
Total liabilities and net position	\$ 739,963

See independent auditors' report and notes to financial statements

GOVERNOR NELSON A. ROCKEFELLER EMPIRE STATEMENT PLAZA  
PERFORMING ARTS CENTER CORPORATION  
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION  
Year ended March 31, 2015

Operating Revenues:	
Ticket sales	\$ 815,744
Rental and commission revenue	591,703
Concession revenue	19,875
Corporate and foundation grants	136,850
Individual contributions	80,277
State appropriations	220,000
Other operating revenue	11,093
Special event and fundraising, net of expenses of \$6,098	11,842
Total operating revenues	<u>1,887,384</u>
Operating Expenses:	
Salaries and wages	576,045
Employee benefits	152,857
Payroll taxes	56,756
Artist fees	584,911
Advertising	44,808
Professional fees	38,584
Production:	
Hospitality	49,218
Supplies and licenses	37,876
Equipment rental and maintenance	30,075
Credit card charges	56,459
Depreciation	9,603
Bad debt	4,683
Maintenance - NYS OGS	103,810
Insurance	22,096
Office supplies	6,142
Utilities	7,857
Publication	20,630
Travel and entertainment	532
Other	4,314
Total operating expenses	<u>1,807,256</u>
Operating income before other postemployment benefits	<u>80,128</u>
Other postemployment benefits	<u>128,119</u>
Operating loss	(47,991)
Non operating revenues:	
Interest earnings	<u>172</u>
Change in net position	<u>(47,819)</u>
Net position, beginning, as adjusted	<u>(314,625)</u>
Net position, ending	<u><u>\$ (362,444)</u></u>

See independent auditors' report and notes to financial statements

GOVERNOR NELSON A. ROCKEFELLER EMPIRE STATEMENT PLAZA  
PERFORMING ARTS CENTER CORPORATION  
STATEMENT OF CASH FLOWS  
Year ended March 31, 2015

Cash flows from operating activities	
Received from customers	\$ 1,446,757
Received from grants and contributions	217,127
Received from State appropriations	220,000
Paid to suppliers and vendors for goods and services	(1,125,161)
Paid to employees for services, including benefits	(778,554)
Net cash used in operating activities	<u>(19,831)</u>
Cash flows from investing activities	
Acquisition of capital assets	(24,362)
Interest received	172
Net cash used in investing activities	<u>(24,190)</u>
Cash flows from financing activities	
Payments on long-term debt	(5,638)
Net cash used for financing activities	<u>(5,638)</u>
Net decrease in cash	(49,659)
Cash and cash equivalents, beginning of year	681,303
Cash and cash equivalents, end of year	<u>\$ 631,644</u>
Cash flows from operating activities:	
Operating loss	\$ (47,991)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	9,603
Changes in operating assets and liabilities	
Accounts receivable	(3,500)
Prepaid expenses	27,825
Accounts payable and accrued expenses	(230,387)
Unearned revenue	(6,552)
Vendor ticket payable	117,806
Other postemployment benefits	113,365
Net cash used in operating activities	<u>\$ (19,831)</u>

See independent auditors' report and notes to financial statements

GOVERNOR NELSON A. ROCKEFELLER EMPIRE STATE PLAZA  
PERFORMING ARTS CENTER CORPORATION  
(An Enterprise Fund of the State of New York)  
NOTES TO FINANCIAL STATEMENTS

**1. Nature of Organization:**

Financial Reporting Entity:

The Governor Nelson A. Rockefeller Empire State Plaza Performing Arts Center Corporation (the “Egg”) was created as a public benefit corporation under New York State Public Authorities Law Section 66, Chapter 688 of the Laws of 1979 by the New York State Legislature to provide upstate New York with a performing arts center in order to present the finest artistic talent in New York State during each annual season. The Egg presents world-class modern dance and family entertainment, as well as a wide variety of music and theatre events. Although predominantly local, the Egg’s audience comes from western Massachusetts, Syracuse, Poughkeepsie, and the Adirondack region, as well as national and international tour groups. In addition, it is the Egg’s policy to provide free tickets to many public service organizations in the Capital District so that those living at or below the poverty level can have the same cultural opportunities as those who can afford full-priced tickets. In this way, the Egg attracts the most diverse audiences, bringing them together through the shared experience of artistic creation. The Egg also provides space and develops programs for civic, governmental, performing arts, and other cultural and public entities for the benefit of the citizens of New York State, as well as the departments and agencies of New York State government.

