

Old Town
Playhouse, Inc.



Years Ended
June 30, 2022
and 2021

Financial
Statements

Rehmann

OLD TOWN PLAYHOUSE, INC.

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

August 26, 2022

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, 2022 and 2021, 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.

Rehmann Lohman LLC



OLD TOWN PLAYHOUSE, INC.

Statements of Financial Position

| | June 30 | |
|---|---------------------|---------------------|
| | 2022 | 2021 |
| ASSETS | | |
| Assets | | |
| Cash and cash equivalents | \$ 597,276 | \$ 437,992 |
| Accounts receivable | - | 3,903 |
| Employer retention tax credit receivable (Note 1) | - | 52,522 |
| Pledges receivable, net of allowance | 88,856 | - |
| Prepays and other assets | 40,047 | 32,146 |
| Total current assets | 726,179 | 526,563 |
| Pledges receivable, net of discount | - | 88,856 |
| Net property and equipment | 785,539 | 812,119 |
| Total assets | \$ 1,511,718 | \$ 1,427,538 |
| LIABILITIES AND NET ASSETS | | |
| Liabilities | | |
| Accounts payable | \$ 4,996 | \$ 6,973 |
| Deferred revenue | 81,559 | 110,465 |
| Deferred federal grant revenue (Note 1) | - | 65,730 |
| Current portion of long-term debt | - | 7,108 |
| Total current liabilities | 86,555 | 190,276 |
| Long-term debt, net of current portion | - | 17,363 |
| Total liabilities | 86,555 | 207,639 |
| Net assets | | |
| Without donor restrictions | 1,336,307 | 1,219,899 |
| With donor restrictions | 88,856 | - |
| Total net assets | 1,425,163 | 1,219,899 |
| Total liabilities and net assets | \$ 1,511,718 | \$ 1,427,538 |

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, 2022 | | | Year Ended June 30, 2021 |
|---|-------------------------------|----------------------------|---------------------|-------------------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions |
| Revenues and support | | | | |
| Contributions and grants | \$ 518,510 | \$ - | \$ 518,510 | \$ 296,610 |
| Paycheck Protection Program grant | 65,730 | - | 65,730 | 65,730 |
| Employer retention tax credit (Note 1) | - | - | - | 58,204 |
| Admissions | 313,601 | - | 313,601 | 21,632 |
| Classes and workshops | 75,027 | - | 75,027 | 17,359 |
| Corporate sponsorship | 8,274 | - | 8,274 | 12,220 |
| Rental income | 2,124 | - | 2,124 | 6,458 |
| Other | 1,302 | - | 1,302 | 3,805 |
| Donated materials and supplies | 5,910 | - | 5,910 | 3,603 |
| Special events | 17,136 | - | 17,136 | 1,415 |
| Interest earnings | 1,290 | - | 1,290 | 520 |
| Concessions | 4,480 | - | 4,480 | 179 |
| Program advertising | 9,050 | - | 9,050 | - |
| Total revenues and support | 1,022,434 | - | 1,022,434 | 487,735 |
| Expenses | | | | |
| Program services - production | 649,944 | - | 649,944 | 357,050 |
| General and administrative | 114,455 | - | 114,455 | 79,094 |
| Fundraising | 52,771 | - | 52,771 | 27,163 |
| Total expenses | 817,170 | - | 817,170 | 463,307 |
| Reclassification of net assets (Note 10) | (88,856) | 88,856 | - | - |
| Change in net assets | 116,408 | 88,856 | 205,264 | 24,428 |
| Net assets, beginning of year | 1,219,899 | - | 1,219,899 | 1,195,471 |
| Net assets, end of year | \$ 1,336,307 | \$ 88,856 | \$ 1,425,163 | \$ 1,219,899 |

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 | | |
| Salaries and fringe benefits | | | | | |
| 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 |
| Total salaries and fringe benefits | 301,301 | 39,907 | 38,924 | 78,831 | 380,132 |
| Program, performance, and education | 87,466 | - | 404 | 404 | 87,870 |
| Depreciation | 65,624 | 21,875 | - | 21,875 | 87,499 |
| Marketing | 49,836 | 803 | 540 | 1,343 | 51,179 |
| Facility and maintenance | 39,641 | 9,792 | - | 9,792 | 49,433 |
| Supplies | 21,093 | 2,892 | 2,592 | 5,484 | 26,577 |
| 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 | 34 | 13,516 | 13,400 |
| Independent contractors | 9,449 | 400 | 3,438 | 3,838 | 13,287 |
| Rent, parking and other occupancy | 9,724 | - | - | - | 9,724 |
| Professional fees | - | 8,590 | - | 8,590 | 8,590 |
| Printing and copying | 4,606 | 172 | 2,860 | 3,032 | 7,638 |
| Donated materials and supplies | 1,930 | 591 | 3,389 | 3,980 | 5,910 |
| 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 | 515 | 1,502 | 1,953 |
| 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 |
| Total expenses | \$ 649,944 | \$ 114,455 | \$ 52,771 | \$ 167,226 | \$ 817,170 |

