

Old Town  
Playhouse, Inc.



Years Ended  
June 30, 2023  
and 2022

Financial  
Statements

**Rehmann**

# OLD TOWN PLAYHOUSE, INC.

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## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

September 27, 2023

Board of Directors  
Old Town Playhouse, Inc.  
Traverse City, Michigan

We have reviewed the accompanying financial statements of the **Old Town Playhouse, Inc.** (the "Playhouse") (a Michigan not-for-profit organization) which comprise the statements of financial position as of June 30, 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. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Playhouse management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### ***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 the financial statements that are free from material misstatement, whether due to fraud or error.

### ***Independent Accountants' Responsibility***

Our responsibility is to conduct the review engagements in accordance with *Statements on Standards for Accounting and Review Services* promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to conform with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of the Playhouse and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our reviews.



***Independent Accountants' Conclusion***

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to conform with accounting principles generally accepted in the United States of America.

***Change in Accounting Principle***

As described in Note 1 to the financial statements, effective July 1, 2022, the Playhouse adopted Accounting Standards Codification Topic 842, *Leases*. Our conclusion is not modified with respect to this matter.

A handwritten signature in black ink that reads "Rehmann Johnson LLC". The signature is written in a cursive, flowing style.

# OLD TOWN PLAYHOUSE, INC.

## Statements of Financial Position

	June 30	
	2023	2022
<b>ASSETS</b>		
<b>Assets</b>		
Cash and cash equivalents	\$ 529,100	\$ 597,276
Accounts receivable	2,459	-
Pledges receivable, net of allowance	3,300	88,856
Prepays and other assets	26,053	40,047
<b>Total current assets</b>	<b>560,912</b>	<b>726,179</b>
Endowment cash and cash equivalents	2,381	-
Investments	99,458	-
Net property and equipment	837,602	785,539
<b>Total assets</b>	<b>\$ 1,500,353</b>	<b>\$ 1,511,718</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable	\$ 19,457	\$ 4,996
Deferred revenue	99,791	81,559
<b>Total liabilities (all current)</b>	<b>119,248</b>	<b>86,555</b>
<b>Net assets</b>		
Without donor restrictions	1,329,790	1,336,307
With donor restrictions	51,315	88,856
<b>Total net assets</b>	<b>1,381,105</b>	<b>1,425,163</b>
<b>Total liabilities and net assets</b>	<b>\$ 1,500,353</b>	<b>\$ 1,511,718</b>

See accompanying notes, which are an integral part of these financial statements, and independent accountants' review report.

**OLD TOWN PLAYHOUSE, INC.**

**Statements of Activities**

	Year Ended June 30, 2023			Year Ended June 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue, support, and gains</b>						
Contributions and grants	\$ 288,327	\$ -	\$ 288,327	\$ 518,510	\$ -	\$ 518,510
Paycheck Protection Program grant	-	-	-	65,730	-	65,730
Admissions	286,979	-	286,979	313,601	-	313,601
Classes and workshops	101,046	-	101,046	75,027	-	75,027
Corporate sponsorship	17,016	-	17,016	8,274	-	8,274
Rental income	2,600	-	2,600	2,124	-	2,124
Other	1,808	-	1,808	1,302	-	1,302
Donated materials and supplies	4,362	-	4,362	2,521	-	2,521
Special events:						
Donations	105,670	-	105,670	7,721	-	7,721
Auction income	62,042	-	62,042	2,125	-	2,125
Ticket sales	36,050	-	36,050	7,290	-	7,290
Donated materials and supplies	36,728	-	36,728	3,389	-	3,389
Less direct expenses	(118,085)	-	(118,085)	(8,785)	-	(8,785)
Interest earnings	8,223	-	8,223	1,290	-	1,290
Concessions	4,079	-	4,079	4,480	-	4,480
Program advertising	10,459	-	10,459	9,050	-	9,050
Investment return, net	524	1,315	1,839	-	-	-
Release from restriction	38,856	(38,856)	-	-	-	-
<b>Total revenue, support, and gains</b>	<b>886,684</b>	<b>(37,541)</b>	<b>849,143</b>	<b>1,013,649</b>	<b>-</b>	<b>1,013,649</b>
<b>Expenses</b>						
Program services - production	706,981	-	706,981	649,944	-	649,944
General and administrative	120,851	-	120,851	114,455	-	114,455
Fundraising	65,369	-	65,369	43,986	-	43,986
<b>Total expenses</b>	<b>893,201</b>	<b>-</b>	<b>893,201</b>	<b>808,385</b>	<b>-</b>	<b>808,385</b>
<b>Reclassification of net assets (Note 8)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(88,856)</b>	<b>88,856</b>	<b>-</b>
<b>Change in net assets</b>	<b>(6,517)</b>	<b>(37,541)</b>	<b>(44,058)</b>	<b>116,408</b>	<b>88,856</b>	<b>205,264</b>
Net assets, beginning of year	1,336,307	88,856	1,425,163	1,219,899	-	1,219,899
<b>Net assets, end of year</b>	<b>\$ 1,329,790</b>	<b>\$ 51,315</b>	<b>\$ 1,381,105</b>	<b>\$ 1,336,307</b>	<b>\$ 88,856</b>	<b>\$ 1,425,163</b>

