The Purple Rose Theatre Company

Financial Statements
and Independent Auditors’ Report

Years Ended August 31, 2023 and 2022

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WILLIS & JURASEK
CPAs AND CONSULTANTS

Independent Auditors' Report

Board of Directors
The Purple Rose Theatre Company
Chelsea, Michigan

Opinion

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, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. In addition, we conducted our audit for the year ended August 31, 2022 in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Purple Rose Theatre Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Purple Rose Theatre Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* (applicable for the year ended August 31, 2022) will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards* (applicable for the year ended August 31, 2022), we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Purple Rose Theatre Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Purple Rose Theatre Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Willis & Jurasek, P.C.

Willis & Jurasek, P.C.

December 7, 2023

The Purple Rose Theatre Company

Statements of Financial Position

August 31, 2023 and 2022

Assets

	2023	2022
Current Assets:		
Cash and cash equivalents	$ 189,377	$ 564,031
Restricted cash and cash equivalents	1,099,632	1,162,602
Accounts receivable	554	764
Pledges receivable - current	70,000	30,500
Inventory	3,277	3,641
Prepaid expenses	72,604	61,476
Total current assets	1,435,444	1,823,014
Property and Equipment:		
Land	100,000	100,000
Building and improvements	2,841,446	2,840,046
Furniture, fixtures and office equipment	90,854	89,355
Theatre and shop equipment	331,349	239,569
Vehicles	50,383	38,117
Operating lease - right of use asset	170,020	-
	3,584,052	3,307,087
Less: accumulated depreciation and amortization	1,658,663	1,547,269
Net property and equipment	1,925,389	1,759,818
Other Assets:		
Investments	1,414,985	1,304,870
Pledges receivable - long-term, net of unamortized discount	48,766	19,506
Beneficial interest in assets held at community foundation	317,134	312,709
Total other assets	1,780,885	1,637,085
	$ 5,141,718	$ 5,219,917

Liabilities and Net Assets

	2023	2022
Current Liabilities:		
Operating lease liability - current	$ 22,400	$ -
Accounts payable	69,233	60,311
Accrued expenses	31,247	6,205
Deferred revenue	230,648	291,225
Total current liabilities	353,528	357,741
Operating Lease Liability - Noncurrent	147,620	-
Net Assets:		
Without donor restrictions	3,103,557	3,286,542
With donor restrictions	1,537,013	1,575,634
Total net assets	4,640,570	4,862,176
	$ 5,141,718	$ 5,219,917

See Notes to Financial Statements.

The Purple Rose Theatre Company

Statements of Activities

Years Ended August 31, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Public Support and Revenue:						
Public Support:						
Contributions and benefit income	$ 844,193	$ 153,944	$ 998,137	$ 628,518	$ 204,184	$ 832,702
In-kind contributions	105,610	-	105,610	66,086	-	66,086
Net assets released from restrictions	192,565	(192,565)	-	252,758	(252,758)	-
Total public support	1,142,368	(38,621)	1,103,747	947,362	(48,574)	898,788
Revenue:						
Ticket and program	1,325,885	-	1,325,885	508,593	-	508,593
Miscellaneous	17,745	-	17,745	5,296	-	5,296
Total revenue	1,343,630	-	1,343,630	513,889	-	513,889
Total public support and revenue	2,485,998	(38,621)	2,447,377	1,461,251	(48,574)	1,412,677
Expenses:						
Program Services:						
Production	1,966,372	-	1,966,372	1,665,317	-	1,665,317
Education outreach	130,139	-	130,139	122,567	-	122,567
Total program services	2,096,511	-	2,096,511	1,787,884	-	1,787,884
Support Services:						
General and administrative	318,685	-	318,685	313,671	-	313,671
Development and special events	391,000	-	391,000	363,911	-	363,911
Total support services	709,685	-	709,685	677,582	-	677,582
Total expenses	2,806,196	-	2,806,196	2,465,465	-	2,465,465
Changes in Net Assets from Operating Activities	(320,198)	(38,621)	(358,819)	(1,004,214)	(48,574)	(1,052,788)
Other Income (Expense):						
Other income, SVOG grant income	-	-	-	852,778	-	852,778
Investment income	137,213	-	137,213	(275,477)	-	(275,477)
Total other income (expense)	137,213	-	137,213	577,301	-	577,301
Changes in Net Assets	(182,985)	(38,621)	(221,606)	(426,913)	(48,574)	(475,487)
Net Assets - Beginning of Year	3,286,542	1,575,634	4,862,176	3,713,455	1,624,208	5,337,663
Net Assets - End of Year	$ 3,103,557	$ 1,537,013	$ 4,640,570	$ 3,286,542	$ 1,575,634	$ 4,862,176