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, 2021

| | Program Services | | Supporting Services | | Total Supporting Services | Total Functional Expenses |
|---|-------------------|----------------------------|---------------------|-------------------|---------------------------|---------------------------|
| | Production | General and Administrative | Fundraising | | | |
| Salaries and fringe benefits | | | | | | |
| Salaries and wages | \$ 159,891 | \$ 15,074 | \$ 17,127 | \$ 32,201 | \$ 192,092 | |
| Payroll taxes | 12,273 | 1,184 | 1,237 | 2,421 | 14,694 | |
| Benefits | 27,225 | 4,047 | 3,231 | 7,278 | 34,503 | |
| Total salaries and fringe benefits | 199,389 | 20,305 | 21,595 | 41,900 | 241,289 | |
| Depreciation | 63,543 | 19,750 | - | 19,750 | 83,293 | |
| Facility and maintenance | 16,453 | 6,659 | - | 6,659 | 23,112 | |
| Professional fees | - | 14,790 | - | 14,790 | 14,790 | |
| Insurance | 9,618 | 4,688 | - | 4,688 | 14,306 | |
| Subsidizing | 14,072 | - | - | - | 14,072 | |
| Program, performance, and education | 12,309 | - | - | - | 12,309 | |
| Utilities | 9,074 | 3,025 | - | 3,025 | 12,099 | |
| Rent, parking and other occupancy | 6,747 | - | - | - | 6,747 | |
| Supplies | 5,154 | 1,479 | 60 | 1,539 | 6,693 | |
| Cloud hosting for ticketing system | 5,500 | - | - | - | 5,500 | |
| Independent contractors | 1,300 | - | 3,600 | 3,600 | 4,900 | |
| Telephone and internet | 3,421 | 1,001 | - | 1,001 | 4,422 | |
| Marketing | 4,243 | - | - | - | 4,243 | |
| Fees and service charges | 187 | 3,820 | - | 3,820 | 4,007 | |
| Donated materials and supplies | 2,308 | 203 | 1,093 | 1,296 | 3,604 | |
| Membership dues | 663 | 1,413 | - | 1,413 | 2,076 | |
| Musicians and costumes | 1,201 | - | - | - | 1,201 | |
| Website design | 777 | 322 | - | 322 | 1,099 | |
| Printing and copying | 364 | 81 | 540 | 621 | 985 | |
| Postage and shipping | 283 | 395 | 165 | 560 | 843 | |
| Interest | - | 754 | - | 754 | 754 | |
| Staff development | 123 | 354 | - | 354 | 477 | |
| Sales tax | 177 | - | - | - | 177 | |
| Vehicle | 113 | 40 | - | 40 | 153 | |
| Fundraising fees | - | - | 100 | 100 | 100 | |
| Ticket fees | 31 | - | - | - | 31 | |
| Other | - | 15 | 10 | 25 | 25 | |
| Total expenses | \$ 357,050 | \$ 79,094 | \$ 27,163 | \$ 106,257 | \$ 463,307 | |

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 | |
|---|--------------------------|--------------------------|
| | 2022 | 2021 |
| Cash flows from operating activities | | |
| Cash received from admissions | \$ 310,799 | \$ 46,435 |
| Cash received from contributions and grants | 548,831 | 349,202 |
| Other cash receipts | 124,593 | 51,241 |
| Cash paid to employees | (380,132) | (241,289) |
| Cash paid to vendors and suppliers | (359,417) | (143,108) |
| | <u>244,674</u> | <u>62,481</u> |
| Net cash provided by operating activities | | |
| | <u>244,674</u> | <u>62,481</u> |
| Cash used in investing activities | | |
| Purchase of property and equipment | (60,919) | (94,447) |
| | <u>(60,919)</u> | <u>(94,447)</u> |
| Cash used in financing activities | | |
| Payments on long-term debt | (24,471) | (529) |
| | <u>(24,471)</u> | <u>(529)</u> |
| Net increase (decrease) in cash and cash equivalents | 159,284 | (32,495) |
| Cash and cash equivalents, beginning of year | <u>437,992</u> | <u>470,487</u> |
| Cash and cash equivalents, end of year | <u>\$ 597,276</u> | <u>\$ 437,992</u> |

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.

Concentration Risk

Pledges receivable were due from one donor at June 30, 2022 and 2021. The loss of this donor could adversely affect short-term operating results.

