

The Purple Rose Theatre Company

Financial Statements
And Independent Auditors' Report

Years Ended August 31, 2019 and 2018

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WILLIS & JURASEK
CPAS AND CONSULTANTS

Independent Auditors' Report

Board of Directors
The Purple Rose Theatre Company
Chelsea, Michigan

We have audited the accompanying financial statements of The Purple Rose Theatre Company (a nonprofit organization) which comprise the statements of financial position as of August 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditors' 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 auditors consider 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 Purple Rose Theatre Company as of August 31, 2019 and 2018, 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.

Willis & Jurasek, P.C.

Willis & Jurasek, P.C.

February 5, 2020

The Purple Rose Theatre Company

Statements of Financial Position

August 31, 2019 and 2018

Assets

	2019	2018
Current Assets:		
Cash and cash equivalents	\$ 266,972	\$ 673,086
Restricted cash and cash equivalents	766,777	490,440
Receivables - current	473,985	797,252
Inventory	3,635	5,716
Prepaid expenses	64,163	78,161
Total current assets	1,575,532	2,044,655
Property and Equipment:		
Land	100,000	100,000
Building and improvements	2,782,027	2,673,942
Furniture, fixtures and office equipment	80,932	71,567
Theatre and shop equipment	172,194	150,590
Vehicles	38,117	38,117
	3,173,270	3,034,216
Less: accumulated depreciation	1,273,598	1,177,786
Net property and equipment	1,899,672	1,856,430
Other Assets:		
Investments	1,055,309	271,286
Pledges receivable - long-term, net of unamortized discount	381,678	852,183
Beneficial interest in assets held at community foundation	298,397	306,361
Total other assets	1,735,384	1,429,830
	\$ 5,210,588	\$ 5,330,915

Liabilities and Net Assets

Current Liabilities:		
Accounts payable	\$ 18,100	\$ 25,206
Accrued expenses	28,823	18,906
Deferred revenue	192,004	201,492
Total current liabilities	238,927	245,604
Net Assets:		
Without donor restrictions	3,041,736	2,608,826
With donor restrictions	1,929,925	2,476,485
Total net assets	4,971,661	5,085,311
	\$ 5,210,588	\$ 5,330,915

See Notes to Financial Statements.

The Purple Rose Theatre Company

Statements of Activities

Years Ended August 31, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue:						
Public Support:						
Contributions and benefit income	\$ 335,756	\$ 518,894	\$ 854,650	\$ 896,906	\$ 1,115,878	\$ 2,012,784
In-kind contributions	25,892	-	25,892	36,324	-	36,324
Net assets released from restrictions	1,057,490	(1,057,490)	-	680,661	(680,661)	-
Total public support	<u>1,419,138</u>	<u>(538,596)</u>	<u>880,542</u>	<u>1,613,891</u>	<u>435,217</u>	<u>2,049,108</u>
Revenue:						
Ticket and program	1,238,638	-	1,238,638	1,296,063	-	1,296,063
Education outreach	28,397	-	28,397	26,697	-	26,697
Miscellaneous	30,044	-	30,044	507	-	507
Total revenue	<u>1,297,079</u>	<u>-</u>	<u>1,297,079</u>	<u>1,323,267</u>	<u>-</u>	<u>1,323,267</u>
Total public support and revenue	<u>2,716,217</u>	<u>(538,596)</u>	<u>2,177,621</u>	<u>2,937,158</u>	<u>435,217</u>	<u>3,372,375</u>
Expenses:						
Program Services:						
Production	1,577,228	-	1,577,228	1,566,221	-	1,566,221
Education outreach	144,493	-	144,493	136,995	-	136,995
Total program services	<u>1,721,721</u>	<u>-</u>	<u>1,721,721</u>	<u>1,703,216</u>	<u>-</u>	<u>1,703,216</u>
Support Services:						
General and administrative	261,718	-	261,718	216,461	-	216,461
Development and special events	378,562	-	378,562	378,238	-	378,238
Total support services	<u>640,280</u>	<u>-</u>	<u>640,280</u>	<u>594,699</u>	<u>-</u>	<u>594,699</u>
Total expenses	<u>2,362,001</u>	<u>-</u>	<u>2,362,001</u>	<u>2,297,915</u>	<u>-</u>	<u>2,297,915</u>
Changes in Net Assets from Operating Activities	<u>354,216</u>	<u>(538,596)</u>	<u>(184,380)</u>	<u>639,243</u>	<u>435,217</u>	<u>1,074,460</u>
Other Income (Expense):						
Investment income	78,694	(7,964)	70,730	14,323	-	14,323
Total other income (expense)	<u>78,694</u>	<u>(7,964)</u>	<u>70,730</u>	<u>14,323</u>	<u>-</u>	<u>14,323</u>
Changes in Net Assets	432,910	(546,560)	(113,650)	653,566	435,217	1,088,783
Net Assets - Beginning of Year	<u>2,608,826</u>	<u>2,476,485</u>	<u>5,085,311</u>	<u>1,955,260</u>	<u>2,041,268</u>	<u>3,996,528</u>
Net Assets - End of Year	<u>\$ 3,041,736</u>	<u>\$ 1,929,925</u>	<u>\$ 4,971,661</u>	<u>\$ 2,608,826</u>	<u>\$ 2,476,485</u>	<u>\$ 5,085,311</u>

