

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

**BOARD REPORTS  
(and Report of Independent Accountants)**

**March 31, 2013 and 2012**

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**Exhibit II – Communication with Audit Committee**

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# **EXHIBIT I**

**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 Accountants)**

**March 31, 2013 and 2012**

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

**FINANCIAL STATEMENTS**

**March 31, 2013 and 2012**

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PRYBA, TOBIN & ASSOCIATES, PC  
Certified Public Accountants

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Robert A. Pryba Jr., CPA  
Michael A. Tobin II, CPA

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Governor Nelson A. Rockefeller Empire State Plaza Performing Arts Center Corporation (The Egg), a New York Public Benefit Corporation and an Enterprise Fund of the State of New York, which comprise the statements of net assets as of March 31, 2013 and 2012, and the related statements of revenues, expenses, and changes in net assets, 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

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 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, 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.

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 financial position of the Governor Nelson A. Rockefeller Empire State Plaza Performing Arts Center Corporation as of March 31, 2013 and 2012, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2013, on our consideration of The Egg'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 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* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 6 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

***Pryba, Tobin & Associates, C.P.A.'s, P.C.***

Latham, New York  
June 28, 2013

## **Management Discussion and Analysis**

The Governor Nelson A. Rockefeller Empire State Plaza Performing Arts Center Corporation, hereafter referred to as “The Egg”, is pleased to present its 2013 Annual Financial Report developed in compliance with the Statement of Governmental Standard No. 34 (GASB34) and related standards.

### **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 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 Egg in conformity with the accounting principles generally accepted in the United States of America.

### **Audit Assurance**

The unmodified (i.e. clean) opinion of our independent external auditors, Pryba, Tobin & Associates, 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 ending March 31, 2013. This information should be read in conjunction with the financial statements.

### **Financial Highlights**

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

- The Center’s staff has continued to work to adjust to the significant decrease in funding from New York State by streamlining operations, seeking corporate and foundation support and identifying new, alternate sources of revenue, including: launching a touring program, which was inaugurated with the NY BANJO concert tour; first-time support from Price Chopper Supermarket for its “Family Wonders” program, to supplement funding from Stewart’s Shops and CDPHP; funds from the National Dance Project, Mid-Atlantic Arts Foundation and Union College to support dance programming.
- The Center continued its work as the administrative arm of the New York State Presenters Network, which serves presenters and performing artists across the State of New York – an expanding its role to administer the grant funding programs “Presenter/Artist Partnership Project” as well as hosting two conferences at The Egg.

## **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 assets 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 and expenses. 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.

## **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.

## General Authority Data

The Egg hosted more than 150 events during its 2012-13 season with more than 70,000 people attending.

## Financial Analysis

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

### Condensed Statement of Net Assets

	<u>2013</u>	<u>2012</u>	<u>\$ Change</u>	<u>% Change</u>
<b>ASSETS</b>				
Current assets	\$ 646,222	\$ 562,635	\$ 83,587	15
Equipment, net	<u>7,443</u>	<u>11,277</u>	<u>(3,834)</u>	<u>(34)</u>
Total assets	<u>\$ 653,665</u>	<u>\$ 573,912</u>	<u>\$ 79,753</u>	<u>14</u>
<b>LIABILITIES AND NET ASSETS</b>				
Current liabilities	<u>\$ 593,059</u>	<u>\$ 513,306</u>	<u>\$ 79,753</u>	<u>16</u>
<b>NON-CURRENT LIABILITIES</b>				
Other postretirement benefits	<u>308,807</u>	<u>252,920</u>	<u>55,887</u>	<u>22</u>
Net assets				
Invested in capital assets	7,443	11,277	(3,834)	(34)
Unrestricted	<u>(255,644)</u>	<u>(203,591)</u>	<u>(52,053)</u>	<u>26</u>
Total net assets	<u>(248,201)</u>	<u>(192,314)</u>	<u>(55,887)</u>	<u>29</u>
Total liabilities and net assets	<u>\$ 653,665</u>	<u>\$ 573,912</u>	<u>\$ 79,753</u>	<u>14</u>