Risks and Economic Uncertainties

The outbreak of a novel coronavirus ("COVID-19"), which the World Health Organization declared in March 2020 to be a pandemic, continues to spread throughout the United States of America and the globe. As a result, the COVID-19 outbreak is disrupting and affecting the Playhouse's normal activities. The extent of the ultimate impact of the pandemic on the Playhouse's operational and financial performance will depend on various developments, including the duration and spread of the outbreak and its impact on funders, program recipients, employees, vendors, and other constituents, all of which cannot be reasonably predicted at this time. As a result, the Playhouse has made operational changes, including canceling events, eliminating certain services and changing other services in order to comply with state and local legal requirements. While management reasonably expects the COVID-19 outbreak to negatively impact the Playhouse's financial position, changes in net assets, and, where applicable, the timing and amounts of cash flows, the related financial consequences and duration are highly uncertain.

In April 2020, the Playhouse received proceeds from borrowings in the amount of \$65,730 through the Paycheck Protection Program ("PPP"), obtained through the federal Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), which was enacted into law on March 28, 2020. In March 2021, the Playhouse received full forgiveness from the Small Business Administration ("SBA") and recognized the grant revenue in the fiscal 2021 statement of activities.

OLD TOWN PLAYHOUSE, INC.

Notes to Financial Statements

On December 20, 2020, the Consolidated Appropriations Act, 2021 ("CAA") was signed into law. This law allowed a second draw of the 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. The loan is subject to partial or full forgiveness based on terms as dictated by the SBA. The loan bears interest at 1% per year, with principal and interest payments commencing no later than 10 months from the end of the covered period. The loan was recorded as deferred federal grant revenue as of June 30, 2021. In September 2021, the Playhouse received full forgiveness from the Small Business Administration ("SBA") and has recognized the grant revenue in the fiscal 2022 statement of activities. Additionally, the Playhouse obtained an Economic Injury Disaster Loan ("EIDL") from the SBA in the amount of \$25,000 during 2020, see Note 6, and the Shuttered Venue Operators Grant ("SVOG") from the SBA in the amount of \$291,359. The Playhouse received the funds in the months of July and October of 2021. The SVOG funds may be used for specific expenses as outlined in the agreement.

The Playhouse applied for \$58,204 of Employee Retention Tax Credit ("ERTC") pursuant to the CARES Act, of which \$52,522 is recorded on the June 30, 2021 statement of financial position as employee retention tax credit receivable. The ERTC allows for a refundable tax credit against certain employment taxes if certain eligibility requirements are met. A portion of these claims was received during fiscal 2021 and the remaining amount of the claims was received during fiscal year 2022. The Playhouse accounts for the ERTC as a conditional grant, and as all conditions have been met for qualification of the credit during the year ended June 30, 2021, the Playhouse recognized \$58,204 related to the ERTC as revenues and support on the fiscal 2021 statement of activities and \$52,522 within employee retention tax credit receivable on the June 30, 2021 statement of financial position for amounts not yet collected as of that date.

Basis of Reporting and Classification of Net Assets

To ensure observance of limitations and restrictions placed on the use of available resources, for internal accounting and stewardship purposes the accounts of the Playhouse are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and internal reporting into funds established according to their nature and purpose. Net assets, revenues and 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.
- *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. There were no net assets with donor restrictions as of June 30, 2021.

OLD TOWN PLAYHOUSE, INC.

Notes to Financial Statements

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.

Contributions and Grants

Contributions, 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.

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.

Revenue from Contracts with Customers

The Playhouse satisfies its performance obligation for performances (ticket sales) 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 advance ticket 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.

OLD TOWN PLAYHOUSE, INC.

Notes to Financial Statements

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, 2021 and thus no valuation allowances has been recorded.

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

| | 2022 | 2021 |
|--|----------|----------|
| Accounts receivable, beginning of the year | \$ 3,903 | \$ 7,433 |
| Accounts receivable, end of the year | - | 3,903 |

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.

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.

Deferred Revenues

Deferred revenues result from the timing of private grants received for next year's operations and advanced advertising revenues. Advanced payments for classes, workshops, and shows are also recorded as deferred revenue until the time of the class, workshop, or show. See Note 5.

Donated Materials and Supplies

Donations of materials and supplies for use in operations are recorded as support at the fair market value at the date of donation. Such donations are reported as without donor restriction support unless the donor has restricted the donated goods to a specific purpose.

OLD TOWN PLAYHOUSE, INC.

Notes to Financial Statements

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 2019 through 2022, the years which remain subject to examination by major tax jurisdictions as of June 30, 2022, 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, 2022 or 2021, 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 were \$51,178 and \$4,243 for the years ended June 30, 2022 and 2021, respectively.

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.

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, 2022, the most recent statement of financial position presented herein, through August 22, 2022, 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:

| | 2022 | 2021 |
|---------------------------|-------------------|-------------------|
| Cash and cash equivalents | \$ 597,276 | \$ 437,992 |
| Accounts receivable | - | 3,903 |
| Total | \$ 597,276 | \$ 441,895 |

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.