See Notes to Financial Statements.

The Purple Rose Theatre Company

Statement of Functional Expenses

Year Ended August 31, 2019

	<u>Program Services</u>		<u>Supporting Services</u>		<u>2019 Total</u>
	<u>Production</u>	<u>Education Outreach</u>	<u>General & Administrative</u>	<u>Development & Special Events</u>	
Personnel (salaries, payroll taxes, and benefits)	\$ 828,503	\$ 93,781	\$ 149,053	\$ 206,205	\$ 1,277,542
Playwrights and royalties	97,011	-	-	-	97,011
Direct production costs, non-personnel	341,931	-	-	17,996	359,927
Direct education outreach expense	-	17,190	-	-	17,190
Professional fees	-	-	55,624	-	55,624
Supplies	9,798	2,181	4,537	2,301	18,817
Utilities	21,453	6,356	9,535	2,384	39,728
Telephone	9,269	1,717	4,120	2,060	17,166
Maintenance, repairs, and equipment rentals	20,251	1,368	2,052	513	24,184
Marketing, general development, and special events	154,444	-	-	136,239	290,683
Auto and travel	10,798	1,333	1,999	500	14,630
Depreciation and amortization	52,870	15,665	23,498	5,874	97,907
Other expenses	30,900	4,902	11,300	4,490	51,592
 Total	 <u>\$ 1,577,228</u>	 <u>\$ 144,493</u>	 <u>\$ 261,718</u>	 <u>\$ 378,562</u>	 <u>\$ 2,362,001</u>

See Notes to Financial Statements.

The Purple Rose Theatre Company

Statement of Funtional Expenses

Year Ended August 31, 2018

	<u>Program Services</u>		<u>Supporting Services</u>		<u>2018 Total</u>
	<u>Production</u>	<u>Education Outreach</u>	<u>General & Administrative</u>	<u>Development & Special Events</u>	
Personnel (salaries, payroll taxes, and benefits)	\$ 806,213	\$ 92,251	\$ 146,620	\$ 202,839	\$ 1,247,923
Playwrights and royalties	113,445	-	-	-	113,445
Direct production costs, non-personnel	342,193	-	-	18,010	360,203
Direct education outreach expense	-	13,378	-	-	13,378
Professional fees	-	-	17,031	-	17,031
Supplies	10,807	2,105	4,385	2,330	19,627
Utilities	21,230	6,291	9,436	2,359	39,316
Telephone	8,155	1,510	3,624	1,812	15,101
Maintenance, repairs, and equipment rentals	25,564	2,247	3,370	843	32,024
Marketing, general development, and special events	135,174	-	-	140,866	276,040
Auto and travel	12,757	1,338	2,007	502	16,604
Interest	-	-	230	-	230
Depreciation and amortization	47,976	14,215	21,323	5,331	88,845
Other expenses	42,707	3,660	8,435	3,346	58,148
	<u>\$ 1,566,221</u>	<u>\$ 136,995</u>	<u>\$ 216,461</u>	<u>\$ 378,238</u>	<u>\$ 2,297,915</u>
Total	<u>\$ 1,566,221</u>	<u>\$ 136,995</u>	<u>\$ 216,461</u>	<u>\$ 378,238</u>	<u>\$ 2,297,915</u>

See Notes to Financial Statements.