See accompanying notes, which are an integral part of these financial statements, and independent accountants' review report.

## OLD TOWN PLAYHOUSE, INC.

### Statement of Functional Expenses

For the Year Ended June 30, 2023

	Program Services	Supporting Services		Total Supporting Services	Total Functional Expenses
	Production	General and Administrative	Fundraising		
<b>Salaries and fringe benefits</b>					
Salaries and wages	\$ 272,240	\$ 33,754	\$ 33,808	\$ 67,562	\$ 339,802
Benefits	33,886	5,646	4,163	9,809	43,695
Payroll taxes	20,827	2,582	2,586	5,168	25,995
<b>Total salaries and fringe benefits</b>	<b>326,953</b>	<b>41,982</b>	<b>40,557</b>	<b>82,539</b>	<b>409,492</b>
Program, performance, and education	94,459	-	6,974	6,974	101,433
Depreciation	71,280	23,761	-	23,761	95,041
Supplies	30,287	3,049	1,873	4,922	35,209
Marketing	51,464	94	2,000	2,094	53,558
Donated materials and supplies	4,092	270	-	270	4,362
Facility and maintenance	30,111	8,609	-	8,609	38,720
Independent contractors	19,830	-	3,350	3,350	23,180
Rent, parking and other occupancy	11,939	120	-	120	12,059
Insurance	13,215	6,420	-	6,420	19,635
Utilities	14,585	4,861	-	4,861	19,446
Printing and copying	11,602	658	398	1,056	12,658
Fees and service charges	47	13,888	-	13,888	13,935
Subsidizing	11,698	-	-	-	11,698
Professional fees	-	10,200	-	10,200	10,200
Annual report costs	-	-	7,535	7,535	7,535
Telephone and internet	3,959	1,568	-	1,568	5,527
Cloud hosting for ticketing system	4,083	-	-	-	4,083
Vehicle	3,803	68	-	68	3,871
Postage and shipping	848	1,158	612	1,770	2,618
Membership dues	577	1,954	50	2,004	2,581
Other	637	-	420	420	1,057
Staff development	-	458	1,600	2,058	2,058
Website design	-	1,598	-	1,598	1,598
Unemployment	990	-	-	-	990
Travel	522	-	-	-	522
Sales tax	-	135	-	135	135
<b>Total expenses</b>	<b>\$ 706,981</b>	<b>\$ 120,851</b>	<b>\$ 65,369</b>	<b>\$ 186,220</b>	<b>\$ 893,201</b>

See accompanying notes, which are an integral part of these financial statements, and independent accountants' review report.

