

**VILLAGE THEATRE**

Financial Statements

For the Year Ended August 31, 2023

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## Independent Auditor's Report

**To the Board of Directors  
Village Theatre  
Issaquah, Washington**

### Opinion

We have audited the financial statements of Village Theatre (the Theatre), which comprise the statement of financial position as of August 31, 2023, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Theatre as of August 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Theatre and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Change in Accounting Principle

As discussed in Note 1 to the financial statements, the Theatre adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, and related ASUs, for the year ended August 31, 2023. Our opinion is not modified with respect to this matter.

### Report on Summarized Comparative Information

We have previously audited the Theatre's August 31, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 13, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### 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.



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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 Theatre's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

## **Auditor's 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 auditor's 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 GAAS 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 GAAS, 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 Theatre'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 Theatre'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.

*Clark Nuber PS*

Certified Public Accountants  
January 16, 2024

**VILLAGE THEATRE**

**Statement of Financial Position  
August 31, 2023  
(With Comparative Totals for 2022)**

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 3,425,417	\$ 6,622,700
Reserved cash (Note 10)	157,438	157,438
Cash held for others	12,119	19,095
Board designated reserves	1,537,821	3,014,327
Accounts receivable	24,033	54,313
Pledges receivable, net (Note 3)	298,023	171,494
Grants receivable	674,430	149,448
Deferred production costs	812,950	645,245
Other current assets	251,904	182,462
<b>Total Current Assets</b>	<b>7,194,135</b>	<b>11,016,522</b>
Endowment investments (Note 5)	2,537,227	2,299,503
Long-term pledges and grants receivable (Note 3)	212,012	102,449
Pledges and grants restricted for long-term purposes (Note 3)	18,200	18,300
Pledges and grants restricted for endowment (Note 3)	152,701	273,443
Right-of-use assets - operating leases	513,460	
Property and equipment, net of accumulated depreciation (Note 4)	10,601,395	10,421,019
Other long-term assets	15,000	15,000
<b>Total Assets</b>	<b>\$ 21,244,130</b>	<b>\$ 24,146,236</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 585,643	\$ 326,167
Accrued wages and taxes	313,603	258,732
Accrued interest	7,890	31,641
Deposits held in custody for others	12,119	19,095
Deferred revenue	3,450,149	3,414,645
Current portion of operating lease liabilities (Note 9)	66,142	
Notes payable, current portion (Note 6)	57,944	51,791
<b>Total Current Liabilities</b>	<b>4,493,490</b>	<b>4,102,071</b>
Operating lease liabilities, less current portion (Note 9)	453,236	
Notes payable, net of current portion (Note 6)	2,417,102	2,463,806
<b>Total Liabilities</b>	<b>7,363,828</b>	<b>6,565,877</b>
<b>Net Assets:</b>		
Without donor restrictions (Note 11)	10,578,662	14,605,085
With donor restrictions (Note 12)	3,301,640	2,975,274
<b>Total Net Assets</b>	<b>13,880,302</b>	<b>17,580,359</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 21,244,130</b>	<b>\$ 24,146,236</b>

See accompanying notes.

## VILLAGE THEATRE

### Statement of Activities and Changes in Net Assets For the Year Ended August 31, 2023 (With Comparative Totals for 2022)