The Purple Rose Theatre Company

Statements of Cash Flows
Years Ended August 31, 2019 and 2018

	2019	2018
Cash Flows From Operating Activities:		
Change in net assets	\$ (113,650)	\$ 1,088,783
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	97,907	88,845
Pledge receivables discount to net present value	20,745	(5,621)
Loss (gain) on asset disposal	1,024	22,041
Inventory write off	-	20,374
Gift certificates write off	-	25,716
Realized (gain) loss on sale of investments	(15,189)	(1,647)
Unrealized (gain) loss on investments	(28,380)	(2,207)
In-kind contributions	(25,892)	(36,324)
In-kind expenses	25,892	36,324
Changes in assets and liabilities that provided (used) cash:		
Pledges receivable	786,477	(543,600)
Inventory	2,081	(302)
Prepaid expenses	13,998	(10,106)
Accounts payable	(7,106)	(2,044)
Accrued expenses	9,917	7,450
Deferred revenue	(9,488)	29,913
Total adjustments	871,986	(371,188)
Net cash provided (used) by operating activities	758,336	717,595
Cash Flows From Investing Activities:		
Purchase of fixed assets	(142,173)	(339,116)
Sale of investments	230,667	100,000
Purchase of investments	(976,607)	(1,527)
Net cash provided (used) by investing activities	(888,113)	(240,643)
Cash Flows From Financing Activities:		
Net proceeds on line of credit	-	(53,500)
Net cash provided (used) by financing activities	-	(53,500)
Increase (Decrease) in Cash and Cash Equivalents	(129,777)	423,452
Cash and Cash Equivalents - Beginning of Year	1,163,526	740,074
Cash and Cash Equivalents - End of Year	\$ 1,033,749	\$ 1,163,526
Cash as Reported on the Statement of Financial Position:		
Cash and cash equivalents	\$ 266,972	\$ 673,086
Restricted cash and cash equivalents	766,777	490,440
	\$ 1,033,749	\$ 1,163,526
Supplemental Information:		
Cash paid during the year for:		
Income taxes	\$ -	\$ -
Interest	\$ -	\$ 230

See Notes to Financial Statements.

The Purple Rose Theatre Company

Notes to Financial Statements

1. Nature of Business and Significant Accounting Policies

Nature of Activities

The Purple Rose Theatre Company (the "Theatre") was incorporated in Michigan in 1990 for the purpose of promoting interest in non-profit professional theatre. The Theatre furthers this purpose by performing plays primarily in Chelsea, Michigan, creating opportunities for Midwest theatre professionals, and participating in educational outreach programs in the lower mid-Michigan area. Substantial portions of the Theatre's revenues are received from general donations, grants and ticket sales.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Purple Rose Theatre Company has adjusted the presentation of these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

Prior Period Adjustment

The financial statements for the year ended August 31, 2018 have been restated to reflect the beneficial interest in assets held at community foundation. This correction increased other assets and net assets by \$306,361.

Basis of Accounting

The accompanying financial statements of the Theatre have been prepared on the accrual basis of accounting. Under this method, revenues are recognized when earned, and expenses are recognized when incurred.

Basis of Presentation

Financial statement presentation follows the standards set by the Financial Accounting Standards Board (FASB). These standards were updated August, 2016 with an effective date of January 1, 2018. According to these professional standards, net assets and revenues, and gains and losses, are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and the changes therein are classified as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

The Purple Rose Theatre Company

Notes to Financial Statements

1. Nature of Business and Significant Accounting Policies (Continued)

Measure of Operations

The Statements of Activities report all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's ongoing activities. Non-operating activities are limited to resources that generate return from investments, endowment contributions, financing costs, and other activities considered to be of a more unusual or nonrecurring nature.