### Condensed Statements of Revenues, Expenses and Changes in Net Assets

	<u>2013</u>	<u>2012</u>	<u>\$ Change</u>	<u>% Change</u>
Operating revenue	\$ 1,550,521	\$ 1,535,937	\$ 14,584	1
Non-operating revenue	<u>3,112</u>	<u>2,340</u>	<u>772</u>	<u>33</u>
Total revenues	<u>1,553,633</u>	<u>1,538,277</u>	<u>15,356</u>	<u>1</u>
Depreciation expense	6,907	13,075	(6,168)	(47)
Other operating expense	<u>1,602,613</u>	<u>1,701,899</u>	<u>(99,286)</u>	<u>(6)</u>
Total expenses	<u>1,609,520</u>	<u>1,714,974</u>	<u>(105,454)</u>	<u>(6)</u>
Change in net assets	(55,887)	(176,697)	120,810	68
Net assets, beginning of year	<u>(192,314)</u>	<u>(15,617)</u>	<u>(176,697)</u>	<u>(50)</u>
Net assets, end of year	<u>\$ (248,201)</u>	<u>\$ (192,314)</u>	<u>\$ (55,887)</u>	<u>(111)</u>

## **Financial Condition**

In recent fiscal years, The Egg had generated operating surpluses and had erased a substantial negative fund balance. The last four seasons have proved challenging to the arts industry as a whole. With a fledgling national economy (which precipitated a dip in attendance), and a cut in funding from the State of New York, The Egg was not immune.

During the current fiscal year, the Egg has rebounded from the financial operating losses experienced in the last four seasons to successfully generate the income necessary to offset general operating expenses in 2012-13. The organization has accomplished this through the careful management of its programs and operations, and continues to seek and generate alternate sources of revenue to fund its activities.

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.

## **Long Term Obligations**

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

The Egg has recorded a long-term obligation for other postretirement benefits.

## **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).

## **Principal Officials**

The Egg's Board of Directors is as follows:

<u>Name</u>	<u>Appointed by</u>
RoAnne Destito	OGS Commissioner
Anthony Esposito	Governor
Sharon Bright Holub	County Executive
Chuck Liddle	Governor
Brian Petraitis, Acting Chair	Speaker of the Assembly
James 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

**GOVERNOR NELSON A. ROCKEFELLER EMPIRE STATE PLAZA PERFORMING  
ARTS CENTER CORPORATION**

**STATEMENTS OF NET ASSETS**  
March 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 568,269	\$ 512,637
Cash - Agency funds held		11,607
Accounts receivable	35,652	13,454
Accounts receivable - Agency	12,504	
Prepaid expenses	29,797	24,937
Total current assets	<u>646,222</u>	<u>562,635</u>
 EQUIPMENT, net	 <u>7,443</u>	 <u>11,277</u>
	<u>\$ 653,665</u>	<u>\$ 573,912</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 374,680	\$ 271,812
Agency funds payable		11,607
Deferred revenue	88,650	69,950
Vendor tickets payable	129,729	159,937
Total current liabilities	<u>593,059</u>	<u>513,306</u>
 NON-CURRENT LIABILITIES		
Other postretirement benefits	<u>308,807</u>	<u>252,920</u>
 NET ASSETS		
Investment in capital assets	7,443	11,277
Unrestricted	<u>(255,644)</u>	<u>(203,591)</u>
	<u>(248,201)</u>	<u>(192,314)</u>
	<u>\$ 653,665</u>	<u>\$ 573,912</u>

See notes to financial statements.