## OLD TOWN PLAYHOUSE, INC.

### Statement of Functional Expenses

For the Year Ended June 30, 2022

	Program Services	Supporting Services		Total Supporting Services	Total Functional Expenses
	Production	General and Administrative	Fundraising		
<b>Salaries and fringe benefits</b>					
Salaries and wages	\$ 250,895	\$ 32,000	\$ 32,500	\$ 64,500	\$ 315,395
Benefits	31,212	5,459	3,938	9,397	40,609
Payroll taxes	19,194	2,448	2,486	4,934	24,128
<b>Total salaries and fringe benefits</b>	<b>301,301</b>	<b>39,907</b>	<b>38,924</b>	<b>78,831</b>	<b>380,132</b>
Program, performance, and education	87,466	-	-	-	87,466
Depreciation	65,624	21,875	-	21,875	87,499
Marketing	49,836	803	-	803	50,639
Facility and maintenance	39,641	9,792	-	9,792	49,433
Supplies	21,093	2,892	676	3,568	24,661
Subsidizing	23,267	-	-	-	23,267
Insurance	12,631	6,158	-	6,158	18,789
Utilities	12,689	4,230	-	4,230	16,919
Fees and service charges	(116)	13,482	-	13,482	13,366
Independent contractors	9,449	400	3,338	3,738	13,187
Rent, parking and other occupancy	9,724	-	-	-	9,724
Professional fees	-	8,590	-	8,590	8,590
Printing and copying	4,606	172	707	879	5,485
Donated materials and supplies	1,930	591	-	591	2,521
Telephone and internet	3,618	1,098	-	1,098	4,716
Cloud hosting for ticketing system	4,000	-	-	-	4,000
Membership dues	2,210	1,301	-	1,301	3,511
Postage and shipping	451	987	266	1,253	1,704
Staff development	-	1,545	75	1,620	1,620
Website design	95	558	-	558	653
Sales tax	179	-	-	-	179
Other	125	5	-	5	130
Vehicle	125	-	-	-	125
Contributions	-	60	-	60	60
Interest	-	9	-	9	9
<b>Total expenses</b>	<b>\$ 649,944</b>	<b>\$ 114,455</b>	<b>\$ 43,986</b>	<b>\$ 158,441</b>	<b>\$ 808,385</b>

See accompanying notes, which are an integral part of these financial statements, and independent accountants' review report.



## OLD TOWN PLAYHOUSE, INC.

### Statements of Cash Flows

	Years Ended June 30	
	2023	2022
<b>Cash flows from operating activities</b>		
Cash received from admissions	\$ 292,336	\$ 310,799
Cash received from contributions and grants	384,299	548,831
Other cash receipts	273,837	124,593
Cash paid to employees	(409,499)	(380,132)
Cash paid to vendors and suppliers	(359,300)	(359,417)
	<u>181,673</u>	<u>244,674</u>
<b>Net cash provided by operating activities</b>		
<b>Cash used in investing activities</b>		
Purchase of investments	(99,449)	-
Purchases of property and equipment	(148,019)	(60,919)
	<u>(247,468)</u>	<u>(60,919)</u>
<b>Net cash used in investing activities</b>		
<b>Cash used in financing activities</b>		
Payments on long-term debt	-	(24,471)
	<u>-</u>	<u>(24,471)</u>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(65,795)</b>	<b>159,284</b>
Cash and cash equivalents, beginning of year	597,276	437,992
	<u>597,276</u>	<u>437,992</u>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 531,481</b>	<b>\$ 597,276</b>
<b>Reconciliation to statements of financial position</b>		
Cash and cash equivalents	\$ 529,100	\$ 597,276
Endowment cash and cash equivalents	2,381	-
	<u>2,381</u>	<u>-</u>
<b>Cash and cash equivalents (including endowment), end of year</b>	<b>\$ 531,481</b>	<b>\$ 597,276</b>

See accompanying notes, which are an integral part of these financial statements, and independent accountants' review report.

# OLD TOWN PLAYHOUSE, INC.

## Notes to Financial Statements

### 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### *Nature of Organization and Concentration Risk*

**Old Town Playhouse, Inc.** (the "Playhouse") is a nonprofit Playhouse established to receive and administer funds for the organization, construction, and maintenance of theatrical production. The mission of the Playhouse is to assist, encourage, promote and improve the cultural and literary development of the community by providing a means through which individuals in the Grand Traverse area may participate and obtain instruction in all aspects of the dramatic arts. The Playhouse's operations are impacted by several factors including changes in relationships with significant donors and general economic and business conditions.

#### *Risks and Economic Uncertainties*

The Playhouse has experienced an impact to its operations given COVID-19 and the related global constraints, including some reduction in attendance of shows and restrictions on public gatherings for special fundraising events. In fiscal 2023, the Playhouse was able to fully reopen and hold two major fundraising events (see Note 11). The extent of the ultimate impact of global events on the Playhouse's operational and financial performance will depend on various developments, including the duration and impact on customers, suppliers, and employees, all of which cannot be reasonably predicted at this time. Management does not believe that any ongoing negative financial impacts of the pandemic, if any, would be material to the Playhouse.