Functional Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis and based on estimates of time and effort.

Fair Value of Financial Instruments

The Theatre applies generally accepted accounting principles (GAAP) for the fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis. GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP also establishes a framework for measuring fair value and expands disclosures about fair value measurements. Investments, including beneficial interest in assets held by community foundation, are reported under this framework (Note 2). Long-term pledge receivables have been adjusted to fair market value by discounting the value based upon estimated future cash flows (Note 3). The carrying value of cash and cash equivalents, restricted cash and cash equivalents, current receivables, inventory, prepaid expenses, and current liabilities, approximates fair value because of the short term maturities of these instruments.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, cash equivalents include time deposits, certificates of deposit, and all highly-liquid debt instruments with original maturities of three months or less. At times, the cash balances exceed FDIC insurance limits and the uninsured balances may be significant. At August 31, 2019 and 2018, the uninsured balances were approximately \$819,000 and \$690,000, respectively.

Restricted cash and cash equivalents consist of monies received but not yet spent for purposes intended per the donors. Restricted cash and cash equivalents as of each year end were as follows:

	<u>2019</u>	<u>2018</u>
Facilities upgrade	\$ 37,832	\$ 86,770
World Premiere Fund	220,490	145,415
Endowment	493,287	101,629
Rehearsal space	6,468	6,468
Next season sponsorships	8,700	-
Unspecified	-	150,158
	<u> </u>	<u> </u>
Total restricted cash and cash equivalents	<u>\$ 766,777</u>	<u>\$ 490,440</u>

The Purple Rose Theatre Company

Notes to Financial Statements

1. Nature of Business and Significant Accounting Policies (Continued)

Receivables

The Theatre holds various types of receivables including accounts receivable which consist of ticket sales for a show budgeted and performed in the fiscal year, but the monies were not actually received until after year-end; and contributions receivable (pledges, i.e. promises to give) which are recorded at fair value as revenue when pledged.

Pledges are recorded as revenues with donor restrictions in the year the pledge is received and released into net assets without donor restrictions as the pledge is paid unless restricted for a future specific use. Management reviews pledges receivable on a routine basis to determine collectability and has determined all pledges are collectable; thus no allowance for uncollectable pledges has been recorded. All long-term pledges receivable are due within one to five years (Note 3).

Inventory

Inventories are stated at cost (purchase price), determined by the first-in, first-out method. Inventory consists of various promotional items, such as shirts, hats and coffee mugs, as well as CDs and scripts.

Prepaid Expenses

Prepaid expenses generally consist of expenses incurred for next year productions.

Property and Equipment

Property and equipment acquisitions are accounted for at cost or if donated, are recorded at fair market value when received. Generally, the Theatre capitalizes all property and equipment with useful lives greater than one year. The Theatre does not have a policy for implying time restrictions on contributions of long-lived assets. Management annually reviews these assets to determine whether carrying values have been impaired. Depreciation is provided using the straight-line method over the estimated useful lives of the respective assets, which range from five to twenty years. Depreciation expense for the reported years was \$97,907 and \$88,845, respectively.

Investments

Investments are stated at fair value which is determined based upon market value at the end of the fiscal year. Investments with original maturity dates of one year or less are recorded as current assets, and those with original maturities of more than one year are recorded as other assets in the Statements of Financial Position. Fair value measurements of investments are disclosed in Note 2.

Beneficial Interest in Assets Held by Community Foundation

The Theatre has transferred assets to a local community foundation, Community Foundation for Southeast Michigan, to set aside assets to provide for future investment income to assist in funding the operations on an ongoing basis. The assets are reported at fair value (see Note 2) and income net of fees including market value fluctuations, have been recorded annually. Variance power has been granted to the foundation; variance power focuses primarily on how income is distributed and how funds are to be handled if the Theatre should cease to exist. For 2019 and 2018, respectively, the Theatre has received approximately \$13,500 annually. The amounts held at year end as beneficial interest assets, at fair value, total \$298,397 and \$306,361, respectively.

