The Purple Rose Theatre Company

Financial Statements
and Independent Auditors' Report

Years Ended August 31, 2025 and 2024

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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, 2025 and 2024, 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, 2025 and 2024, 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. 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 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, 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.

January 14, 2026

The Purple Rose Theatre Company

Statements of Financial Position

August 31, 2025 and 2024

Assets

	2025	2024
Current Assets:		
Cash and cash equivalents	$ 754,100	$ 363,697
Restricted cash and cash equivalents	1,108,002	1,078,365
Accounts receivable	1,045	1,549
Contributions receivable - current	3,667	65,700
Inventory	7,384	7,161
Prepaid expenses	104,819	66,816
Total current assets	1,979,017	1,583,288
Property and Equipment:		
Land	100,000	100,000
Building and improvements	2,927,508	2,906,220
Furniture, fixtures and office equipment	123,488	121,976
Theatre and shop equipment	334,617	332,803
Vehicles	50,383	50,383
	3,535,996	3,511,382
Less: accumulated depreciation and amortization	1,907,365	1,783,978
Net property and equipment	1,628,631	1,727,404
Other Assets:		
Contributions receivable - long-term, net of unamortized discount	500	1,500
Investments	1,812,816	1,659,192
Beneficial interest in assets held at community foundation	360,241	341,663
Operating lease - right-of-use asset, net	126,258	147,620
Total other assets	2,299,815	2,149,975
	$ 5,907,463	$ 5,460,667

Liabilities and Net Assets

	2025	2024
Current Liabilities:		
Operating lease liability - current	$ 20,373	$ 21,362
Accounts payable	117,596	71,429
Accrued expenses	75,112	44,084
Deferred revenue	422,378	234,096
Total current liabilities	635,459	370,971
Operating Lease Liability - Noncurrent	105,885	126,258
Net Assets:		
Without donor restrictions	3,693,709	3,476,210
With donor restrictions	1,472,410	1,487,228
Total net assets	5,166,119	4,963,438
	$ 5,907,463	$ 5,460,667

See Notes to Financial Statements.

The Purple Rose Theatre Company

Statements of Activities

Years Ended August 31, 2025 and 2024

	2025			2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue:						
Public Support:						
Contributions and benefit income	$ 939,551	$ 88,001	$ 1,027,552	$ 806,718	$ 130,829	$ 937,547
In-kind contributions	116,819	-	116,819	112,160	-	112,160
Net assets released from restrictions	102,819	(102,819)	-	180,614	(180,614)	-
Total public support	1,159,189	(14,818)	1,144,371	1,099,492	(49,785)	1,049,707
Revenue:						
Ticket and program	1,937,289	-	1,937,289	1,844,538	-	1,844,538
Miscellaneous	30,539	-	30,539	18,224	-	18,224
Total revenue	1,967,828	-	1,967,828	1,862,762	-	1,862,762
Total public support and revenue	3,127,017	(14,818)	3,112,199	2,962,254	(49,785)	2,912,469
Expenses:						
Program Services:						
Production	2,110,562	-	2,110,562	2,011,091	-	2,011,091
Education outreach	147,872	-	147,872	140,771	-	140,771
Total program services	2,258,434	-	2,258,434	2,151,862	-	2,151,862
Support Services:						
General and administrative	364,528	-	364,528	341,820	-	341,820
Development and special events	499,202	-	499,202	411,568	-	411,568
Total support services	863,730	-	863,730	753,388	-	753,388
Total expenses	3,122,164	-	3,122,164	2,905,250	-	2,905,250
Changes in Net Assets from Operating Activities	4,853	(14,818)	(9,965)	57,004	(49,785)	7,219
Other Income (Expense):						
Investment income, net	212,646	-	212,646	315,649	-	315,649
Total other income (expense)	212,646	-	212,646	315,649	-	315,649
Changes in Net Assets	217,499	(14,818)	202,681	372,653	(49,785)	322,868
Net Assets - Beginning of Year	3,476,210	1,487,228	4,963,438	3,103,557	1,537,013	4,640,570
Net Assets - End of Year	$ 3,693,709	$ 1,472,410	$ 5,166,119	$ 3,476,210	$ 1,487,228	$ 4,963,438