The Purple Rose Theatre Company

Statement of Funtional Expenses

Year Ended August 31, 2023

	Program Services		Supporting Services		
	Production	Education Outreach	General & Administrative	Development & Special Events	2023 Total
Salaries and wages	$ 759,286	$ 94,096	$ 149,553	$ 206,897	$ 1,209,832
Pension plan	139,408	165	1,139	1,016	141,728
Other benefits	97,273	5,660	39,068	34,859	176,860
Payroll taxes and other employee costs	62,229	3,621	24,993	22,300	113,143
Playwrights and royalties	100,325	-	-	-	100,325
Direct production costs, non-personnel	380,005	-	-	20,000	400,005
Direct education outreach expense	-	67	-	-	67
Professional fees	-	-	20,154	-	20,154
Office expenses	9,083	320	1,525	2,166	13,094
Printing and postage	4,577	926	2,179	980	8,662
Rent	26,565	697	1,673	2,037	30,972
Utilities	23,706	790	9,482	5,531	39,509
Telephone	16,366	818	5,182	4,910	27,276
Maintenance, repairs, and equipment rentals	102,743	3,071	24,914	12,212	142,940
Marketing, general development, and special events	135,090	-	-	66,530	201,620
Auto and travel	22,505	160	1,760	480	24,905
Insurance	6,622	1,226	2,943	1,472	12,263
Depreciation and amortization	60,152	17,823	26,735	6,684	111,394
Other expenses	20,437	699	7,385	2,926	31,447
Total	$ 1,966,372	$ 130,139	$ 318,685	$ 391,000	$ 2,806,196

See Notes to Financial Statements.

The Purple Rose Theatre Company

Statement of Funtional Expenses

Year Ended August 31, 2022

	Program Services		Supporting Services		
	Production	Education Outreach	General & Administrative	Development & Special Events	2022 Total
Salaries and wages	$ 661,145	$ 88,987	$ 141,432	$ 195,662	$ 1,087,226
Pension plan	117,761	201	1,385	1,235	120,582
Other benefits	53,853	3,133	21,629	19,299	97,914
Payroll taxes	71,860	4,181	28,862	25,752	130,655
Playwrights and royalties	82,578	-	-	-	82,578
Direct production costs, non-personnel	285,347	-	-	15,018	300,365
Professional fees	-	-	39,923	-	39,923
Office expenses	10,695	517	3,128	3,902	18,242
Printing and postage	3,962	813	1,907	842	7,524
Rent	25,442	630	1,512	1,916	29,500
Utilities	20,539	685	8,216	4,792	34,232
Telephone	13,009	650	4,120	3,903	21,682
Maintenance, repairs, and equipment rentals	147,470	2,907	23,549	11,564	185,490
Marketing, general development, and special events	66,951	-	-	68,846	135,797
Auto and travel	21,884	145	1,597	436	24,062
Insurance	6,718	1,244	2,986	1,493	12,441
Depreciation	60,256	17,854	26,781	6,695	111,586
Other expenses	15,847	620	6,644	2,556	25,667
Total	$ 1,665,317	$ 122,567	$ 313,671	$ 363,911	$ 2,465,465

See Notes to Financial Statements.