On December 20, 2020, the Consolidated Appropriations Act, 2021 ("CAA") was signed into law. This law allowed a second draw of the Paycheck Protection Program ("PPP") if certain criteria were met. In January 2021, the Playhouse applied for a second draw under the provisions of the CAA and obtained additional funds of \$65,730 under an unsecured promissory note. In September 2021, the Playhouse received full forgiveness of the PPP loan from the Small Business Administration ("SBA") and has recognized the grant revenue in the fiscal 2022 statement of activities.

The Playhouse invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the amounts report in the statements of financial position and statements of activities.

# OLD TOWN PLAYHOUSE, INC.

## Notes to Financial Statements

### *Classification of Net Assets*

Net assets, revenues, support, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net Assets Without Donor Restrictions* - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions or donor-imposed restrictions that have expired. The Board of Directors has designated, from net assets without donor restrictions, net assets for a board-designated endowment, which amounted to \$50,524 at June 30, 2023. There were no board designated net assets as of June 30, 2022.
- *Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both, and are reported as net assets released from restrictions. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. (See Note 9)

### *Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the year. Actual amounts could differ from those estimates. Significant estimates include, but are not limited to, the useful lives of depreciable property and equipment and management estimate and allocation of functional expenses.

### *Contributions and Grants*

Contributions and donations, including unconditional promises to give in the future, are reported as revenue without donor restrictions when received unless use of the related assets is limited by donor-imposed restrictions. Unconditional promises to give in the future are recorded at the present value of estimated future cash flows using a risk-adjusted discount rate. When a restriction expires (e.g., the donor-stipulated purpose has been fulfilled or time has elapsed), net assets with donor restrictions are reclassified to net assets without donor restrictions. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until they become unconditional, that is when the conditions on which they depend have been met. A portion of the Playhouse's revenue is derived from federal grants, which are recognized when the Playhouse has incurred the qualifying expenditures and met certain other performance requirements, as applicable.

# OLD TOWN PLAYHOUSE, INC.

## Notes to Financial Statements

### *Investments*

Investments are stated at fair value based upon quoted market prices. Investment transactions are accounted for on the trade date (date the order to buy or sell is executed). Gifts of securities are recorded at their fair value based on quoted price of stock transactions at the date of the gift. Any gains or losses on the sale of a security is determined using the cost basis of the security sold. Income from investments, including realized and unrealized gains and losses are allocated among net assets with donor restrictions and without donor restrictions based on donor restrictions on the absence thereof. Investment return is presented net of external investment expenses.

### *Fair Value Measurements*

Fair value refers to the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants in the market in which the reporting entity transacts such sales or transfers based on the assumptions market participants would use when pricing an asset or liability. Assumptions are developed based on prioritizing information within a fair value hierarchy that gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable data (Level 3).

A description of each category in the fair value hierarchy is as follows:

- Level 1: Valuation is based upon quoted prices for identical instruments traded in active markets.
- Level 2: Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.
- Level 3: Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect the estimates of assumptions that market participants would use in pricing the asset or liability.

For a further discussion of Fair Value Measurements, refer to Note 5 to the financial statements.

### *Cash and cash equivalents*

Cash and cash equivalents consist of demand deposits in banks, cash on hand, and deposits in money market funds with original maturities of less than three months. The Playhouse maintains its cash in bank deposit accounts at various financial institutions, which, at times, may exceed the federally insured limits. Management does not believe the Playhouse is exposed to any significant interest rate or other financial risks as a result of these deposits.

# OLD TOWN PLAYHOUSE, INC.

## Notes to Financial Statements

### *Revenue from Contracts with Customers*

The Playhouse satisfies its performance obligation for performances (admission) at the point in time the services are provided to the patron. Control transfers when these services are rendered to the patron, which is at the time of the performance. Deferred revenue is recorded for the portion of advanced admission sales for the following year's performance season received in the current year.