The Purple Rose Theatre Company

Notes to Financial Statements

1. Nature of Business and Significant Accounting Policies (Continued)

Contributions and Other Support

The Theatre accounts for contributions as required by the Not-For-Profit Topic of the Financial Accounting Standards Board Accounting Standards Codification. In accordance with this guidance, unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support.

Contributed Goods and Services

During the year, contributed goods and services meeting the requirements for recognition in the financial statements, including props, set dressings, costumes, royalties, and fixed assets, have been recorded at the fair value of the donations received. Total value of donated goods and services included in expenses and fixed assets were approximately \$26,000 and \$36,000, for each year-end, respectively.

Income Tax Status

The Theatre is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. The Theatre is subject to taxation on "unrelated business income" resulting from the sale of inventory. Federal income tax expense was \$0 for both years.

Professional standards require an analysis of uncertain tax positions for the purpose of determining whether benefits associated with those positions may be recognized for financial statement purposes. Based upon this analysis, no amounts have been identified, or recorded, as uncertain tax positions. Federal returns are open for examination for three years.

Advertising

Advertising costs are expensed as incurred; the expense recognized for each year-end was approximately \$163,000 and \$142,000, respectively.

Reclassifications

Certain balances in the prior year financial statements may have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. These reclassifications, if any, had no impact on net income.

Subsequent Events

The Theatre has evaluated subsequent events through the date of the auditors' report, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

The Purple Rose Theatre Company

Notes to Financial Statements

2. Investments and Fair Value Measurements

FASB Codification Topic, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described as follows:

Level 1 Fair Value Measurements: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Theatre has the ability to access.

Level 2 Fair Value Measurements: Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability. For the reported years, the Theatre had no assets valued using Level 2 fair value measurements.

Level 3 Fair Value Measurements: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

- *Certificates of deposit:* Valued at market value based upon broker supplied information
- *Mutual funds and exchange-traded products (ETPs):* Valued at the market price as provided by brokerage
- *Beneficial interest in assets held at community foundation:* Valued at the fair value of the Theatre's share of the foundation's investment pool as of the measurement date

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Theatre believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Purple Rose Theatre Company

Notes to Financial Statements

2. Investments and Fair Value Measurements (Continued)

The following table presents assets that are measured at fair value on a recurring basis at each fiscal year-end:

	2019	2018
Certificates of deposit	\$ 99,944	\$ 199,000
Mutual funds	729,298	72,286
Exchange-traded products	226,067	-
Total Level 1 fair value of investments	1,055,309	271,286
Beneficial interest in assets held at community foundation	298,397	306,361
Total Level 3 fair value of investments	298,397	306,361
Total investments at fair value	\$ 1,353,706	\$ 577,647

3. Receivables

The Theatre has received promises to give, some with multiple year terms. Due to the significance of the balance of long-term pledge receivables to the overall Statements of Financial Position, management has determined that the long-term pledge receivables balance should be adjusted to fair value. An average IRS Treasury yield rate effective for the applicable time period was determined to be a reasonable discount rate. Pledges receivable totaled \$854,930 and \$1,649,117 as of August 31, 2019 and 2018, respectively, net of a discount to fair market value (effective rate of 2.5%) of \$9,822 and \$30,567, respectively. The current year discount is reflected in contributions revenue, temporarily restricted, at a gain of \$20,745. These amounts are presented in the Statements of Financial Position as follows:

	2019	2018
Current pledges receivable (less than one year)	\$ 473,252	\$ 796,934
Other current receivables	733	318
Total current receivables	\$ 473,985	\$ 797,252
Long-term pledges receivable (one to five years)	\$ 391,500	\$ 882,750
Less: long-term unamortized discount	(9,822)	(30,567)
Net long-term portion of pledges receivable	\$ 381,678	\$ 852,183

4. Line of Credit

The Theatre has a \$150,000 revolving line of credit with a local bank. Advances on the credit line are payable on demand and carry an interest rate of 5%. The credit line is secured by substantially all assets and matures March 17, 2020 with the expectation to renew. There was no balance on the line of credit as of either year end.

5. Related Party Transactions

Related party transactions include Board member contributions and related pledge receivables, varying in amounts.