The Purple Rose Theatre Company

Statement of Functional Expenses

Year Ended August 31, 2025

	Program Services		Supporting Services		
	Production	Education Outreach	General & Administrative	Development & Special Events	2025 Total
Salaries and wages	$ 804,502	$ 108,858	$ 173,015	$ 239,355	$ 1,325,730
Pension plan	123,286	393	2,710	2,418	128,807
Other benefits	97,453	5,670	39,141	34,924	177,188
Payroll taxes and other employee costs	63,484	3,694	25,497	22,750	115,425
Playwrights and royalties	148,738	-	-	-	148,738
Direct production costs, non-personnel	418,494	-	-	22,026	440,520
Professional fees	-	-	32,387	-	32,387
Office expenses	10,420	393	1,440	2,025	14,278
Printing and postage	3,902	923	2,103	771	7,699
Rent	38,190	686	1,647	2,639	43,162
Utilities	25,820	861	10,328	6,025	43,034
Telephone	10,540	527	3,338	3,162	17,567
Maintenance, repairs, and equipment rentals	118,338	4,114	33,325	16,368	172,145
Marketing, general development, and special events	128,207	-	-	135,424	263,631
Auto and travel	22,231	173	1,905	519	24,828
Insurance	7,624	1,412	3,389	1,694	14,119
Depreciation and amortization	66,629	19,742	29,613	7,403	123,387
Other expenses	22,704	426	4,690	1,699	29,519
Total	$ 2,110,562	$ 147,872	$ 364,528	$ 499,202	$ 3,122,164

See Notes to Financial Statements.

The Purple Rose Theatre Company

Statement of Functional Expenses

Year Ended August 31, 2024

	Program Services		Supporting Services		
	Production	Education Outreach	General & Administrative	Development & Special Events	2024 Total
Salaries and wages	$ 821,510	$ 102,568	$ 163,017	$ 225,524	$ 1,312,619
Pension plan	145,030	351	2,426	2,164	149,971
Other benefits	91,339	5,314	36,685	32,733	166,071
Payroll taxes and other employee costs	61,869	3,600	24,849	22,172	112,490
Playwrights and royalties	163,109	-	-	-	163,109
Direct production costs, non-personnel	310,373	-	-	16,335	326,708
Direct education outreach expense	-	-	-	-	-
Professional fees	-	-	25,913	-	25,913
Office expenses	10,040	374	1,695	2,356	14,465
Printing and postage	5,643	1,210	2,812	1,174	10,839
Rent	25,746	528	1,267	1,839	29,380
Utilities	24,162	805	9,665	5,638	40,270
Telephone	8,981	449	2,844	2,694	14,968
Maintenance, repairs, and equipment rentals	84,522	3,023	24,660	11,986	124,191
Marketing, general development, and special events	144,338	-	-	72,677	217,015
Auto and travel	19,770	179	1,970	537	22,456
Insurance	6,699	1,240	2,977	1,488	12,404
Depreciation and amortization	67,670	20,050	30,076	7,519	125,315
Other expenses	20,290	1,080	10,964	4,732	37,066
Total	$ 2,011,091	$ 140,771	$ 341,820	$ 411,568	$ 2,905,250

See Notes to Financial Statements.

The Purple Rose Theatre Company

Statements of Cash Flows

Years Ended August 31, 2025 and 2024

	2025	2024
Cash Flows From Operating Activities:		
Change in net assets	$ 202,681	$ 322,868
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	123,387	125,315
Contributions receivable discount to net present value	-	1,234
Realized (gain) loss on sale of investments	(4,398)	(93,430)
Unrealized (gain) loss on investments	(149,123)	(166,205)
In-kind contributions	(116,819)	(112,160)
In-kind expenses	116,819	112,160
Changes in assets and liabilities that provided (used) cash:		
Accounts receivable	504	(995)
Contributions receivable	63,033	50,332
Inventory	(223)	(3,884)
Prepaid expenses	(38,003)	5,788
Accounts payable	46,167	2,196
Accrued expenses	31,028	12,837
Deferred revenue	188,282	3,448
Total adjustments	260,654	(63,364)
Net cash provided (used) by operating activities	463,335	259,504
Cash Flows From Investing Activities:		
Purchase of fixed assets	(24,615)	(97,351)
Purchase of investments	(33,240)	(31,017)
Distributions from beneficial interest in community foundation	14,560	21,917
Net cash provided (used) by investing activities	(43,295)	(106,451)
Increase (Decrease) in Cash and Cash Equivalents	420,040	153,053
Cash and Cash Equivalents - Beginning of Year	1,442,062	1,289,009
Cash and Cash Equivalents - End of Year	$ 1,862,102	$ 1,442,062
Cash as Reported on the Statement of Financial Position:		
Cash and cash equivalents	$ 754,100	$ 363,697
Restricted cash and cash equivalents	1,108,002	1,078,365
	$ 1,862,102	$ 1,442,062

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.

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.

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, 2025 and 2024, the uninsured balances were approximately $1,370,000 and $965,000, respectively.