**GOVERNOR NELSON A. ROCKEFELLER EMPIRE STATE PLAZA PERFORMING  
ARTS CENTER CORPORATION**

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
Years Ended March 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Operating Revenues		
Ticket sales	\$ 744,988	\$ 768,018
Rental, concession, and other operating revenue	467,429	438,071
Corporate and foundation grants	34,978	31,090
Individual contributions	71,542	77,290
State appropriations	220,000	220,000
Special event, net of expenses of \$201,943	14,138	
Fundraising		3,353
Total operating revenues	<u>1,553,075</u>	<u>1,537,822</u>
Operating Expenses		
Performance costs		
Programming	486,536	594,510
Marketing	26,421	38,348
Front of house	4,499	4,749
Production	85,094	84,764
	<u>602,550</u>	<u>722,371</u>
Management and general		
Salaries and wages	499,785	497,966
Payroll taxes	50,748	50,760
Depreciation	6,907	13,075
Employee benefits	159,364	133,145
General and administrative	105,509	126,090
Insurance	29,899	33,127
Maintenance	97,850	97,850
Travel and entertainment	1,021	575
	<u>951,083</u>	<u>952,588</u>
Total operating expenses	<u>1,553,633</u>	<u>1,674,959</u>
Operating loss before other postretirement benefits	(558)	(137,137)
Other postretirement benefits (Note 7)	<u>55,887</u>	<u>40,015</u>
Operating loss	<u>(56,445)</u>	<u>(177,152)</u>
Nonoperating Revenues		
Interest earnings	<u>558</u>	<u>455</u>
Change in net assets	(55,887)	(176,697)
Net Assets, beginning of year	<u>(192,314)</u>	<u>(15,617)</u>
Net Assets, end of year	<u>\$ (248,201)</u>	<u>\$ (192,314)</u>

See notes to financial statements.

**GOVERNOR NELSON A. ROCKEFELLER EMPIRE STATE PLAZA PERFORMING  
ARTS CENTER CORPORATION**

**STATEMENTS OF CASH FLOWS**  
Years Ended March 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from customers	\$ 1,222,482	\$ 1,183,345
Received from grants and contributions	107,096	103,511
Received from State appropriations	220,000	220,000
Paid to suppliers and vendors for goods and services	(762,054)	(743,972)
Paid to employees for services, including benefits	(716,873)	(688,290)
Payments made/collected on behalf of Agency	(12,504)	
Net cash provided by operating activities	<u>58,147</u>	<u>74,593</u>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Acquisition of capital assets	<u>(3,073)</u>	<u>(7,546)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest income	<u>558</u>	<u>455</u>
Net cash from investing activities	<u>558</u>	<u>455</u>
 Net increase in cash	55,632	67,502
 Cash, beginning of year	<u>512,637</u>	<u>445,135</u>
 Cash, end of year	<u>\$ 568,269</u>	<u>\$ 512,637</u>
 <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Operating loss	\$ (56,445)	\$ (177,152)
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation	6,907	13,075
(Increase) decrease in operating assets and increase (decrease) in operating liabilities		
Accounts receivable	(22,198)	3,213
Accounts receivable - Agency	(12,504)	
Prepaid expenses and other current assets	(4,860)	43,503
Accounts payable and accrued expenses	102,868	93,558
Deferred revenue	18,700	(34,180)
Vendor ticket payable	(30,208)	92,561
Other postretirement benefits	55,887	40,015
Net cash provided by operating activities	<u>\$ 58,147</u>	<u>\$ 74,593</u>

See notes to financial statements.

**GOVERNOR NELSON A. ROCKEFELLER EMPIRE STATE PLAZA PERFORMING  
ARTS CENTER CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

March 31, 2013 and 2012

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1. Summary of Significant Accounting Policies

Organization:

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 theater 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.

Accounting Method:

The Egg's financial statements are prepared using the accrual basis in accordance with accounting principles generally accepted in the United States of America for public authorities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The accounting and financial reporting treatment applied to The Egg is determined by its measurement focus. The transactions of The Egg are accounted for on a flow of economic resources measurement focus. With the measurement focus, all assets and liabilities associated with the operations are included on the statements of net assets. Net assets (i.e., total assets net of total liabilities) are segregated into restricted and unrestricted components.

In preparing the financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents:

Cash and cash equivalents includes all short-term investments with an original maturity of three months or less.