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

Basis of Accounting:

The financial statements of the Egg have been prepared on the accrual basis of accounting and reflect all significant receivables, payables, and other liabilities. Revenues are recorded when earned and expenses are recorded when incurred. In accordance with accounting principles generally accepted in the United States of America, the Egg applies all applicable Governmental Accounting Standards Board (GASB) pronouncements. The Egg applies GASB Statement No. 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements”, which was issued by the GASB on December 30, 2010. The Egg has chosen to only apply GASB pronouncements. The Egg does not apply any FASB or AICPA pronouncements post November 30, 1989, as clarified by GASB No. 62. The government-wide financial statements include the Egg’s only governmental fund (single enterprise fund).

Deferred outflows/inflows of resources:

GASB Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,” and GASB Statement No. 65, “Items Previously Reported as Assets and Liabilities,” defined and classified deferred outflows of resources and deferred inflows of resources. A deferred outflow of resources is a consumption of net assets that applies to future period(s), and as such, will not be recognized as an outflow of resources (expense/expenditure) until that time. A deferred inflow of resources is an acquisition of net assets that applies to future period(s), and as such, will not be recognized as an inflow of resources (revenue) until that time.

Statement 63 changes how governments organize their statements of financial position (such as the current government-wide statement of net assets and the governmental funds balance sheet).

See independent auditors’ report

GOVERNOR NELSON A. ROCKEFELLER EMPIRE STATE PLAZA  
PERFORMING ARTS CENTER CORPORATION  
(An Enterprise Fund of the State of New York)  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**2. Summary of Significant Accounting Policies (Continued):**

Deferred outflows/inflows of resources (Continued):

As a result of Statement 63, financial statements will include deferred outflows of resources and deferred inflows of resources (“deferrals”), in addition to assets and liabilities, and reports net position instead of net assets.

Recent GASB developments:

GASB Statement No. 68, “Accounting and Financial Reporting For Pensions – An Amendment of GASB Statement No. 27” revises existing standards of financial reporting for most pension plans. Statement 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, the statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Statement 68 also details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This statement is in effect for fiscal years beginning after June 15, 2014 and will be applicable to the Egg beginning in fiscal year 2016. The specific impact of Statement 68 on the Egg’s financial statements has not yet been determined.

GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68” is in effect simultaneously with GASB 68. Statement 71 clarifies an issue relating to the amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government’s beginning net pension liability. The impact of Statement 71 on the Egg’s financial statements has not yet been determined.

Budgetary Data:

The budget policies are as follows:

In March of each year the proposed budget for the upcoming year is presented to the board of directors for approval.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

GOVERNOR NELSON A. ROCKEFELLER EMPIRE STATE PLAZA  
PERFORMING ARTS CENTER CORPORATION  
(An Enterprise Fund of the State of New York)  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**2. Summary of Significant Accounting Policies (Continued):**

Revenue Recognition:

Contributions are recognized when received or in the period of intended use as specified by the donor. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Revenues related to specific performances that are generated from ticket sales, rental of venues, and concession sales are recognized on the date the show is performed. Funds received in advance of the performance are recorded as unearned revenue until recognized.

Operating revenues include revenue generated from ongoing operating activities. Non-operating revenues include investing, financing, and other non-recurring activities.

Income Taxes:

A provision for income tax has not been provided for in these financial statements, as the Egg is a not-for-profit corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Egg has been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the Internal Revenue Code.

Cash and Cash Equivalents:

The Egg considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

Accounts Receivable:

Accounts receivable balances are carried at the original invoice amount less any estimated allowance for uncollectible accounts. Management determines the allowance for uncollectible accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. The allowance for uncollectible accounts was \$-0- at March 31, 2015. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivables previously written off are recognized when received.

The Egg generally will not charge interest on past due receivables. A receivable is considered to be past due if the balance is outstanding for more than 90 days.

Concentration of Credit and Market Risk:

Financial instruments that potentially expose the Egg to concentrations of credit and market risk consist primarily of cash and cash equivalents. Cash and cash equivalents are maintained at a Federal Deposit Insurance Corporation insured financial institution and credit exposure is limited to one institution. The Egg has not experienced any losses with respect to its cash balances. Based upon assessment of the financial condition of this institution, management believes that the risk of loss of any uninsured balance is minimal. The Egg's Bank maintains additional collateral to cover cash balances that exceed the FDIC limit.