The Purple Rose Theatre Company

Statements of Cash Flows

Years Ended August 31, 2023 and 2022

	2023	2022
Cash Flows From Operating Activities:		
Change in net assets	$ (221,606)	$ (475,487)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	111,394	111,586
Pledge receivables discount to net present value	(740)	1,233
Realized (gain) loss on sale of investments	17,269	(191,014)
Unrealized (gain) loss on investments	(122,725)	494,897
In-kind contributions	(105,610)	(66,086)
In-kind expenses	105,610	66,086
Changes in assets and liabilities that provided (used) cash:		
Accounts receivable	210	19,944
Pledges receivable	(68,020)	101,634
Inventory	364	1,181
Prepaid expenses	(11,128)	(32,690)
Accounts payable	8,922	50,362
Accrued expenses	25,042	(1,513)
Deferred revenue	(60,577)	(396,539)
Total adjustments	(99,989)	159,081
Net cash provided (used) by operating activities	(321,595)	(316,406)
Cash Flows From Investing Activities:		
Purchase of fixed assets	(106,945)	(84,588)
Sale of investments	-	604,416
Purchase of investments	(23,473)	(631,613)
Distributions from beneficial interest in community foundation	14,389	13,881
Net cash provided (used) by investing activities	(116,029)	(97,904)
Increase (Decrease) in Cash and Cash Equivalents	(437,624)	(414,310)
Cash and Cash Equivalents - Beginning of Year	1,726,633	2,140,943
Cash and Cash Equivalents - End of Year	$ 1,289,009	$ 1,726,633
Cash as Reported on the Statement of Financial Position:		
Cash and cash equivalents	$ 189,377	$ 564,031
Restricted cash and cash equivalents	1,099,632	1,162,602
	$ 1,289,009	$ 1,726,633

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 Theatre 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 Theatre. The Theatre'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 Theatre 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, 2023 and 2022, the uninsured balances were approximately $800,000 and $1,500,000, respectively.

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

	2023	2022
Facilities upgrade	$ 55,192	$ 151,078
World Premiere Fund	343,322	342,072
Endowment	681,118	669,452
Production sponsor	20,000	-
Total restricted cash and cash equivalents	$ 1,099,632	$ 1,162,602

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 $111,394 and $111,586, 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 2023 and 2022, the Theatre has received approximately $14,000 for each year. The amounts held at year end as beneficial interest assets, at fair value, total $317,134 and $312,709, respectively.

Revenue and Revenue Recognition

The Theatre recognizes revenue from ticket sales at the time of admission. The Theatre records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place.

The Theatre recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. The Theatre did not have any conditional promises to give as of August 31, 2023.

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 were for several types of expenses including props, set dressings, benefit expenses, and various professional services. These have been recorded at the fair value of the donations received. Total value of donated goods and services included in expenses was approximately $106,000 and $66,000, 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 $142,000 and $70,000, 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.

Recently Adopted Accounting Standard

In 2023, The Purple Rose Theatre Company, Inc. adopted Accounting Standards Update (ASU) No. 2016-02, *Leases,* which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The Purple Rose Theatre Company, Inc. elected not to restate the comparative period (2022). It also elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases. As a result of implementing ASU No. 2016-02, The Purple Rose Theatre Company, Inc. recognized a right-of-use asset and lease liability of $193,508 in its statement of financial position as of September 1, 2022. The adoption did not result in a significant effect on amounts reported in the statement of activities for the year ended August 31, 2023.

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.

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:

	2023	2022
Certificates of deposit/cash equivalents	$ 11,273	$ 7,246
Mutual funds	346,707	613,182
Exchange-traded products	1,057,005	684,442
Total Level 1 fair value of investments	1,414,985	1,304,870
Beneficial interest in assets held at community foundation	317,134	312,709
Total Level 3 fair value of investments	317,134	312,709
Total investments at fair value	$ 1,732,119	$ 1,617,579