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:

| | 2022 | 2021 |
|---|------------------|------------------|
| Less than one year | \$ 100,000 | \$ - |
| One to five years | - | 100,000 |
| Less allowance for discount and uncollectible amounts | (11,144) | (11,144) |
| | <u>\$ 88,856</u> | <u>\$ 88,856</u> |

OLD TOWN PLAYHOUSE, INC.

Notes to Financial Statements

4. NET PROPERTY AND EQUIPMENT

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

| | 2022 | 2021 |
|-------------------------------------|-------------------|-------------------|
| Property and equipment | | |
| Land | \$ 20,000 | \$ 20,000 |
| Buildings and building improvements | 1,474,484 | 1,456,992 |
| Theatrical equipment | 310,901 | 275,937 |
| Office equipment | 34,930 | 43,554 |
| Parking lot | 24,120 | 24,120 |
| Vehicle | 13,900 | 13,900 |
| Total | 1,878,335 | 1,834,503 |
| Less accumulated depreciation | 1,092,796 | 1,022,384 |
| Net property and equipment | \$ 785,539 | \$ 812,119 |

Depreciation expense was \$87,499 and \$83,293 for 2022 and 2021, respectively.

5. DEFERRED REVENUES

Deferred revenues consist of the following at June 30:

| | 2022 | 2021 | 2020 |
|--------------------------------|------------------|-------------------|-------------------|
| In-kind trades | \$ - | \$ - | \$ 1,140 |
| Classes and workshops | 47,401 | 41,683 | 27,000 |
| Tickets | 5,101 | 17,524 | 9,794 |
| Grants | 29,057 | 51,258 | 65,626 |
| Total deferred revenues | \$ 81,559 | \$ 110,465 | \$ 103,560 |

6. DEBT

The Playhouse obtained an Economic Injury Disaster Loan ("EIDL") in the amount of \$25,000 in May 2020. The loan is unsecured and due in monthly installments of \$641, including interest charged at 2.75%, which began accruing in May 2021. The Playhouse repaid the loan in full in July 2021.

OLD TOWN PLAYHOUSE, INC.

Notes to Financial Statements

7. CONTRIBUTED SERVICES

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.

8. RELATED PARTY TRANSACTIONS

Twelve board members donated \$5,385 and \$11,078 during fiscal year 2022 and 2021, respectively. There were no receivables from the Board member as of June 30, 2022 or 2021.

9. 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. Due to the COVID-19 pandemic during fiscal year 2022 and 2021, the grantor allowed the Playhouse to apply grant funds typically used for advertising to other production costs, as fewer advertising expenses were needed due to the cancellation of various classes. The subsidizing expenses are further allocated as follows for the years ended June 30:

| | 2022 | 2021 |
|---------------------------|------------------|------------------|
| Scholarships | \$ 5,325 | \$ 2,485 |
| Tickets | 4,163 | 421 |
| Other production expenses | 13,779 | 11,166 |
| | <u>\$ 23,267</u> | <u>\$ 14,072</u> |

10. NET ASSETS WITH DONOR RESTRICTIONS

In 2019, a donor pledged \$100,000 to be paid in fiscal 2023. The donor of the pledge requested that the funds be used for capital projects in the Playhouse, with any remaining amount used to establish an endowment fund for the Playhouse. At June 30, 2022 there was a reclassification of \$88,856 from net assets without donor restrictions to net assets with donor restrictions to properly reflect the donor's initial intent of the Pledge.

OLD TOWN PLAYHOUSE, INC.

Notes to Financial Statements

11. 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, 2020 | \$ 474,965 | \$ (25,212) | \$ 449,753 |
| Investment gains, net of fees | - | 137,190 | 137,190 |
| Grants payable reserve | - | (18,460) | (18,460) |
| Ending net assets, June 30, 2021 | 474,965 | 93,518 | 568,483 |
| Investment gains, net of fees | - | (71,594) | (71,594) |
| Grants payable reserve | - | (19,920) | (19,920) |
| Ending net assets, June 30, 2022 | \$ 474,965 | \$ 2,004 | \$ 476,969 |

Distributions to the Playhouse from the endowment funds are reported in the statements of activities as grants and contributions. 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.

12. SPECIAL EVENTS

There were no major special fundraising events in fiscal 2021. A summary of special events is as follows for the year ended June 30, 2022:

| | All Together Now | Speakeasy | Total |
|----------------------------|------------------------|---------------|------------------|
| Gross proceeds | \$ 15,375 | \$ 1,761 | \$ 17,136 |
| In-kind contributions | 3,389 | - | 3,389 |
| Less direct expenses | (7,396) | (1,389) | (8,785) |
| Special events, net | \$ 11,368 | \$ 372 | \$ 11,740 |