GOVERNOR NELSON A. ROCKEFELLER EMPIRE STATE PLAZA  
PERFORMING ARTS CENTER CORPORATION  
(An Enterprise Fund of the State of New York)  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**2. Summary of Significant Accounting Policies (Continued):**

Concentration of Revenue:

A portion of Egg's revenue is generated from sources outside of its day to day operations. During the year ended March 31, 2015, there was one revenue source that was individually responsible for producing more than 10% of revenue (NY State). The aggregate amount of revenue from this source totaled \$220,000.

Property and Equipment:

The cost of property and equipment is recorded at cost, except for contributed property and equipment, which is recorded at fair market value. The Egg capitalizes expenditures for acquisitions, renewals and betterments of capital assets with a cost greater than \$500, whereas maintenance and repair costs are expensed as incurred. When property and equipment is sold or retired, the appropriate accounts are relieved of costs and accumulated depreciation, and the resultant gain or loss is credited or charged to operations. The recorded value is depreciated over the useful lives of the related assets using the straight-line method. The estimated useful lives used for determining depreciation of property and equipment ranges from three to twenty-five years.

Prepaid Expenses:

Prepaid expenses are related to the prepayment of expenses for performances that will occur in the subsequent fiscal year and general operating expenses related to future periods. Included in the prepaid balance is \$25,500 that was paid ahead of future performances to secure the performing artists.

Vendor Tickets Payable:

Throughout the year, the Egg enters in to rental contracts that allow promoters the right to have their artist perform at the Egg for a specified fee plus expenses. The Egg will sell tickets through its box office and will pay the promoters the net proceeds collected after expenses. The balance of vendor tickets payable at March 31, 2015 represents ticket sales collected for shows to be performed under rental contracts in fiscal 2016.

Advertising:

Advertising costs are expensed when incurred. Advertising costs amounts to \$44,808 for the year ended March 31, 2015.

Prior period adjustment

Net position as of March 31, 2014 was restated and decreased by \$151,043 to properly reflect the Egg's pension obligation (see note 7). During the year ended March 31, 2006 and 2012, the Egg deferred in the form of note obligations \$185,538 and \$10,375, respectively of vested benefits which at the time should have been reflected as current expenses.

GOVERNOR NELSON A. ROCKEFELLER EMPIRE STATE PLAZA  
 PERFORMING ARTS CENTER CORPORATION  
 (An Enterprise Fund of the State of New York)  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**2. Summary of Significant Accounting Policies (Continued):**

Subsequent events:

Subsequent events have been evaluated through June 25, 2015, which is the date the financial statement were available to be issued.

**3. Cash and Cash Equivalents:**

The following is a summary of cash and cash equivalents as included in the statement of net position at March 31, 2015:

<u>Bank</u>	<u>Book Balance</u>	<u>Bank Balance</u>	<u>FDIC Coverage</u>	<u>Amount in Excess</u>
Key Bank	\$ 630,694	\$ 577,544	\$ 250,000	\$ 327,544
Petty cash	950	-	-	-
Total	<u>\$ 631,644</u>	<u>\$ 577,544</u>	<u>\$ 250,000</u>	<u>\$ 327,544</u>

At March 31, 2015, cash deposits of the Egg exceed FDIC insurance coverage by \$327,544. However, this excess amount is collateralized at the Bank by governmental securities.

The Egg is the fiscal agent for the New York State Presenters Network. Included in the cash and cash equivalents balance above is \$34,480, which is held in a separate account and is designated for the New York State Presenters Network. The Egg has a corresponding payable included in accounts payable and accrued expenses at March 31, 2015.

**4. Property and Equipment:**

A summary of property and equipment is as follows as of and for the year ended March 31, 2015:

	<u>March 31, 2014</u>	<u>Additions</u>	<u>Disposals</u>	<u>March 31, 2015</u>
Furniture and fixtures	\$ 9,588	\$ -	\$ -	\$ 9,588
Office equipment	7,441	-	-	7,441
Computer equipment	39,057	7,333	-	46,390
Theatre equipment	72,705	17,029	-	89,734
	<u>128,791</u>	<u>24,362</u>	<u>-</u>	<u>153,153</u>
Accumulated depreciation	117,604	9,603	-	127,207
Total property and equipment	<u>11,187</u>	<u>14,759</u>	<u>-</u>	<u>\$ 25,946</u>

Depreciation expense was \$9,603 during the year ended March 31, 2015.