The Playhouse recognizes revenue from classes and workshops during the year in which the related services are provided to students. The performance obligation of delivering educational services is simultaneously received and consumed by the students; therefore, the revenue is recognized ratably over the course of the classes and workshops. Payment for classes is required at the start of the class or workshop. All amounts received prior to the commencement of the class or workshop are deferred to the applicable period. In addition, refunds issued reduce the amount of revenue recognized and historically has been insignificant.

### *Deferred Revenues*

Deferred revenues consist of the following at June 30:

	2023	2022	2021
Classes and workshops	\$ 56,414	\$ 47,401	\$ 41,683
Tickets	3,904	5,101	17,524
Grants	39,473	29,057	51,258
<b>Total deferred revenues</b>	<b>\$ 99,791</b>	<b>\$ 81,559</b>	<b>\$ 110,465</b>

### *Accounts and Pledges Receivable*

Accounts receivable is stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts as a charge to earnings and a credit to an allowance for doubtful accounts based on its assessment of the current status of individual accounts receivable. Balances that are still outstanding after management has used reasonable collection efforts are written off as a charge to the allowance and a credit to accounts receivable. Management estimates that all receivables are collectible at June 30, 2023 and thus no valuation allowance has been recorded.

Accounts receivable were as follows for the years ended June 30:

	2023	2022
Accounts receivable, beginning of the year	\$ -	\$ 3,903
Accounts receivable, end of the year	2,459	-

## OLD TOWN PLAYHOUSE, INC.

### Notes to Financial Statements

Pledges receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual donors. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to pledges receivable. Pledges receivable expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset.

#### *Special Events*

Special event revenues consist of donations, contributed nonfinancial assets, and ticket and auction revenues. Ticket sales and auction revenue generated at the special events are considered contributions to the Playhouse. See additional details on the special events at Note 11.

#### *Property and Equipment and Depreciation*

Property and equipment is stated at cost. Major improvements and renewals are capitalized while ordinary maintenance and repairs are expensed. Management reviews these assets for impairment whenever events or changes in circumstances indicate the related carrying amount may not be recoverable.

Depreciation is computed using the straight-line basis over the estimated useful lives of the assets, which range from 5 to 40 years.

#### *Leases*

The Playhouse will frequently lease storage space which is used in operations. The leases generally have initial terms of less than one year and may include renewal or early-termination options. The Playhouse is typically required to make fixed minimum rent payments, variance rent payments, or a combination thereof, relating to its right to use an underlying leased asset.

The Playhouse's lease arrangements are short-term leases and are not recognized on the statement of net position as of June 30, 2023. Net lease costs during fiscal 2023 consists of short-term lease cost and are considered insignificant. Lease costs is expected to be similar in fiscal 2024.

In accordance with lease accounting guidance in effect prior to its adoption of ASU 2016-02, the Playhouse recognized no operating rent expense in fiscal 2022. Such amounts do not include expense recognized related to non-lease components.

# OLD TOWN PLAYHOUSE, INC.

## Notes to Financial Statements

### *Donated Materials and Supplies and Contributed Services*

Donations of materials and supplies are used in production program services and are recorded as support at the fair market value at the date of donation based on current market rates of similar items (U.S. wholesale prices of identical or similar products). Such donations are reported as without donor restriction support unless the donor has restricted the donated goods to a specific purpose. A number of unpaid volunteers have made significant contributions of their time in the Playhouse's performances and other activities. The value of this contributed time is not reflected in these statements, since it is not susceptible to objective measurement or valuation. Additionally, volunteers contribute significant amounts of time to production services and, to a lesser extent, fundraising events; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Management estimates approximately 37,513 and 26,634 volunteer hours in fiscal 2023 and 2022, respectively.

### *Income Taxes*

The Playhouse is a not-for-profit organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and is exempt from similar state and local taxes. Although the Playhouse was granted income tax exemption by the Internal Revenue Service, such exemption does not apply to "unrelated business taxable income." The Playhouse has been classified as not a private foundation.

The Playhouse considers whether it has engaged in activities that jeopardize its current tax-exempt status with the Internal Revenue Service. Furthermore, the Playhouse determines whether it has any unrelated business income, which may be subject to federal and state income taxes.