	2023		Total	2022 Total
	Without Donor Restrictions	With Donor Restrictions		
<b>Operating Revenue and Support:</b>				
Revenue-				
Ticket sales	\$ 6,131,856	\$ -	\$ 6,131,856	\$ 4,698,092
Tuition	934,016		934,016	819,095
Leases and other income	839,307		839,307	649,138
Management fees (Note 8)	163,322		163,322	135,156
Interest income	77,861		77,861	19,150
Endowment earnings appropriated for expenditure	108,954		108,954	
<b>Total revenue</b>	<b>8,255,316</b>		<b>8,255,316</b>	<b>6,320,631</b>
General support-				
Corporate sponsorships and contributions	173,474	91,000	264,474	287,011
Patron contributions	1,140,759	237,434	1,378,193	1,451,821
Foundation support	91,226		91,226	196,148
Government grants	795,330	30,000	825,330	163,579
Fundraising events, gross (Note 7)	675,366	49,500	724,866	889,152
ArtsFund	108,270		108,270	86,675
In-kind	52,714		52,714	48,676
Release of donor restrictions	188,600	(188,600)		
Release of Board designated	1,580,000		1,580,000	
<b>Total general support</b>	<b>4,805,739</b>	<b>219,334</b>	<b>5,025,073</b>	<b>3,123,062</b>
COVID-19 support	379,772		379,772	5,491,874
<b>Total Operating Revenue and Support</b>	<b>13,440,827</b>	<b>219,334</b>	<b>13,660,161</b>	<b>14,935,567</b>
<b>Expenses:</b>				
Production and program	13,591,631		13,591,631	10,346,895
General and administrative	1,432,684		1,432,684	1,282,929
Fundraising	976,461		976,461	1,031,705
<b>Total Expenses</b>	<b>16,000,776</b>		<b>16,000,776</b>	<b>12,661,529</b>
<b>Change in Net Assets From Operating Activities</b>	<b>(2,559,949)</b>	<b>219,334</b>	<b>(2,340,615)</b>	<b>2,274,038</b>

See accompanying notes.

VILLAGE THEATRE

**Statement of Activities and Changes in Net Assets (Continued)**  
**For the Year Ended August 31, 2023**  
**(With Comparative Totals for 2022)**

	2023		2022 Total
	Without Donor Restrictions	With Donor Restrictions	
<b>Nonoperating Activities:</b>			
Patron capital contributions			5,104
Board designated reserve investment return	106,989		106,989
Nonoperating expense	(3,412)		(3,412)
Release of board designated reserves (Note 10)	(1,580,000)		(1,580,000)
<b>Total Nonoperating Activities</b>	<b>(1,476,423)</b>		<b>4,687</b>
<b>Endowment Campaign:</b>			
Contributions designated by the board			65,000
Patron contributions		19,841	284,940
Endowment earnings appropriated for expenditure	(11,220)	(97,734)	(108,954)
Investment return	21,169	184,925	(453,958)
<b>Total Endowment Campaign</b>	<b>9,949</b>	<b>107,032</b>	<b>(104,018)</b>
<b>Total Change in Net Assets From Nonoperating Activities</b>	<b>(1,466,474)</b>	<b>107,032</b>	<b>(99,331)</b>
<b>Total Change in Net Assets</b>	<b>(4,026,423)</b>	<b>326,366</b>	<b>2,174,707</b>
Net assets, beginning of year	14,605,085	2,975,274	15,405,652
<b>Net Assets, End of Year</b>	<b>\$ 10,578,662</b>	<b>\$ 3,301,640</b>	<b>\$ 17,580,359</b>

See accompanying notes.

## VILLAGE THEATRE

### Statement of Functional Expenses For the Year Ended August 31, 2023 (With Comparative Totals for 2022)

	Production and Program	General and Administrative	Fundraising	2023 Total	2022 Total
Salaries and employee benefits	\$ 9,697,264	\$ 832,711	\$ 691,301	\$ 11,221,276	\$ 8,301,238
Advertising	911,209	7,955	21,230	940,394	744,422
Rights and royalties	575,956		22	575,978	453,187
Travel, meals and accommodations	258,035	8,947	38,950	305,932	268,772
Facility, equipment rental and maintenance	343,553	47,149	4,984	395,686	362,305
Sets and costumes	546,410	58		546,468	315,814
Charge card fees	222,336	3,803	12,060	238,199	155,709
Supplies	179,142	23,365	4,384	206,891	540,487
Event catering and supplies	1,903		156,985	158,888	168,269
Utilities	179,554	15,747	3,875	199,176	164,290
Data processing and IT	62,719	199,436	10,908	273,063	183,660
Interest and loan fees	25,510	67,716		93,226	132,224
Scholarships	90,724			90,724	43,288
Insurance	67,082	4,225	9,500	80,807	64,435
Training and dues	10,808	29,182	939	40,929	51,131
Professional fees		110,103		110,103	198,036
Miscellaneous	14,277	1,355		15,632	17,844
Postage and printing	8,618	5,780	3,570	17,968	11,248
Government taxes and fees	10,858	6,697		17,555	20,294
Change in estimate of allowance for doubtful accounts	750	11,450	3,200	15,400	1,080
Depreciation	384,923	57,005	14,553	456,481	463,796
<b>Total Expenses Before Nonoperating Expenses</b>	<b>13,591,631</b>	<b>1,432,684</b>	<b>976,461</b>	<b>16,000,776</b>	<b>12,661,529</b>
Nonoperating expenses		3,412		3,412	417
<b>2023 Total Functional Expenses</b>	<b>\$13,591,631</b>	<b>\$ 1,436,096</b>	<b>\$ 976,461</b>	<b>\$16,004,188</b>	
<b>2022 Total Functional Expenses</b>	<b>\$10,346,895</b>	<b>\$ 1,283,346</b>	<b>\$ 1,031,705</b>		<b>\$12,661,946</b>