Agency Funds:

The Egg is the fiscal agent for the New York State Presenters Network.

**GOVERNOR NELSON A. ROCKEFELLER EMPIRE STATE PLAZA PERFORMING  
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**NOTES TO FINANCIAL STATEMENTS, continued**  
March 31, 2013 and 2012

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1. Summary of Significant Accounting Policies, continued

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 on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. The allowance for doubtful accounts was \$0 at March 31, 2013 and 2012, respectively. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivables previously written off are recorded when received.

An account receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 90 days. The Egg generally does not charge interest on any past due receivables.

Equipment:

Equipment is recorded at cost, except for contributed equipment, which is recorded at fair market value. Expenditures for acquisitions, renewals, and betterments are capitalized, whereas maintenance and repair costs are expensed as incurred. When 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.

Depreciation is provided for in amounts to relate the cost of the assets to operations over their estimated useful lives, using the straight-line method. The estimated useful lives used in determining depreciation of equipment vary from three to twenty-five years.

Deferred Revenue:

The Egg receives ticket and rental revenues throughout the year. Revenues received for future performances or for future lease periods are deferred, and revenue is recognized in the period which the performance or event occurs.

Income Taxes:

The Egg is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable New York State Law. Contributions received are tax deductible to the donor within limitations prescribed by 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.

Advertising:

Advertising costs are expensed when incurred. Advertising costs amounted to \$26,421 and \$38,348 for the years ended March 31, 2013 and 2012, respectively.

Reclassification:

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation of the current year financial statements. These reclassifications had no impact on previously reported net assets.

**GOVERNOR NELSON A. ROCKEFELLER EMPIRE STATE PLAZA PERFORMING  
ARTS CENTER CORPORATION**

**NOTES TO FINANCIAL STATEMENTS, continued**  
March 31, 2013 and 2012

2. Cash and Cash Equivalents

The Egg's deposits are categorized to give an indication of the level of risk assumed by The Egg at fiscal year end. The categories are described as follows:

- Category 1      Insured or collateralized with securities held for The Egg by its agent in The Egg's name.
- Category 2      Collateralized with securities held for the pledging financial institution's trust department or agent in The Egg's name.
- Category 3      Uncollateralized.

	March 31, 2013				<u>Carrying Amount</u>
	<u>Bank Balance</u>	Category			
		<u>1</u>	<u>2</u>	<u>3</u>	
Demand deposits	\$ 623,651	(1) \$ 377,457	\$	\$ 246,193	\$ 566,619
Petty cash on hand					950
Undeposited funds					700
	<u>\$ 623,651</u>	<u>\$ 377,457</u>	<u>\$</u>	<u>\$ 246,193</u>	<u>\$ 568,269</u>

(1) Exclusive of agency cash

	March 31, 2012				<u>Carrying Amount</u>
	<u>Bank Balance</u>	Category			
		<u>1</u>	<u>2</u>	<u>3</u>	
Demand deposits	\$ 536,855	(1) \$ 332,023	\$	\$ 204,832	\$ 510,941
Petty cash on hand					950
Undeposited funds					746
	<u>\$ 536,855</u>	<u>\$ 332,023</u>	<u>\$</u>	<u>\$ 204,832</u>	<u>\$ 512,637</u>

(1) Exclusive of agency cash

**GOVERNOR NELSON A. ROCKEFELLER EMPIRE STATE PLAZA PERFORMING  
ARTS CENTER CORPORATION**

**NOTES TO FINANCIAL STATEMENTS, continued**  
March 31, 2013 and 2012

3. Equipment

Equipment, net, consists of the following:

	April 1, <u>2012</u>	<u>Additions</u>	<u>Deletions</u>	March 31, <u>2013</u>
Furniture and fixtures	\$ 11,160	\$	\$	\$ 11,160
Office equipment	10,770			10,770
Computer equipment	39,022			39,022
Theater equipment	108,214	3,073		111,287
	<u>169,166</u>	<u>3,073</u>		<u>172,239</u>
Less accumulated depreciation	<u>157,889</u>	<u>6,907</u>		<u>164,796</u>
Equipment, net	<u>\$ 11,277</u>	<u>\$ (3,834)</u>	<u>\$</u>	<u>\$ 7,443</u>
	April 1, <u>2011</u>	<u>Additions</u>	<u>Deletions</u>	March 31, <u>2012</u>
Furniture and fixtures	\$ 4,160	\$ 7,000	\$	\$ 11,160
Office equipment	10,770			10,770
Computer equipment	38,476	546		39,022
Theater equipment	108,214			108,214
	<u>161,620</u>	<u>7,546</u>		<u>169,166</u>
Less accumulated depreciation	<u>144,814</u>	<u>13,075</u>		<u>157,889</u>
Equipment, net	<u>\$ 16,806</u>	<u>\$ (5,529)</u>	<u>\$</u>	<u>\$ 11,277</u>

4. Facility Rental

The Egg rents the performing arts facility to outside parties for events, other than performances, which include award ceremonies, meetings, and luncheons. Included in rental, concession, and other operating revenue is \$163,475 and \$162,695, representing rental revenue earned during the years ended March 31, 2013 and 2012, respectively.

**GOVERNOR NELSON A. ROCKEFELLER EMPIRE STATE PLAZA PERFORMING  
ARTS CENTER CORPORATION**

**NOTES TO FINANCIAL STATEMENTS, continued**  
March 31, 2013 and 2012

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5. 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 \$97,850 for each of the years ended March 31, 2013 and 2012. The balance owed to OGS was \$287,700 and \$189,850 at March 31, 2013 and 2012, respectively.

6. Pension Plan

The Egg participates in the New York State and Local Employees' Retirement System (System). This is a cost-sharing multiple-employer 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 (Comptroller) serves as sole trustee and administrative head of the System. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the System and for the custody and control 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:

2013	\$	74,435
2013		73,259
2012		49,070

The Egg's contributions, made to the System, were equal to 100% of the contributions required for each year.

**GOVERNOR NELSON A. ROCKEFELLER EMPIRE STATE PLAZA PERFORMING  
ARTS CENTER CORPORATION**

**NOTES TO FINANCIAL STATEMENTS, continued**  
March 31, 2013 and 2012

7. Other Postemployment Benefits

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 of the employee and spouse based on the plan chosen by the employee.

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 2013 and 2012, the amount actually contributed to the plan, and changes in The Egg’s net OPEB obligation:

	2013	2012
Annual required contribution	\$ 132,517	\$ 126,929
Interest on net OPEB obligation	5,059	4,258
Adjustment to annual required contribution	(8,431)	(7,097)
Annual OPEB cost	129,145	124,090
Age Adjusted Contribution made	(73,258)	(84,075)
Increase in net OPEB obligation	55,887	40,015
Net OPEB obligation - beginning of year	252,920	212,905
Net OPEB obligation - end of year	\$ 308,807	\$ 252,920

**GOVERNOR NELSON A. ROCKEFELLER EMPIRE STATE PLAZA PERFORMING  
ARTS CENTER CORPORATION**

**NOTES TO FINANCIAL STATEMENTS, continued**  
March 31, 2013 and 2012

7. Other Postemployment Benefits, continued

The Egg's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 and 2012 were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Contribution</u>	<u>Percentage of Annual OPEB Cost Contribution</u>	<u>NET OPEB Obligation</u>
3/31/2013	\$ 55,887	\$	0%	\$ 308,807
3/31/2012	\$ 40,015	\$	0%	\$ 252,920
3/31/2011	\$ 105,738	\$	0%	\$ 212,905

Funded Status and Funding Progress: As of March 31, 2013, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$1,011,441 all of which was unfunded.

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 the 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.

