WILLIS & JURASEK
CPAS AND CONSULTANTS

To the Board of Directors and Management
of The Purple Rose Theatre Company

In planning and performing our audit of the financial statements of The Purple Rose Theatre Company as of and for the year ended August 31, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered The Purple Rose Theatre Company's internal control over financial reporting (internal control) as a basis for designing auditing 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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 material weakness.

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 following deficiency in The Purple Rose Theatre Company's internal control to be a material weakness:

2021-1: The management of the Theatre has the ability to produce internal reporting that allows for financial management of the day to day operations. However, management relies on the external auditors to prepare its external audit reports. While this may be typical of some smaller nonprofit entities, it is considered a material weakness under current professional standards.

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

Willis & Jurasek, P.C.

Willis & Jurasek, P.C.

Jackson, Michigan

November 11, 2021

The Purple Rose Theatre Company

Financial Statements
And Independent Auditors' Report

Years Ended August 31, 2021 and 2020

Table of Contents

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, 2021 and 2020, 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, 2021 and 2020, 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.

November 11, 2021

The Purple Rose Theatre Company

Statements of Financial Position
August 31, 2021 and 2020

Assets

	2021	2020
Current Assets:		
Cash and cash equivalents	$ 1,034,382	$ 585,302
Restricted cash and cash equivalents	1,106,561	1,012,497
Accounts receivable	20,708	-
Pledges receivable - current	104,100	339,345
Inventory	4,822	5,163
Prepaid expenses	28,786	11,545
Total current assets	2,299,359	1,953,852
Property and Equipment:		
Land	100,000	100,000
Building and improvements	2,824,728	2,824,728
Furniture, fixtures and office equipment	82,196	83,491
Theatre and shop equipment	178,869	190,957
Vehicles	38,117	38,117
	3,223,910	3,237,293
Less: accumulated depreciation	1,437,094	1,355,081
Net property and equipment	1,786,816	1,882,212
Other Assets:		
Investments	1,543,372	1,233,442
Pledges receivable - long-term, net of unamortized discount	48,773	98,280
Beneficial interest in assets held at community foundation	364,775	304,998
Total other assets	1,956,920	1,636,720
	$ 6,043,095	$ 5,472,784

Liabilities and Net Assets

	2021	2020
Current Liabilities:		
Current portion of long-term debt	$ -	$ 141,097
Accounts payable	9,949	8,145
Accrued expenses	7,718	9,113
Deferred revenue	687,764	159,194
Total current liabilities	705,431	317,549
Long-Term Debt, Net of Current Portion	-	114,752
Net Assets:		
Without donor restrictions	3,713,456	3,285,363
With donor restrictions	1,624,208	1,755,120
Total net assets	5,337,664	5,040,483
	$ 6,043,095	$ 5,472,784

See Notes to Financial Statements.

The Purple Rose Theatre Company

Statements of Activities

Years Ended August 31, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Public Support and Revenue:						
Public Support:						
Contributions and benefit income	$ 253,362	$ 319,370	$ 572,732	$ 545,812	$ 633,853	$ 1,179,665
In-kind contributions	20,859	-	20,859	5,651	-	5,651
Net assets released from restrictions	450,282	(450,282)	-	808,658	(808,658)	-
Total public support	724,503	(130,912)	593,591	1,360,121	(174,805)	1,185,316
Revenue:						
Ticket and program	-	-	-	795,430	-	795,430
Education outreach	-	-	-	15,418	-	15,418
Miscellaneous	3,432	-	3,432	9,603	-	9,603
Total revenue	3,432	-	3,432	820,451	-	820,451
Total public support and revenue	727,935	(130,912)	597,023	2,180,572	(174,805)	2,005,767
Expenses:						
Program Services:						
Production	488,198	-	488,198	1,342,339	-	1,342,339
Education outreach	83,787	-	83,787	140,407	-	140,407
Total program services	571,985	-	571,985	1,482,746	-	1,482,746
Support Services:						
General and administrative	298,976	-	298,976	252,422	-	252,422
Development and special events	154,374	-	154,374	325,287	-	325,287
Total support services	453,350	-	453,350	577,709	-	577,709
Total expenses	1,025,335	-	1,025,335	2,060,455	-	2,060,455
Changes in Net Assets from Operating Activities	(297,400)	(130,912)	(428,312)	120,117	(174,805)	(54,688)
Other Income (Expense):						
Other income, SVOG and PPP grant income	375,394	-	375,394	-	-	-
Gain/(loss) on disposals of assets	(6,208)	-	(6,208)	(31,729)	-	(31,729)
Investment income	356,308	-	356,308	155,239	-	155,239
Total other income (expense)	725,494	-	725,494	123,510	-	123,510
Changes in Net Assets	428,094	(130,912)	297,182	243,627	(174,805)	68,822
Net Assets - Beginning of Year	3,285,363	1,755,120	5,040,483	3,041,736	1,929,925	4,971,661
Net Assets - End of Year	$ 3,713,456	$ 1,624,208	$ 5,337,664	$ 3,285,363	$ 1,755,120	$ 5,040,483