See accompanying notes.



## VILLAGE THEATRE

### Statement of Cash Flows For the Year Ended August 31, 2023 (With Comparative Totals for 2022)

	2023	2022
<b>Operating Activities:</b>		
Change in net assets	\$ (3,700,057)	\$ 2,174,707
Adjustments to reconcile change in net assets to net cash provided by operating activities-		
Depreciation	456,481	463,796
Amortization of loan fees	1,810	2,462
Contributions for capital assets or endowment	(494,171)	(290,044)
(Gain) loss on investments	(175,746)	494,344
Forgiveness of Paycheck Protection Program loan		(1,606,203)
Cash provided (used) by changes in operating assets and liabilities:		
Accounts receivable	30,280	35,520
Pledges receivable	(236,092)	(154,175)
Grants receivable	(524,982)	83,333
Employee Retention Tax Credit receivable		416,086
Deferred production costs	(167,705)	(392,744)
Other assets	(69,442)	124,957
Accounts payable	259,476	92,579
Accrued wages and taxes	54,871	183,808
Accrued interest	(23,751)	31,641
Deposits held in custody for others	(6,976)	(1,708)
Deferred revenue	35,504	396,047
Deferred ticket credits		(418,824)
Lease liabilities, net of right-of-use assets	5,918	
<b>Net Cash (Used in) Provided by Operating Activities</b>	<b>(4,554,582)</b>	<b>1,635,582</b>
<b>Cash Flows From Investing Activities:</b>		
Purchase of investments	(1,726,043)	(627,147)
Proceeds from sale of investments	126,244	
Proceeds from contributions restricted to the purchase of property and equipment	474,330	
Purchase of property and equipment	(636,857)	(272,610)
<b>Net Cash Used in Investing Activities</b>	<b>(1,762,326)</b>	<b>(899,757)</b>
<b>Cash Flows From Financing Activities:</b>		
Proceeds from notes payable		1,845,102
Principal payments on notes payable	(42,361)	(2,078,203)
Proceeds from contributions restricted for long-term purposes	140,683	673,761
<b>Net Cash Provided by Financing Activities</b>	<b>98,322</b>	<b>440,660</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>(6,218,586)</b>	<b>1,176,485</b>
Cash and cash equivalents, beginning of year	9,813,560	8,637,075
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 3,594,974</b>	<b>\$ 9,813,560</b>
<b>Reconciliation to Statement of Financial Position:</b>		
Cash and cash equivalents	\$ 3,425,417	\$ 6,622,700
Reserved cash	157,438	157,438
Cash held for others	12,119	19,095
Board designated cash reserves		3,014,327
<b>Total Cash, Cash Equivalents and Restricted Cash Shown in the Statement of Cash Flows</b>	<b>\$ 3,594,974</b>	<b>\$ 9,813,560</b>
<b>Supplementary Disclosure of Cash Flow Information:</b>		
Cash paid during the year for interest	\$ 104,261	\$ 93,484
Property and equipment purchases included in accounts payable	\$ 302,344	\$ -

See accompanying notes.