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Accrued Liability (b)</u>	<u>Unfunded Accrued Liability (UAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAL as a Percentage of Covered Payroll ((b-a)/c)</u>
3/31/2013	\$	\$ 1,011,441	\$ 1,011,441	0.00%	\$ 331,363	305.24%

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 assumptions 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, 2013 actuarial valuation, the entry age actuarial cost method and the level percentage of payroll amortization method was 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.

**GOVERNOR NELSON A. ROCKEFELLER EMPIRE STATE PLAZA PERFORMING  
ARTS CENTER CORPORATION**

**NOTES TO FINANCIAL STATEMENTS, continued**  
March 31, 2013 and 2012

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8. Significant Revenue Sources

Approximately 13% and 14% of The Egg's revenue was received from New York State during the years ended March 31, 2013 and 2012 respectively. No other unearned revenue source accounted for more than 7% of revenue during the years ended March 31, 2013 and 2012.

9. Subsequent Events

In accordance with FASB ASC 855, Subsequent Events, the Company has evaluated events and transactions that have occurred between March 31, 2013 and June 28, 2013, which is the date the financial statements were available to be issued, for possible disclosures and recognition in the financial statements. There were no material subsequent events that required recognition or additional disclosures in these financial statements.

## **EXHIBIT II**

June 28, 2013



PRYBA, TOBIN & ASSOCIATES, PC  
Certified Public Accountants

To the Board of Directors  
Governor Nelson A. Rockefeller  
Empire State Plaza Performing Arts Center Corporation  
Empire State Plaza  
Albany, NY 12220

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Robert A. Pryba Jr., CPA  
Michael A. Tobin II, CPA

Dear Members of the Committee:

We have audited the financial statements of the Governor Nelson A. Rockefeller Empire State Plaza Performing Arts Center Corporation ("The Egg") for the year ended March 31, 2013, and have issued our report thereon dated June 28, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and Government Auditing Standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated June 5, 2013. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by The Egg are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2013. We noted no transactions entered into by The Egg during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There are no sensitive estimates affecting the financial statements.

##### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

##### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated June 28, 2013.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of the Governor Nelson A. Rockefeller Empire State Plaza Performing Arts Center Corporation and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

***Pryba, Tobin & Associates, C.P.A.'s, P.C.***

## **EXHIBIT III**

**GOVERNOR NELSON A. ROCKEFELLER EMPIRE STATE PLAZA  
PERFORMING ARTS CENTER CORPORATION**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE**

**Year Ended March 31, 2013**



ASSOCIATES

PRYBA, TOBIN & ASSOCIATES, PC  
Certified Public Accountants

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Robert A. Pryba Jr., CPA  
Michael A. Tobin II, CPA

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

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

We have audited the financial statements of the Governor Nelson A. Rockefeller Empire State Plaza Performing Arts Center Corporation (The Egg) as of and for the year ended March 31, 2013, and have issued our report thereon dated June 28, 2013. 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.

Internal Control over Financial Reporting

Management of the Egg is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Egg's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Egg's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Egg's internal control over financial reporting.

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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the accompanying Exhibit IV that we consider to be a significant deficiency in internal control over financial reporting. 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.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Egg's financial statements are free of 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 an instance of noncompliance or other matters that are required to be reported under Government Auditing Standards which is described in the accompanying Exhibit IV.

This report is intended solely for the information and use of the Board of Directors, management and the Office of the State Comptroller, and is not intended to be and should not be used by anyone other than these specified parties.

***Pryba, Tobin & Associates, C.P.A.'s, P.C.***

Latham, New York  
June 28, 2013

**EXHIBIT IV**



ASSOCIATES

PRYBA, TOBIN & ASSOCIATES, PC  
Certified Public Accountants

INDEPENDENT ACCOUNTANTS' COMMUNICATION  
OF SIGNIFICANT DEFICIENCIES

Robert A. Pryba Jr., CPA  
Michael A. Tobin II, CPA

Board of Directors  
Governor Nelson A. Rockefeller Empire State  
Plaza Performing Arts Center Corporation  
P.O. Box 2065  
Albany, NY 12220

In planning and performing our audit of the financial statements of Governor Nelson A. Rockefeller Empire State Plaza Performing Arts Center Corporation (The Egg) as of and for the year ended March 31, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered The Egg's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Egg's internal control. Accordingly, we do not express an opinion on the effectiveness of The Egg's internal control.