The Purple Rose Theatre Company

Notes to Financial Statements

6. Leases

Rehearsal space lease expense was \$22,080 and \$28,080 for the years ended August 31, 2019 and 2018, respectively. The Theatre rented rehearsal space under a three-year operating lease agreement dated December 1, 2014 and expiring November 30, 2017; this lease was terminated early. The Theatre entered into a new agreement for a five-year operating lease dated February 1, 2017 and expiring January 1, 2022, with options to renew for two additional five-year terms.

Future minimum rent payments required under the operating leases are estimated as \$22,080 for fiscal years 2020 through 2021 and \$9,200 for fiscal year 2022.

Short-term operating leases for storage space totaled \$3,880 and \$5,326, respectively.

7. Union Agreement, Pension and Welfare Plans

The Theatre participates in a collective bargaining agreement with the Actors' Equity Association for performing artist services which represent approximately 30% of the total salaries incurred for each reported year.

The Theatre contributes to the Actor Equity Association Pension and Welfare Plan on behalf of applicable equity actor union employees. The pension contribution amounts are based on a set percentage of the equity actor's salary. The welfare contribution amount is based on the number of weeks the equity actor is employed by the Theatre. Amounts contributed for the years ended August 31, 2019 and 2018, were approximately \$124,000 and \$132,000, respectively.

The Theatre maintains a SIMPLE Plan for eligible employees not covered by the above plan. The contributions are matching up to 2% of gross wages for calendar year 2019 and 3% of gross wages for calendar year 2018. Total SIMPLE contributions for the years ended August 31, 2019 and 2018, were \$10,889 and \$14,290, respectively.

8. Net Assets

Net assets with donor restrictions at each reported year end are restricted for the following purposes or periods:

	<u>2019</u>	<u>2018</u>
Play sponsorship for next season	\$ 8,700	\$ 500
Comprehensive capital campaign	751,610	483,473
Rehearsal space	6,467	6,467
Pledges for future years	864,751	1,679,684
Endowment funds held at community foundation	<u>298,397</u>	<u>306,361</u>
Total net assets with donor restrictions	<u>\$ 1,929,925</u>	<u>\$ 2,476,485</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors as follows:

	<u>2019</u>	<u>2018</u>
Expenditure for a specific purpose	\$ 98,938	\$ 119,537
Pledges received net of discount amortization	<u>958,552</u>	<u>561,124</u>
Total net assets released from restrictions	<u>\$ 1,057,490</u>	<u>\$ 680,661</u>

The Purple Rose Theatre Company
Notes to Financial Statements

9. Concentrations

For fiscal year 2019, there were no concentrations related to contributions or other revenues. However, pledges receivable were concentrated in two pledges, representing approximately 82% of the ending balance at August 31, 2019.

For fiscal year 2018, one major contributor represented approximately 50% of total contributions; this same contributor's unpaid pledge balance was 45% of pledges receivable at year-end. In addition, other pledges receivable were concentrated in two pledges, representing approximately another 45% of the ending balance at August 31, 2018.

For labor concentrations, see Note 7.

10. Liquidity

The Theatre has \$808,756 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consisting of cash and cash equivalents of \$266,972, receivables of \$473,986, inventory of \$3,635, and prepaid expenses of \$64,163. The inventory and prepaid expenses will be expended as used during the upcoming year. The receivables are subject to implied time restrictions but are expected to be collected within one year.

The financial assets have been reduced by amounts not available for general use because of donor imposed restrictions within one year of the balance sheet date and amounts set aside for long-term investing. The restricted cash, although a current financial asset and expected to be spent within the next fiscal year, is not available for general use but is instead earmarked for specific purchases. See Cash and Cash Equivalents section of Note 1 for restriction detail.

As part of the Theatre's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. For increased income from its financial assets, the Theatre holds investments of \$1,055,309 which have been placed with local brokerage firms and a community foundation and from which annual distributions of revenues are expected. As described more fully in Note 4, the Theatre also maintains a line of credit in the amount of \$150,000, which is available to draw down upon in the event of an unanticipated liquidity need.