## VILLAGE THEATRE

### Notes to Financial Statements For the Year Ended August 31, 2023 (With Comparative Totals for 2022)

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#### Note 1 - Organization and Significant Accounting Policies

**Organization** - Village Theatre (the Theatre) is a Washington nonprofit corporation that produces live dramatic performances in Issaquah and Everett, Washington. It is the Theatre's mission to be a regionally recognized and nationally influential center of excellence in family theatre by promoting a season of top quality productions, commissioning and producing new musicals that achieve national exposure, training young people in theatre skills, developing appreciation for live theatre and promoting positive values through art.

During the year ended August 31, 2023, the Theatre was able to return to live performances; however, the Theatre is still experiencing the negative impacts of COVID-19. Several performances throughout the year were cancelled due to COVID-19 cases within the production, resulting in lost revenue.

Audiences have been slower to return to live performances than anticipated and subscriber numbers are still well below pre-COVID levels. Funding support, such as the Paycheck Protection Program or the Shuttered Venue Operators Grant, that helped to provide major operating support is no longer available. As new revenue models and funding opportunities are being explored, the full extent of the COVID-19 pandemic on audience attendance and donor support is still uncertain.

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

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations. The Theatre's net assets without donor restrictions result from transactions for services and programs sponsored by the Theatre and receipt of grants and gifts without donor restrictions. It is the Theatre's policy to record contributions with donor restrictions received where the restriction is met in the same accounting period in the net assets without donor restrictions class category.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that will be met by actions of the Theatre and/or the passage of time, and net assets subject to donor-imposed stipulations that they be maintained in perpetuity by the Theatre.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets and liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has lapsed) are reported as reclassifications between the applicable classes of net assets.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Federal Income Taxes** - The Internal Revenue Service (IRS) has determined that the Theatre is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code.

## VILLAGE THEATRE

### Notes to Financial Statements For the Year Ended August 31, 2023 (With Comparative Totals for 2022)

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#### Note 1 - Continued

**Cash and Cash Equivalents** - The Theatre considers cash and cash equivalents to include all highly liquid investments purchased with an original maturity of three months or less.

**Board Designated Reserves** - The Theatre has designated a portion of its contributions without donor restrictions as board designated reserves. The associated investments are shown as board designated reserves on the statement of financial position. The reserves are to be used for operations and the Board's finance committee must approve their release prior to expenditure.

#### Revenue Recognition -

Subscriptions and Single Tickets - The Theatre presents theatre performances and earns revenue from ticket sales. Tickets are sold in subscription packages and as single tickets and are generally purchased by customers in advance of the performances. Service fees are processed as a portion of ticket sales. Tickets sold are nonrefundable. The Theatre's performance obligation for each ticket is to provide a seat at the applicable performance. Revenue from subscription packages and single tickets are recognized at the time the performance occurs.

Contribution Revenue - 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 are not recognized as revenues until the conditions on which they depend have been met. There were \$646,020 in outstanding conditional contributions as of August 31, 2023 and 2022; these contributions will be used for building of a storage warehouse and building improvements to the Francis J. Gaudette Theatre. Contribution amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions.

Tuition Revenue - The Theatre hosts various youth education programs throughout the year and earns tuition revenue from those programs. Tuition is generally paid by customers either in advance of the related program dates or during the program's time frame. The Theatre's performance obligation for tuition balances paid is to provide the related youth education program to each student. Revenue from tuition for youth education programs is recognized at the time when the program occurs.

**In-Kind Contributions** - A substantial number of volunteers, including members of the Board of Directors, have made significant contributions of time to the Theatre. The value of this contributed time does not meet the criteria for recognition under current accounting standards, and accordingly, is not reflected in the accompanying financial statements.

Certain donated professional services, formally documented and charged to the relevant projects, are recorded in the accompanying financial statements. These services are primarily for performer travel and fundraising and are valued based on what the Theatre would have paid for these services in the market had they not been contributed. Contributions of materials recorded in the current year, based on the market values at the time of contribution, have also been recorded. Donated materials consist primarily of food donated for special events, computers, office furniture, and fundraising materials, which are used in operations.