GOVERNOR NELSON A. ROCKEFELLER EMPIRE STATE PLAZA  
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 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**5. Long-term Debt:**

The Egg has experienced a deficiency in their pension plan (note 8) and was provided advanced funding in the form of notes. The first note was provided in 2006 for the amount of \$185,538 at an interest rate of 8%. The note has a term of 25 years with a maturity date of March 31, 2030 and the Egg makes annual principal and interest payments of \$16,093.

The second note was issued in 2013 for the amount of \$10,375 at an interest rate of 3.75%. The note has a term of 10 years with a maturity date of March 31, 2022 and the Egg makes annual principal and interest payments of \$1,263.

The following is a summary of activity for long-term debt for the year ended March 31, 2015:

<u>Balance at</u> <u>March 31, 2014</u>	<u>Debt Issued</u>	<u>Principal Payments</u>	<u>Balance at</u> <u>March 31, 2015</u>	<u>Interest</u>
\$ 151,043	\$ -	\$ 5,638	\$ 145,405	\$ 11,718

Maturities of long-term debt for the year ending March 31, 2015 are as follows:

	Principal	Interest
2016	\$ 6,049	\$ 11,307
2017	6,492	10,864
2018	6,968	10,388
2019	7,481	9,875
2020	8,033	9,323
Thereafter	<u>110,382</u>	<u>53,078</u>
	<u>\$ 145,405</u>	<u>\$ 104,835</u>

**6. Related Party Transactions:**

The Egg pays the New York State Office of General Services (OGS), a related party, for its maintenance, insurance, parking, and telephones. Expenses incurred for maintenance services provided by OGS amounted to \$103,810 for the year ended March 31, 2015. As of March 31, 2015, no amounts were owed to OGS as part of this service agreement; however the Egg owed \$1,650 to OGS for the rental of convention center equipment and supplies.

GOVERNOR NELSON A. ROCKEFELLER EMPIRE STATE PLAZA  
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**7. Pension Plan:**

The Egg participates in the New York State and Local Employees' Retirement System (the "System"). This is a cost-sharing multiple employers retirement system. The System provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute as well as benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (the "Comptroller") serves as sole trustee, and administrator of transactions of the business of the System, and for the custody and controls of its funds. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, New York 12244.

The System is noncontributory except for employees who joined the System after July 27, 1976, who contribute 3% of their salary for the first ten years of membership. Under the authority of the NYSRSSL, the Comptroller annually certifies the rates expressed used in computing the employers' contributions.

The required contributions to the system for the current and two preceding years were:

2015	\$ 71,781
2014	87,587
2013	73,259

The Egg was given the opportunity in 2006 and 2012 to defer a portion of their pension contribution costs and chose to do so. These deferrals are included in long-term debt (note 5). For all other years the Egg's contributions, made to the System, were equal to 100% of the contributions required for each year.

**8. Other Postemployment Benefit:**

The Egg reports its Other Postemployment Benefits in compliance with GASB Statement No. 45 – "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions." Statement No. 45 requires governmental entities, including the Egg, to recognize in its financial statements the financial impact of postemployment benefits, principally employer funded health care and death benefits which the Egg provides for retired employees. Substantially all of the employees may become eligible for these benefits if they reach normal retirement age while working for the Egg.

Plan Description – Medical and Prescription Drug benefits are provided through the New York State Health Insurance Program (NYSHIP).

Funding Policy – Health insurance premiums for retired employees are equal to the premiums charged for active employees. The Egg pays a portion of the premium for medical coverage for the employee and spouse for the lifetimes for the employee and spouse based on the plan chosen by the employee.