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

Cash and Cash Equivalents (Continued)

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:

	2025	2024
Facilities upgrade	$ 70,825	$ 27,075
World Premiere Fund	343,572	343,572
Endowment	691,318	691,218
Production sponsor	-	2,500
Diversity & Inclusion Initiative	2,287	8,500
Library program	-	5,500
Total restricted cash and cash equivalents	$ 1,108,002	$ 1,078,365

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 contributions receivable 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 and Allowance for Credit Losses

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.

Contributions receivable 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 contributions receivable on a routine basis to determine collectability. This analysis is based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Contributions receivable are written off when deemed uncollectible. At reported year-ends, no allowance was recorded.

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 $123,387 and $125,315, 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 2025 and 2024, the Theatre has received approximately $15,000 and $22,000, respectively. The amounts held at year end as beneficial interest assets, at fair value, total $360,241 and $341,663, respectively.

Net Assets

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.

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

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, 2025.

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 $117,000 and $112,000, 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 $135,000 and $152,000, 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.

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:

	2025	2024
Certificates of deposit/cash equivalents	$ 12,235	$ 1,789
Mutual funds	364,244	412,100
Exchange-traded products	1,436,337	1,245,303
Total Level 1 fair value of investments	1,812,816	1,659,192
Beneficial interest in assets held at community foundation	360,241	341,663
Total Level 3 fair value of investments	360,241	341,663
Total investments at fair value	$ 2,173,057	$ 2,000,855

3. Receivables

The Theatre has received promises to give, some with multiple year terms. Contributions receivable totaled $4,167 and $67,200 as of August 31, 2025 and 2024, respectively. Because the balance at both reported year-ends was not significant, no discount to present value was deemed necessary. These amounts are presented in the Statements of Financial Position as follows:

	2025	2024
Current contributions receivable (less than one year)	$ 3,667	$ 65,700
Other current receivables	1,045	1,549
Total current receivables	$ 4,712	$ 67,249
Long-term contributions receivable (one to five years)	$ 500	$ 1,500
Less: long-term unamortized discount	-	-
Net long-term portion of pledges receivable	$ 500	$ 1,500

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 a variable interest rate based on the Wall Street Journal U.S. Prime rate, an effective rate of 7.5% as of August 31, 2025. The credit line is secured by substantially all assets and matures November, 2026. 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 contributions receivable, 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 are $1,150. Total expense on this lease was $12,825 and $13,200 for the years ended August 31, 2025 and 2024, 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. The monthly rate increased to $2,000 beginning February 1, 2022 and to $2,050 beginning May 1, 2025. Total operating lease cost on this lease was $24,200 and $24,000 for each year, respectively.

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

2026	$ 24,000
2027	25,750
2028	27,000
2029	27,000
2030	27,000
Thereafter	38,250
Total lease payments	169,000
Less present value discount	(42,740)
Total lease obligations	$ 126,260

In addition, short-term operating leases for storage space totaled $6,864 and $5,280, 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 30% and 34%, respectively, for both reported years, based on each fiscal year's salaries.

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, 2025 and 2024, were approximately $117,000 and $139,000, respectively.

The Theatre maintains a SIMPLE Plan for eligible employees not covered by the above plan. The contributions are matching up to 3% of gross wages. Total SIMPLE contributions for the years ended August 31, 2025 and 2024, were approximately $12,000 and $11,000 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:

	2025	2024
Play sponsorships, library program, etc.	$ 2,287	$ 16,500
Comprehensive capital campaign	1,105,715	1,061,865
Pledges for future years	4,167	67,200
Beneficial interest in assets held at community foundation	360,241	341,663
Total net assets with donor restrictions	$ 1,472,410	$ 1,487,228

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:

	2025	2024
Expenditure for a specific purpose	$ 29,786	$ 109,867
Pledges received net of discount amortization	73,033	70,747
Total net assets released from restrictions	$ 102,819	$ 180,614

9. Revenue from Contracts with Customers

The following table provides information about significant changes in the contract liabilities for the year ended August 31, 2025 and 2024:

	2025	2024
Deferred revenue, beginning of year	$ 234,096	$ 230,648
Revenue recognized that was included in deferred revenue at the beginning of year	(234,096)	(230,648)
Increase in deferred revenue due to cash received during the year	422,378	234,096
Deferred revenue, end of year	$ 422,378	$ 234,096

10. Concentrations

For fiscal year 2025, the Theatre received donations from one donor which represented approximately 18% of total donations. For fiscal year 2024, the Theatre received donations from one donor which represented approximately 15% of total donations.

For labor concentrations, see Note 7.

11. Liquidity

The Theatre has $871,015 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 $754,100, receivables of $4,712, inventory of $7,384, and prepaid expenses of $104,819. 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 $2,173,057 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. 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.