## VILLAGE THEATRE

### Notes to Financial Statements For the Year Ended August 31, 2023 (With Comparative Totals for 2022)

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#### Note 1 - Continued

The value of donated goods and services included in the financial statements and the corresponding expenses for the years ended August 31, are as follows:

	<u>2023</u>	<u>2022</u>
Donated catering, travel and printing	\$ 15,904	\$ 25,336
Donated materials	<u>36,810</u>	<u>23,340</u>
	<u><u>\$ 52,714</u></u>	<u><u>\$ 48,676</u></u>

**Allocation of Functional Expenses** - Certain costs incurred by the Theatre have been allocated among production and program, general and administrative, and fundraising based on estimates and evaluations made by management. These costs have been summarized on a functional basis in the statement of functional expenses. Costs are directly charged to the functions they benefit. Salaries are charged to functions directly based on time incurred. Facility expenses are allocated to each function based on square footage utilized by the function.

**Deferred Revenue and Production Costs** - Advanced ticket sales and the related production costs are deferred and recognized as income and expense as performances are staged. Deferred revenue also includes approximately \$72,000 and \$70,000 in unredeemed gift certificates at August 31, 2023 and 2022, respectively.

**Advertising** - The Theatre's advertising expense represents all marketing costs including, but not limited to printing, direct mail, paid media, and photography. Costs related to the following year's season are expensed as incurred. Total advertising expense for the years ended August 31, 2023 and 2022, was \$940,394 and \$744,422 respectively.

**Receivables** - Accounts, pledges and grants receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to bad debt expense and a credit to a valuation allowance based on its assessment of the current status of individual accounts. 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 accounts, pledges or grants receivable. There was no valuation allowance for accounts or grants receivable at August 31, 2023 and 2022. See Note 3 for allowance for doubtful accounts for pledges receivable.

**Investments** - Investments in mutual funds, corporate bonds, treasury securities and money market funds with readily determinable market values are recorded at fair value (Note 5). Unrealized and realized gains and losses on investments are reported on the statement of activities and changes in net assets.

**Property and Equipment** - The Theatre's buildings and improvements, furniture and equipment, and vehicles are stated at cost if purchased, or fair market value on the date of receipt if contributed. All property and equipment other than buildings are depreciated on a straight-line basis over the estimated useful lives of the assets, which range from 3 to 25 years. Buildings are depreciated on a straight-line basis over 40 to 50 years. Leasehold improvements are depreciated over the shorter of the asset's useful life or the remaining life of the lease.

The Theatre capitalizes property and equipment with individual costs in excess of \$5,000 and a useful life extending beyond one year. All other property and equipment not meeting these criteria is expensed as incurred.

## VILLAGE THEATRE

### Notes to Financial Statements For the Year Ended August 31, 2023 (With Comparative Totals for 2022)

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#### Note 1 - Continued

**Leases** - Effective September 1, 2022, the Theatre adopted the new lease accounting guidance in Accounting Standards Update No. 2016-02, *Leases (Topic 842)* (ASC Topic 842) using the modified retrospective approach with comparative accounting periods continuing to be presented under previous lease guidance (ASC *Topic 840*). The Theatre has elected the package of practical expedients permitted in ASC Topic 842. Accordingly, the Theatre accounted for its existing leases under the new guidance, without reassessing (a) whether the contract contains a lease under ASC Topic 842, (b) whether classification of the leases would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition would have met the definition of initial direct costs in ASC Topic 842 at lease commencement. Additionally, the Theatre did not elect the practical expedient to use hindsight in determining the lease term (that is, when considering lessee options to extend or terminate the lease and to purchase the underlying asset) and in assessing impairment of the entity's right-of-use (ROU) assets. As a result of the adoption of the new lease accounting guidance, the Theatre recognized on September 1, 2022 a lease liability and a right-of-use asset of \$563,285.