See independent auditors' report

GOVERNOR NELSON A. ROCKEFELLER EMPIRE STATE PLAZA  
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 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**8. Other Postemployment Benefits (Continued):**

Annual OPEB – The Egg’s annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.” The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period of thirty years. The following table shows the components of the Egg’s annual OPEB cost for 2015, the amount actually contributed to the plan, and changes in the Egg’s net OPEB obligation:

Annual required contribution	\$	132,936
Interest on net OPEB obligation		7,226
Adjustment to annual required contribution		<u>(12,043)</u>
Annual OPEB cost		128,119
Age Adjusted Contribution made		<u>(14,754)</u>
Increase in Net OPEB obligation		113,365
Net OPEB obligation - beginning of year		<u>361,304</u>
Net OPEB obligation - end of year	\$	<u><u>474,669</u></u>

The Egg’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Actual Contribution	Percentage of Annual OPEB Cost Contribution	Net OPEB Obligation
March 31, 2015	\$ 128,119	\$ 14,754	11.5%	\$ 474,669
March 31, 2014	128,819	76,322	59.2%	361,304
March 31, 2013	129,145	73,258	56.7%	308,807

Funded State of Funding Progress: As of March 31, 2015, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$1,019,223 all of which was unfunded.

GOVERNOR NELSON A. ROCKEFELLER EMPIRE STATE PLAZA  
 PERFORMING ARTS CENTER CORPORATION  
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 NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**8. Other Postemployment Benefits (Continued):**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The following schedule of funding progress presents information about the actuarial value of plan assets relative to the actuarial accrued liabilities for benefits.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (b)	Unfunded Accrued Liability (UAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAL as a Percentage of Covered Payroll ((b-a)/c)
March 31, 2015	\$ -	\$ 1,019,223	\$ 1,019,223	0%	\$ 370,813	274.86%

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing the benefit costs between the employer and plan members to that point. The actuarial methods and assumption used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the March 31, 2015 actuarial valuation, the entry age actuarial cost method and the level percentage of payroll amortization method were used. The actuarial assumptions included a 2% baseline discount rate. The 2% baseline discount rate assumes the benefits are not prefunded, so the discount rate is based on the expected earnings of the Egg's general fund. The UAL and ARC were calculated using the alternative measurement method in accordance with GASB methodology. The UAL's amortization technique produces annual payments that are designed to increase over time as payroll grows. The Company has selected a 30 year open amortization period, which is permitted by GASB Statement 45.



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of the  
Governor Nelson A. Rockefeller Empire State Plaza Performing Arts Center Corporation

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Governor Nelson A. Rockefeller Empire State Plaza Performing Arts Center Corporation as of and for the year ended March 31, 2015, and the related notes to the financial statements, which collectively comprise Governor Nelson A. Rockefeller Empire State Plaza Performing Arts Center Corporation's basic financial statements, and have issued our report thereon dated June 25, 2015.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Governor Nelson A. Rockefeller Empire State Plaza Performing Arts Center Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Governor Nelson A. Rockefeller Empire State Plaza Performing Arts Center Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of Governor Nelson A. Rockefeller Empire State Plaza Performing Arts Center Corporation's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control that we consider to be a material weakness.

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A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness (2015-1).

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Governor Nelson A. Rockefeller Empire State Plaza Performing Arts Center Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management of Governor Nelson A. Rockefeller Empire State Plaza Performing Arts Center Corporation in a separate letter dated June 25, 2015.

### **Governor Nelson A. Rockefeller Empire State Plaza Performing Arts Center Corporation's Response to Findings**

Governor Nelson A. Rockefeller Empire State Plaza Performing Arts Center Corporation's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. Governor Nelson A. Rockefeller Empire State Plaza Performing Arts Center Corporation's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

*Pattison, Koskey, Howe & Bucci, CPAs, P.C.*

Valatie, New York  
June 25, 2015

GOVERNOR NELSON A. ROCKEFELLER EMPIRE STATE PLAZA  
PERFORMING ARTS CENTER CORPORATION  
(An Enterprise Fund of the State of New York)  
SCHEDULE OF FINDINGS AND RESPONSES

**Finding 2015-1**

**Material Weakness in Internal Control Over Financial Reporting – Recording Pension Deficiency Costs**

Criteria: Long-term debt issued in prior years to fund a pension deficiency has not been recorded by the Egg when the notes were issued and expenditure incurred.

Condition: During the audit, a prior period adjustment was required to restate the net position of the Egg and to properly record the liability owed as of and for the year ended March 31, 2015.

Cause: The Egg's management has consistently expensed the annual pension charge. The component of the annual payment related to prior years was not identified.

Effect: A material adjustment was required as part of the audit to record the pension deficiency costs of \$151,043. The net position of the Egg has been misstated in prior years due to the error and the recording of this cost decreased net position.

Managements Response: Management agrees that the entry should be posted and that the pension deficiency costs warrant the restatement of the prior period's net position.

See independent auditors' report