The Playhouse has evaluated fiscal years 2020 through 2023, the years which remain subject to examination by major tax jurisdictions as of June 30, 2023, for uncertain tax positions. The Playhouse concluded that there are no significant uncertain tax positions requiring recognition in the Playhouse's financial statements. The Playhouse does not expect the total amount of unrecognized tax benefits ("UTB") (e.g. tax deductions, exclusions, or credits claimed or expected to be claimed) to significantly change in the next twelve months. The Playhouse does not have any amounts accrued for interest and penalties related to UTBs at June 30, 2023 or 2022, and it is not aware of any claims for such amounts by federal or state income tax authorities.

### *Marketing*

The costs of marketing, including advertising and promotion, are expensed as they are incurred. Marketing costs, including amounts related to special event direct expenses, were \$53,558 and \$50,639 for the years ended June 30, 2023 and 2022, respectively.

# OLD TOWN PLAYHOUSE, INC.

## Notes to Financial Statements

### *Functional Allocation of Expenses*

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are generally allocated between program services and supporting services based on specific identification or space utilized, whichever is more appropriate. Although the methods of allocation used are considered reasonable, other methods could be used and produce different amounts.

### *Concentrations*

Approximately 15 percent of the Playhouse's revenue and support for the year ended June 30, 2023 was contributed by one organization. There was no concentration of revenue and support for the year ended June 30, 2022.

### *Reclassification*

Certain amounts as reported in the 2022 financial statements have been reclassified to conform with the 2023 presentation.

### *Recent Accounting Pronouncements*

In February 2016, the Financial Accounting Standards Board ("FASB") established Accounting Standards Codification ("ASC") Topic 842, *Leases* ("ASC 842"), by issuing Accounting Standards Update ("ASU") No. 2016-02 ("ASU 2016-02"). The standard, as amended, establishes a right-of-use ("ROU") model that requires a lessee to recognize a ROU asset and lease liability on the statement of financial position for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the statement of activities. Adoption of this standard by the Playhouse as of July 1, 2022 did not have a significant impact on the financial statements.

### *Subsequent Events*

In preparing these financial statements, management has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to June 30, 2023, the most recent statement of financial position presented herein, through September 27, 2023, the date these financial statements were available to be issued. No significant such events or transactions were identified.



# OLD TOWN PLAYHOUSE, INC.

## Notes to Financial Statements

### 2. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at June 30:

	2023	2022
Cash and cash equivalents	\$ 529,100	\$ 597,276
Accounts receivable	2,459	-
Endowment cash and cash equivalents	2,381	-
Investments	99,458	-
<b>Subtotal</b>	<b>633,398</b>	<b>597,276</b>
Less amounts unavailable for general expenditures within one year due to:		
Net assets with donor restrictions	\$ (51,315)	\$ (88,856)
Board designated net assets	(50,524)	-
<b>Subtotal</b>	<b>(101,839)</b>	<b>(88,856)</b>
<b>Financial assets available to meet cash needs for general expenditures within one year</b>	<b>\$ 531,559</b>	<b>\$ 508,420</b>

As part of the Playhouse's liquidity management plan, the Playhouse invests cash in excess of daily requirements in money market funds. Additionally, the Playhouse receives contributions and admissions revenue throughout the year, which is available for general expenditures.

The Playhouse's endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure. Although the Playhouse doesn't intend to spend from the board-designated endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary.

## OLD TOWN PLAYHOUSE, INC.

### Notes to Financial Statements

#### 3. PLEDGES RECEIVABLE

Pledges receivable consists of unconditional promises to give and are discounted using a 3% rate. Pledges receivable are expected to be collected as follows at June 30:

	2023	2022
Less than one year	\$ 3,300	\$ 100,000
Less allowance for uncollectible amounts	-	(11,144)
	<u>\$ 3,300</u>	<u>\$ 88,856</u>

#### 4. NET PROPERTY AND EQUIPMENT

Net property and equipment consists of the following at June 30:

	2023	2022
<b>Property and equipment</b>		
Land	\$ 20,000	\$ 20,000
Buildings and building improvements	1,480,475	1,474,484
Theatrical equipment	443,172	310,901
Office equipment	34,930	34,930
Parking lot	24,120	24,120
Vehicle	13,900	13,900
Total	2,016,597	1,878,335
Less accumulated depreciation	<u>(1,178,995)</u>	<u>(1,092,796)</u>
<b>Net property and equipment</b>	<u><b>\$ 837,602</b></u>	<u><b>\$ 785,539</b></u>

Depreciation expense was \$95,041 and \$87,499 for 2023 and 2022, respectively.