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

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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. We consider the following deficiencies in The Egg's internal control to be significant deficiencies:

## **Financial Reporting**

### Finding

It has been past practice to include the auditor's knowledge and experience as part of the financial statement preparation process. This has been done as a cost-saving measure and as a matter of convenience. It should not be done, however, as a substitute for your own controls over financial statement presentation.

Although The Egg has competent people working in the accounting department performing the duties as directed by the Board of Directors, they do not have sufficient expertise and time to prepare such statements and be up to date on Generally Accepted Accounting Principles. This is consistent with the operations of other organizations similar to The Egg.

### Recommendation

We suggest regular communications between our Firm and the Board and management to keep The Egg aware of required financial reporting and disclosures and changes to Generally Accepted Accounting Principles. This would enable the accounting department staff to assist in the year-end financial reporting process.

This communication is intended solely for the information and use of the Board of Directors and management and is not intended to be, and should not be, used by anyone other than these specified parties.

***Pryba, Tobin & Associates, C.P.A.'s, P.C.***

Latham, New York  
June 28, 2013

**EXHIBIT V**

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

**MANAGEMENT LETTER COMMENTS**

**Year Ended March 31, 2013**



ASSOCIATES

PRYBA, TOBIN & ASSOCIATES, PC  
Certified Public Accountants

June 28, 2013, 2013

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Robert A. Pryba Jr., CPA  
Michael A. Tobin II, CPA

To the Board of Directors  
Governor Nelson A. Rockefeller  
Empire State Plaza Performing Arts Center Corporation  
Empire State Plaza  
P.O. Box 2065  
Albany, New York 12220

In planning and performing our audit of the financial statements of the Governor Nelson A. Rockefeller Empire State Plaza Performing Arts Center Corporation (The Egg) as of and for the year ended March 31, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the Governor Nelson A. Rockefeller Empire State Plaza Performing Arts Center Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Egg's internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated June 28, 2013, on the financial statements of the Governor Nelson A. Rockefeller Empire State Plaza Performing Arts Center Corporation.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with the Egg's personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Sincerely,

***Pryba, Tobin & Associates, C.P.A.'s, P.C.***

## **I. Resolution of Prior Year Comments**

### **1. Accounting for Payroll Accrual**

Comment: It was noted that the year-end payroll accrual had not been properly accrued by as much as a pay period on a recurring basis. While it is clear that management is knowledgeable on the matter, the adjustment is material to the financial statements and more care should be taken to ensure that the correct amount is accrued.

Response: We noted that management has corrected this issue and the current year payroll was properly accrued.

### **2. Accounting for Vacation Accrual**

Comment: See current year Comment II.

## **II. Accounting for Vacation Accrual**

It was noted that vacation time for each eligible employee is recorded on the Company's books at the maximum 225 hours allowed to be paid out in the event of separation of service. In reviewing the employee handbook it was noted that the rate of vacation accrual recorded may not accurately follow the vacation time build up as described in the handbook. In addition the employee handbook policy states that without an approved extension, accrued vacation time becomes forfeited on the first day of each new fiscal year. We recommend that this issue be brought forward and reviewed to the personnel committee for their comment and/or correction.

## **III. Cash: Agency Funds**

The Egg is the fiscal agent for the New York State Presenters Network (the "Network"). Currently, all the receipts and disbursements for the Network are being transacted through the Egg's operating cash account. Although these funds are being segregated in the Egg's accounting records, we recommend establishing a separate bank account for the Network with the Egg as fiscal agent. The bank account should be clearly identified as Agency funds held for the Network. This would prevent the commingling of the Network funds with those of the Egg thereby providing a better trail to clearly identify the Network's funds and the related receipts and disbursements.