The Theatre determines if an arrangement contains a lease at inception. Operating leases are included in ROU assets and lease liabilities in statement of financial position. ROU assets represent a right to use an underlying asset for the lease term and operating lease liabilities represent the Theatre's obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Theatre's leases do not provide an implicit rate of return; thus, the Theatre uses the risk-free discount rate, determined using a period comparable with that of the lease term from the later of the lease commencement date or implementation date. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Theatre will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. A ROU asset and operating lease liability is not recognized for leases with an initial term of 12 months or less or when total lease payments are less than \$20,000.

**Financial Instruments and Credit Risk Concentration** - The Theatre holds substantially all of its cash and cash equivalents with financial institutions with balances that may, at times, exceed federally insured deposit limits. The Theatre monitors the viability of the financial institutions on a regular basis.

At August 31, 2023 and 2022, 35% and 37% of the Theatre's pledges and grants receivable balance outstanding were from one and two donors/grantors, respectively. At August 31, 2023 and 2022, 26% and 60% of the Theatre's contributed support were from two and three donors/grantors, respectively.

**Loan Fees** - Loan fees are recorded as a direct deduction to the related note payable on the statement of financial position (Note 6).

**Intermediate Measure of Change in Net Assets** - The intermediate measure of the change in net assets displayed on the statement of activities and changes in net assets does not include contributions designated by the Board of Directors, capital campaign, and endowment activity. The annual appropriation from the endowment to support the Theatre's operations is presented as a transfer out of the endowment activity and a transfer into the revenue subsection of the statement of activities and changes in net assets. Further information regarding the endowment funds is included in Note 13.

## VILLAGE THEATRE

### Notes to Financial Statements For the Year Ended August 31, 2023 (With Comparative Totals for 2022)

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#### Note 1 - Continued

**Summarized Information for Prior Year** - The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Theatre's financial statements for the year ended August 31, 2022, from which the summarized information was derived.

**Subsequent Events** - The Theatre has evaluated subsequent events through January 16, 2024, the date on which the financial statements were available to be issued.

#### Note 2 - Endowment Fund Campaign

During the year ended August 31, 2016, the Theatre launched an endowment campaign as part of the Board's long-term strategic plan to grow the endowment to help provide future financial stability. The goal for this endowment campaign is \$14 million. As of August 31, 2023 and 2022, \$2,258,396 and \$2,240,604, respectively, had been pledged or given towards that goal.

#### Note 3 - Pledges Receivable

Pledges receivable are unconditional promises to give. Pledges for investment in long-term assets are classified as long-term on the statement of financial position regardless of how soon they are expected to be collected. Long-term pledges are discounted in the year they are received. Future collections of pledges receivable at August 31 are expected as follows:

	<u>2023</u>	<u>2022</u>
Receivables due in less than one year	\$ 498,824	\$ 337,595
Receivables due in one to five years	220,970	264,000
Less allowance for doubtful pledges	(24,900)	(26,100)
Less present value discount (0.92% - 5.07%)	<u>(13,958)</u>	<u>(9,809)</u>
<b>Total Pledges Receivable</b>	<b><u>\$ 680,936</u></b>	<b><u>\$ 565,686</u></b>

Reconciliation to amounts on the statement of financial position:

	<u>2023</u>	<u>2022</u>
Current pledges receivable	\$ 298,023	\$ 171,494
Long-term pledges and grants receivable	212,012	102,449
Pledges and grants restricted for long-term purposes	18,200	18,300
Pledges and grants restricted for endowment	<u>152,701</u>	<u>273,443</u>
<b>Total Pledges Receivable</b>	<b><u>\$ 680,936</u></b>	<b><u>\$ 565,686</u></b>

## VILLAGE THEATRE

### Notes to Financial Statements For the Year Ended August 31, 2023 (With Comparative Totals for 2022)

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#### Note 4 - Property and Equipment

Property and equipment is comprised of the following at August 31:

	<u>2023</u>	<u>2022</u>
Land	\$ 2,216,626	\$ 2,216,626
Buildings and improvements	13,744,559	13,229,063
Theatre equipment	2,053,704	1,978,828
Office equipment, furniture and fixtures	1,415,320	1,368,835
Automobiles	18,067	18,067
Construction in progress	59,164	59,164
	<u>19,507,440</u>	<u>18,870,583</u>
Less accumulated depreciation	<u>(8,906,045)</u>	<u>(8,449,564)</u>
<b>Total Property and Equipment, Net</b>	<b><u>\$ 10,601,395</u></b>	<b><u>\$ 10,421,019</u></b>