# OLD TOWN PLAYHOUSE, INC.

## Notes to Financial Statements

### 5. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Playhouse utilizes fair value measurements to record fair value adjustments to investments and to determine fair value disclosures. Investments are recorded at fair value on a recurring basis.

Following is a description of the valuation methodologies and key inputs used to measure investments recorded at fair value.

#### *Investments*

*Exchange traded fund:* Level 1 fair value measurement is based upon the closing price reported on the active market in which the funds are traded.

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 Playhouse 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.

#### *Assets Recorded at Fair Value on a Recurring Basis*

The following tables set forth by level, within the fair value hierarchy, the recorded amount of investments measured at fair value on a recurring basis as of June 30, 2023:

	Level 1	Level 2	Level 3	Total
Exchange traded International fund	\$ 99,458	\$ -	\$ -	\$ 99,458

### 6. RELATED PARTY TRANSACTIONS

Twelve board members donated \$33,123 and \$5,385 during fiscal year 2023 and 2022, respectively. There were no receivables from the Board members as of June 30, 2023 or 2022.

# OLD TOWN PLAYHOUSE, INC.

## Notes to Financial Statements

### 7. SUBSIDIZING EXPENSES

Each of the Worthington Family Foundation grant awards allows for spending over a three-year period, and requires the related expenses to be recorded as subsidizing. The subsidizing expenses are further allocated as follows for the years ended June 30:

	2023	2022
Scholarships	\$ 6,859	\$ 5,325
Tickets	3,029	4,163
Other production expenses	1,810	13,779
	<u>\$ 11,698</u>	<u>\$ 23,267</u>

### 8. NET ASSETS WITH DONOR RESTRICTIONS

In 2019, a donor pledged \$100,000 to be paid in fiscal 2023 and recorded in net assets without donor restriction. In 2022, the donor of the pledge requested that the funds be used on new sound equipment in the Playhouse, with the remaining amount to be used to establish an endowment fund for the Playhouse. As a result, there was a reclassification of \$88,856 from net assets without donor restrictions to net assets with donor restriction during fiscal year 2022.

The net assets with donor restrictions as of June 30, 2023 represents the remaining amount of the \$100,000 that was placed into an endowment fund to be used for improvement of the Playhouse's main building.

### 9. ENDOWMENTS

The Playhouse's endowments consist of a donor-restricted fund established for the benefit of the Playhouse. Investment income generated by this fund is available to support the operations of the Playhouse. The Playhouse's endowments also includes certain net assets without donor restrictions that have been designated for endowment by the Board of Directors. Assets are held by a brokerage firm and invested as described in Note 5.

# OLD TOWN PLAYHOUSE, INC.

## Notes to Financial Statements

### *Interpretation of Relevant Law*

The Playhouse's Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, net assets with donor restrictions consist of the original value of gifts to the endowment and the original value of subsequent gifts to the endowment. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by use in a manner consistent with the standard of prudence prescribed by UPMIFA. The Playhouse considers the following factors in making determinations to appropriate or accumulate donor restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Playhouse and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation (depreciation) of investments
6. Other resources of the Playhouse
7. The investment policies of the Playhouse

### *Investment Return Objectives, Risk Parameters and Strategies*

The Playhouse's endowments are held and invested under the direction of an Investment Policy Statement, which is monitored by the Board of Directors and a Playhouse committee established in the by-laws. Funds are invested in cash, fixed income securities, mutual funds, and equities within parameters described in the investment policy. The policy provides limitations regarding investment concentrations, quality of the security purchased as determined by normally recognized ratings, characteristics of security issuers, and the type of investment. The overall objective of the investments is balanced growth with a significant component of income securities.

To achieve its long-term investment objectives, the Playhouse relies on both current income and capital appreciation. The Playhouse targets a diversified asset allocation that places greater emphasis on equity based investments to achieve its long-term objectives within prudent risk constraints.

### *Funds with Deficiencies*

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Playhouse has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2022, the Playhouse did not have any endowments. At June 30, 2023, the Playhouse did not have any underwater endowments.