The Purple Rose Theatre Company

Statement of Funtional Expenses

Year Ended August 31, 2021

	Program Services		Supporting Services		
	Production	Education Outreach	General & Administrative	Development & Special Events	2021 Total
Salaries and wages	$ 170,035	$ 41,700	$ 66,276	$ 91,689	$ 369,700
Pension plan	12,319	707	1,123	1,553	15,702
Other benefits	28,123	7,156	11,373	15,733	62,385
Payroll taxes	13,467	3,426	5,446	7,534	29,873
Direct production costs, non-personnel	107,047	-	-	4,351	111,398
Legal fees	-	-	145,571	-	145,571
Professional fees	-	-	16,420	-	16,420
Office expenses	3,233	1,395	2,897	1,406	8,931
Printing and postage	2,740	553	1,302	587	5,182
Rent	24,381	631	1,513	1,861	28,386
Utilities	10,981	3,254	4,881	1,220	20,336
Telephone	10,853	2,010	4,823	2,412	20,098
Maintenance, repairs, and equipment rentals	12,110	1,956	3,022	733	17,821
Marketing, general development, and special events	14,604	-	-	15,086	29,690
Auto and travel	1,636	485	727	182	3,030
Investment fees	7,196	1,333	3,198	1,599	13,326
Insurance	5,861	1,085	2,605	1,302	10,853
Depreciation	58,170	17,236	25,854	6,463	107,723
Other expenses	5,442	860	1,945	663	8,910
Total	$ 488,198	$ 83,787	$ 298,976	$ 154,374	$ 1,025,335

See Notes to Financial Statements.

The Purple Rose Theatre Company

Statement of Funtional Expenses
Year Ended August 31, 2020

	Program Services		Supporting Services		
	Production	Education Outreach	General & Administrative	Development & Special Events	2020 Total
Salaries and wages	$ 552,384	$ 73,022	$ 116,059	$ 160,559	$ 902,024
Pension plan	97,871	1,152	1,826	2,531	103,380
Other benefits	49,637	12,629	20,073	27,769	110,108
Payroll taxes	34,529	8,785	13,963	19,317	76,594
Playwrights and royalties	73,216	-	-	-	73,216
Direct production costs, non-personnel	247,584	-	-	13,031	260,615
Direct education outreach expense	-	9,054	-	-	9,054
Professional fees	-	-	40,432	-	40,432
Office expenses	7,162	1,607	3,395	1,413	13,577
Printing and postage	3,251	662	1,555	694	6,162
Rent	24,194	543	1,304	1,771	27,812
Utilities	17,598	5,214	7,821	1,955	32,588
Telephone	10,884	2,016	4,837	2,419	20,156
Maintenance, repairs, and equipment rentals	24,177	4,745	7,118	1,779	37,819
Marketing, general development, and special events	118,170	-	-	82,137	200,307
Auto and travel	6,261	1,038	1,556	389	9,244
Investment fees	6,102	1,130	2,712	1,356	11,300
Insurance	5,055	936	2,247	1,123	9,361
Depreciation	57,088	16,915	25,372	6,343	105,718
Other expenses	7,176	959	2,152	701	10,988
Total	$ 1,342,339	$ 140,407	$ 252,422	$ 325,287	$ 2,060,455

See Notes to Financial Statements.