#### Note 5 - Investments and Fair Value Measurements

The Theatre has the following investments as of August 31:

	<u>2023</u>	<u>2022</u>
Investments at fair value-		
Money market funds	\$ 84,438	\$ 3,411,662
Equity mutual funds	1,896,100	1,729,219
Debt mutual funds		162,554
U.S. Treasury notes	1,347,120	
Corporate bonds	733,912	
	<u>4,061,570</u>	<u>5,303,435</u>
Total investments at fair value	4,061,570	5,303,435
Investment in life insurance policy valued using lower of cost or fair value	<u>13,478</u>	<u>10,395</u>
<b>Total Investments</b>	<b><u>\$ 4,075,048</u></b>	<b><u>\$ 5,313,830</u></b>
<b>Reconciliation to Statement of Financial Position:</b>		
Board designated reserves	\$ 1,537,821	\$ 3,014,327
Endowment investments	<u>2,537,227</u>	<u>2,299,503</u>
	<b><u>\$ 4,075,048</u></b>	<b><u>\$ 5,313,830</u></b>

## VILLAGE THEATRE

### Notes to Financial Statements For the Year Ended August 31, 2023 (With Comparative Totals for 2022)

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#### Note 5 - Continued

U.S. GAAP provides the 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) and the lowest priority to unobservable inputs (Level 3).

The three levels of the fair value hierarchy under U.S. GAAP are described as follows:

Level 1 - Unadjusted quoted prices available in active markets for identical assets or liabilities;

Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or

Level 3 - Unobservable inputs that are significant to the fair value measurement.

A financial instrument's level within the fair value hierarchy is based upon 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.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at August 31, 2023 and 2022.

Money Market Funds - Valued at cost plus accrued interest, which approximates fair value.

Equity Mutual Funds - Valued at quoted market prices in active markets, which represent the net asset value of shares held by the Theatre at year end.

U.S. Treasury Notes - Valued using quoted market prices in active markets.

Corporate Bonds - Valued using matrix pricing or market corroborated pricing inputs such as yield curves of indices.

The valuation methodologies used by the Theatre 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's management 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.



## VILLAGE THEATRE

### Notes to Financial Statements For the Year Ended August 31, 2023 (With Comparative Totals for 2022)

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#### Note 5 - Continued

Total investment and fair values of assets measured on a recurring basis were as follows:

	Fair Value Measurements as of August 31, 2023			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 84,438	\$ -	\$ -	\$ 84,438
Equity mutual funds	1,896,100			1,896,100
U.S. Treasury notes	1,347,120			1,347,120
Corporate bonds		733,912		733,912
<b>Total Investments in the Fair Value Hierarchy</b>	<b>\$ 3,327,658</b>	<b>\$ 733,912</b>	<b>\$ -</b>	<b>\$ 4,061,570</b>

  

	Fair Value Measurements as of August 31, 2022			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 3,411,662	\$ -	\$ -	\$ 3,411,662
Equity mutual funds	1,729,219			1,729,219
Debt mutual funds	162,554			162,554
<b>Total Investments in the Fair Value Hierarchy</b>	<b>\$ 5,303,435</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,303,435</b>

#### Note 6 - Line of Credit and Notes Payable

**Line of Credit** - The Theatre has a line of credit agreement with a bank for \$1,500,000. The interest rate for all borrowed amounts against the line of credit was a variable rate of prime with a floor of 5.5% (8.5% and 5.5% for the years ended August 31, 2023 and 2022, respectively). The line is secured by a deed of trust on the Technical Studio and matures in July 2024. The Theatre did not have an outstanding balance at August 31, 2023 and 2022.