## OLD TOWN PLAYHOUSE, INC.

### Notes to Financial Statements

Endowment net asset composition by type of fund as of June 30, 2023:

Board-designated endowment funds	\$ 50,524
Endowment funds with donor restrictions:	
Original donor-restricted gift amount and amounts required to be held for a specified term by donor	50,000
Net investment income	1,315
Total restricted endowment funds	<u>51,315</u>
<b>Total funds</b>	<b><u>\$ 101,839</u></b>

Changes in endowment net assets for the year ended June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets - beginning of year	\$ -	\$ -	\$ -
Contributions	50,000	50,000	100,000
Net investment gain	524	1,315	1,839
Amounts appropriated for expenditure	-	-	-
<b>Endowment net assets, end of year</b>	<b><u>\$ 50,524</u></b>	<b><u>\$ 51,315</u></b>	<b><u>\$ 101,839</u></b>

#### *Spending Policy*

Distributions from the donor endowment are determined annually for the subsequent calendar year by the Board of Directors of the Playhouse based on the needs of the Playhouse and their determination of availability of funds for distribution. Annual withdrawals may be done up to the earning level of the previous year.

No amounts were approved for appropriation from the donor endowment during 2023.

Distributions from the board restricted endowment are determined by the Board of Directors of the Playhouse based on the needs of the Playhouse and their determination of availability of funds for distribution. Withdrawal amounts are not restricted but the goal is to leave the funds untouched for maximum growth potential to expand the Playhouse

No amounts were approved for appropriation from the board restricted endowment during 2023.

## OLD TOWN PLAYHOUSE, INC.

### Notes to Financial Statements

#### 10. ENDOWMENT FUNDS HELD WITH GRAND TRAVERSE REGIONAL COMMUNITY FOUNDATION

Through its fundraising projects, the Playhouse encourages donors to contribute to the Old Town Playhouse endowment Fund, maintained by the Grand Traverse Regional Community Foundation. The Playhouse is named beneficiary of all these endowment funds. The fund is a permanent fund; nevertheless, the earnings may be used to fund the Playhouse's operating activities. Summary financial information of the endowment fund follows:

	Endowment Corpus	Spendable Reserve	Total
Beginning net assets, July 1, 2022	\$ 474,965	\$ 93,518	\$ 568,483
Net investment loss	-	(71,594)	(71,594)
Grants payable reserve	-	(19,920)	(19,920)
Ending net assets, June 30, 2022	474,965	2,004	476,969
Net investment income	-	47,475	47,475
Grants payable reserve	-	(20,210)	(20,210)
<b>Ending net assets, June 30, 2023</b>	<b>\$ 474,965</b>	<b>\$ 29,269</b>	<b>\$ 504,234</b>

Distributions to the Playhouse from the endowment funds are reported in the statements of activities as grants and contributions, in the amounts of \$20,210 and \$19,920 during the year ended June 30, 2023 and 2022, respectively. These assets are reported exclusively on the books of the Grand Traverse Regional Community Foundation, which is owned and directed by the Community Foundation, and has variance power over the endowment funds.

#### 11. SPECIAL EVENTS

There were two major special fundraising events in fiscal 2023. A summary of special events is as follows for the year ended June 30, 2023:

	B&W Gala September 2022	B&W Gala June 2023	Total
Donations	\$ 59,575	\$ 46,095	\$ 105,670
Ticket and auction revenue	35,707	62,385	98,092
Donated goods	13,300	23,428	36,728
Less direct expenses	(50,402)	(67,683)	(118,085)
<b>Special events, net</b>	<b>\$ 58,180</b>	<b>\$ 64,225</b>	<b>\$ 122,405</b>

## OLD TOWN PLAYHOUSE, INC.

### Notes to Financial Statements

A summary of special events is as follows for the year ended June 30, 2022:

	All Together Now	Speakeasy	Total
Donations	\$ 7,610	\$ 111	\$ 7,721
Ticket and auction revenue	7,765	1,650	9,415
Donated goods	3,389	-	3,389
Less direct expenses	<u>(7,396)</u>	<u>(1,389)</u>	<u>(8,785)</u>
<b>Special events, net</b>	<b><u>\$ 11,368</u></b>	<b><u>\$ 372</u></b>	<b><u>\$ 11,740</u></b>

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