The Purple Rose Theatre Company

Statements of Cash Flows
Years Ended August 31, 2021 and 2020

	2021	2020
Cash Flows From Operating Activities:		
Change in net assets	$ 297,182	$ 68,822
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	107,723	105,718
Pledge receivables discount to net present value	993	7,102
Loss (gain) on asset disposal	6,208	31,729
Realized (gain) loss on sale of investments	(7,147)	1,933
Unrealized (gain) loss on investments	(308,640)	(125,789)
In-kind contributions	(20,859)	(5,651)
In-kind expenses	20,859	5,651
PPP loan forgiveness	(255,849)	-
Changes in assets and liabilities that provided (used) cash:		
Accounts receivable	(20,708)	-
Pledges receivable	283,759	410,936
Inventory	341	(1,528)
Prepaid expenses	(17,241)	52,618
Accounts payable	1,804	(9,955)
Accrued expenses	(1,395)	(19,710)
Deferred revenue	528,570	(32,810)
Total adjustments	318,418	420,244
Net cash provided (used) by operating activities	615,600	489,066
Cash Flows From Investing Activities:		
Purchase of fixed assets	(18,535)	(119,987)
Sale of investments	33,124	558,159
Purchase of investments	(93,767)	(640,487)
Distributions from beneficial interest in community foundation	6,723	21,450
Net cash provided (used) by investing activities	(72,455)	(180,865)
Cash Flows From Financing Activities:		
Proceeds from issuance of long-term debt	-	255,849
Net cash provided (used) by financing activities	-	255,849
Increase (Decrease) in Cash and Cash Equivalents	543,145	564,050
Cash and Cash Equivalents - Beginning of Year	1,597,799	1,033,749
Cash and Cash Equivalents - End of Year	$ 2,140,943	$ 1,597,799
Cash as Reported on the Statement of Financial Position:		
Cash and cash equivalents	$ 1,034,382	$ 585,302
Restricted cash and cash equivalents	1,106,561	1,012,497
	$ 2,140,943	$ 1,597,799

See Notes to Financial Statements.

1. Nature of Business and Significant Accounting Policies

Organization and 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.

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). 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.

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.

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.

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

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, 2021 and 2020, the uninsured balances were approximately $1,900,000 and $1,345,000, 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:

	2021	2020
Facilities upgrade	$ 96,784	$ 28,459
World Premiere Fund	332,072	282,072
Endowment	667,918	697,918
Rehearsal space	4,048	4,048
Diversity & Inclusion Initiative	5,739	-
Total restricted cash and cash equivalents	$ 1,106,561	$ 1,012,497

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.

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).

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

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 $107,723 and $105,718, 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 2021 and 2020, the Theatre has received approximately $7,000 and $20,000, respectively. The amounts held at year end as beneficial interest assets, at fair value, total $364,775 and $304,998, respectively.

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.

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

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 $21,000 and $6,000, 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 $15,000 and $124,000, 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.

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.

2. Investments and Fair Value Measurements (Continued)

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

	2021	2020
Certificates of deposit/cash equivalents	$ 11,087	$ -
Mutual funds	1,147,140	927,866
Exchange-traded products	385,145	305,576
Total Level 1 fair value of investments	1,543,372	1,233,442
Beneficial interest in assets held at community foundation	364,775	304,998
Total Level 3 fair value of investments	364,775	304,998
Total investments at fair value	$ 1,908,147	$ 1,538,440

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 $152,873 and $437,625 as of August 31, 2021 and 2020, respectively, net of a discount to fair market value (effective rate of 2.5%) of $1,727 and $2,720, respectively. The current year discount is reflected in contributions revenue, with donor restrictions, at a positive change of $993. These amounts are presented in the Statements of Financial Position as follows:

	2021	2020
Current pledges receivable (less than one year)	$ 104,100	$ 339,345
Other current receivables	20,708	-
Total current receivables	$ 124,808	$ 339,345
Long-term pledges receivable (one to five years)	$ 50,500	$ 101,000
Less: long-term unamortized discount	(1,727)	(2,720)
Net long-term portion of pledges receivable	$ 48,773	$ 98,280

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 4.75%. The credit line is secured by substantially all assets and matures April 17, 2022 with the expectation to renew. There was no balance on the line of credit as of either year end.

5. Long-term Debt

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) was enacted and a key piece of the CARES Act is the Payroll Protection Program (PPP). The program was created by the CARES Act to provide small businesses with cash flow assistance through federally guaranteed loans administered through the Small Business Administration (SBA). One major component of these PPP loans was the ability to have a substantial portion of the principal and accrued interest forgiven if the loan was used per the agreement stipulations. On April 14, 2020, the Theatre entered into a loan agreement for $255,849 with the Small Business Administration (SBA) (lender Chelsea State Bank) through the Payroll Protection Program (PPP).