3. Receivables

The Theatre has received promises to give, some with multiple year terms. 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 $118,766 and $50,006 as of August 31, 2023 and 2022, respectively, net of a discount to fair market value (effective rate of 2.5%) of $1,234 and $494, respectively. The current year discount is reflected in contributions revenue, with donor restrictions, at a negative change of $740. These amounts are presented in the Statements of Financial Position as follows:

	2023	2022
Current pledges receivable (less than one year)	$ 70,000	$ 30,500
Other current receivables	554	764
Total current receivables	$ 70,554	$ 31,264
Long-term pledges receivable (one to five years)	$ 50,000	$ 20,000
Less: long-term unamortized discount	(1,234)	(494)
Net long-term portion of pledges receivable	$ 48,766	$ 19,506

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 8.50%. The credit line is secured by substantially all assets and matures August 18, 2024 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.

6. Leases

The Theatre evaluated current contracts to determine which met the criteria of a lease. The right-of-use (ROU) assets represent The Theatre's right to use underlying assets for the lease term, and the lease liabilities represent The Theatre's obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms. The Theatre has made an accounting policy election to use its incremental borrowing rate to discount future lease payments. The discount rate applied to calculate lease liabilities as of September 1, 2022 was 4.75%.

The Theatre's operating leases consist primarily of real estate leases for rehearsal space and actors' housing. The lease for actors' housing is a twelve-month lease and is expensed when incurred. The monthly lease payments on this lease agreement range from $925 to $1,100. Total expense on this lease was $11,775 and $10,700 for the years ended August 31, 2023 and 2022, respectively.

The Theatre's lease for rehearsal space is an operating lease that had an initial five-year agreement beginning February 1, 2017 through January 31, 2022 at $1,840 per month. The agreement allowed for two optional additional five-year renewals. The Theatre chose to continue the agreement for the first five-year period and is reasonably certain it will renew for the second optional renewal. Therefore, the payments associated with the second extension are included in the ROU asset and related lease liability recognized as of August 31, 2023. Total operating lease cost on this lease was $24,000 for the year ended August 31, 2023.

Future minimum rent payments required under this operating lease are estimated as follows:

2024	$ 24,000
2025	24,000
2026	24,000
2027	25,750
2028	27,000
Thereafter	92,250
Total lease payments	217,000
Less present value discount	(46,980)
Total lease obligations	$ 170,020

In addition, short-term operating leases for storage space totaled $6,972 and $6,300, 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 represents approximately 34% and 28%, 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, 2023 and 2022, were approximately $137,000 and $114,000, 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 years 2023 and 2022. Total SIMPLE contributions for the years ended August 31, 2023 and 2022, were approximately $5,200 and $6,300 for each year, respectively.

8. Net Assets

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

	2023	2022
Play sponsorship for next season	$ 20,000	$ 50,250
Comprehensive capital campaign	1,079,632	1,162,668
Pledges for future years	120,247	50,007
Beneficial interest in assets held at community foundation	317,134	312,709
Total net assets with donor restrictions	$ 1,537,013	$ 1,575,634

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:

	2023	2022
Expenditure for a specific purpose	$ 162,805	$ 149,891
Pledges received net of discount amortization	29,760	102,867
Total net assets released from restrictions	$ 192,565	$ 252,758

9. Revenue from Contracts with Customers

The following table provides information about significant changes in the contract liabilities for the year ended August 31, 2023:

Deferred revenue, beginning of year	$ 291,225
Revenue recognized that was included in deferred revenue at the beginning of year	(291,225)
Increase in deferred revenue due to cash received during the year	230,648
Deferred revenue, end of year	$ 230,648

10. Concentrations

For fiscal year 2023, there were no concentrations of income from any major source.

For fiscal year 2022, one major source of income was the Shuttered Venue Operators Grant. Contributions were concentrated in two donors totaling approximately 23% of total donations. Pledges receivable were concentrated in three pledges, representing the whole balance.

For labor concentrations, see Note 7.

11. Liquidity

The Theatre has $335,812 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 $189,377, receivables of $70,554, inventory of $3,277, and prepaid expenses of $72,604. 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 $1,732,119 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

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.