In accordance with FASB ASC 450-30, the Theatre has opted to recognize the PPP loan under the model for gain contingency recognition. Under this model, the cash received as a PPP loan was initially treated as a liability. The proceeds from the loan remained recorded as a liability until the grant proceeds were realizable, which was when the loan was forgiven, in December, 2020. Accordingly, the grant proceeds have been reported as other income in the Statements of Activities for the year ended August 31, 2021.

6. Related Party Transactions

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

7. Leases

Rehearsal space lease expense was $22,080 and $22,380 for the years ended August 31, 2021 and 2020, respectively. The Theatre rents rehearsal space under a five-year operating lease dated February 1, 2017 and expiring January 1, 2022. Future minimum rent payments required under this operating lease are estimated at $9,200 for fiscal year 2022.

The Theatre also rents a residential property for actor housing under a twelve month operating lease dated May 1, 2021 and expiring April 30, 2022. Lease expense for this lease was approximately $10,700 for each reported year. Future rent payments required under this operating lease are estimated at $7,200 for fiscal year 2022.

Short-term operating leases for storage space totaled $6,305 and $5,432, respectively.

8. Union Agreement, Pension and Welfare Plans

The Theatre participates in a collective bargaining agreement with the Actors' Equity Association for performing artist services which represents approximately 2% and 30%, respectively, 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, 2021 and 2020, were approximately $10,000 and $93,000, 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 2021 and 3% of gross wages for calendar year 2020. Total SIMPLE contributions for the years ended August 31, 2021 and 2020, were approximately $6,300 and $6,500, respectively.

9. Net Assets

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

	2021	2020
Comprehensive capital campaign	$ 1,102,513	$ 1,008,450
Rehearsal space	4,047	4,047
Pledges for future years	152,873	437,625
Endowment funds held at community foundation	364,775	304,998
Total net assets with donor restrictions	$ 1,624,208	$ 1,755,120

9. Net Assets (Continued)

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:

	2021	2020
Expenditure for a specific purpose	$ 140,937	$ 259,372
Pledges received net of discount amortization	309,345	549,286
Total net assets released from restrictions	$ 450,282	$ 808,658

10. Concentrations

For fiscal year 2021, the one major source of income was the PPP grant, see Note 5. Pledges receivable were concentrated in four pledges, representing approximately 78% of the ending balance at August 31, 2021.

For fiscal year 2020, there were no concentrations related to contributions or other revenues. However, pledges receivable were concentrated in three pledges, representing approximately 75% of the ending balance at August 31, 2020.

For labor concentrations, see Note 8.

11. Liquidity

The Theatre has $1,192,798 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 $1,034,382, receivables of $124,808, inventory of $4,822, and prepaid expenses of $28,786. 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 the Cash and Cash Equivalents section of Note 1 for restricted cash details.

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 $1,908,147 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.

12. Risk Management

COVID-19 Pandemic

In March 2020, the World Health Organization categorized COVID-19 as a global pandemic, prompting many national, regional, and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary store closures, and wide-sweeping quarantines and stay-at-home orders. The COVID-19 pandemic has caused business disruption through mandated and voluntary closings of multiple businesses. The Theatre has canceled all fundraisers and shows since the start of the pandemic with a reopening of performances slated for late January, 2022.

The extent of the impact of COVID-19 on the Theatre's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on customers, employees, donors and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Theatre's financial condition or results of operations is uncertain.

To mitigate the financial impacts of the COVID-19 pandemic, the Theatre has obtained two federally funded grants - an SBA loan under the CARES Act Paycheck Protection Program (see Note 5) and a Shuttered Venue Operators Grant (SVOG). The SVOG totals $648,215 and runs through July 7, 2022. $119,545 of the grant was used in the 2021 fiscal year and recognized as other income in the Statements of Activities. The remaining balance of $528,670 has been recognized as deferred revenue and is expected to be used in fiscal year 2022.

Other Risk Management

The Theatre is exposed to various risks of loss related torts; theft of, damage to, and destruction of assets, errors and omissions, employee or patron injuries, natural disasters, and other unexpected losses. The Theatre has purchased commercial insurance to cover such losses. Claims outstanding, if any, are expected to be fully covered by insurance and thus, no provision has been made in the financial statements related to any such claims.