## VILLAGE THEATRE

### Notes to Financial Statements For the Year Ended August 31, 2023 (With Comparative Totals for 2022)

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#### Note 6 - Continued

**Notes Payable** - The Theatre has the following notes payables as of August 31:

	<u>2023</u>	<u>2022</u>
Note payable to Heritage Bank in the initial amount of \$1,045,000; bears interest at a fixed rate for the first five years then subject to an adjustment based on the Federal Home Loan Bank of Des Moines Amortizing Advance Rate (5 Year) plus 1.95% (4.99% for the period including the year ended August 31, 2023 and 2022); monthly payments of principal and interest of \$5,666; secured by a deed of trust on the apartment building; matures in September 2028.	\$ 478,410	\$ 520,771
Note payable to the U.S. Small Business Administration in the initial amount of \$150,000, additional borrowing in March 2022 increased loan balance to \$2,000,000; bears interest at a fixed rate of 2.75%; monthly payments of \$8,750 start as of August 2023 and are first applied to accrued interest, thereafter applied to principal and interest; secured by deed of trust on Theatre building; matures in June 2050.	<u>2,000,000</u>	<u>2,000,000</u>
Total notes payable	2,478,410	2,520,771
Less unamortized loan fees	(3,364)	(5,174)
Less current portion	<u>(57,944)</u>	<u>(51,791)</u>
<b>Long-Term Portion of Notes Payable</b>	<b><u>\$ 2,417,102</u></b>	<b><u>\$ 2,463,806</u></b>

The Theatre is subject to certain restrictive covenants under the notes payable and was in compliance with those covenants as of August 31, 2023 and 2022.

## VILLAGE THEATRE

### Notes to Financial Statements For the Year Ended August 31, 2023 (With Comparative Totals for 2022)

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#### Note 6 - Continued

Future principal payments on the notes payable are as follows:

For the Years Ending August 31,

2024	\$	57,944
2025		60,692
2026		62,707
2027		64,799
2028		65,710
Due thereafter		<u>2,166,558</u>
		2,478,410
Less unamortized loan fees		<u>(3,364)</u>
		<u><b>\$ 2,475,046</b></u>

#### Note 7 - Fund-Raising Events

The Theatre conducted the following major fund-raising events during the years ended August 31:

	<u>Gala and Auction</u>	<u>Sing It Forward</u>	<u>2023</u>	<u>2022</u>
Gross revenues	\$ 458,789	\$ 221,553	\$ 680,342	\$ 884,152
Event expenses	<u>(126,035)</u>	<u>(41,647)</u>	<u>(167,682)</u>	<u>(157,908)</u>
<b>Excess of Fund-Raising Revenues Over Expenses</b>	<u><b>\$ 332,754</b></u>	<u><b>\$ 179,906</b></u>	<u><b>\$ 512,660</b></u>	<u><b>\$ 726,244</b></u>

Fund raising events for the year ended August 31, 2023 and 2022, included Sing It Forward and the Gala and Auction. The expenses above do not account for all fundraising expenses incurred by the Theatre for the years ended August 31, 2023 or 2022, and the revenues represent the revenues without donor restrictions recorded in the current year and the release of revenues with donor restrictions recorded in the prior year associated with the event.

## VILLAGE THEATRE

### Notes to Financial Statements For the Year Ended August 31, 2023 (With Comparative Totals for 2022)

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#### Note 8 - Everett Performing Arts Center

In September 2014, the Theatre renewed an agreement with the City of Everett (the City) to carry out the administrative duties of running the Everett Performing Arts Center (the Center), along with presenting a season of its own theatrical productions at the Center. Effective September 2019, the Theatre renewed the agreement with the City that extends the contract to December 2025. The new contract allows the Theatre to retain third-party rental income and facility fees with a management fee that is reduced to \$12,500 per month for the first 16 months, and inflation adjusted amounts for the remainder of the contract. Effective November 1, 2020 and until the Theatre resumes Mainstage performances, the monthly compensation was reduced to \$6,250 per month. The Theatre resumed Mainstage performances on November 19, 2021 at the Center and began paying the full compensation under the agreement including inflation adjustments. The current monthly management fee as of August 31, 2023 is \$13,938.

#### Note 9 - Leases

**Operating Leases** - The Theatre leases office space and equipment under long-term, noncancelable lease agreements which expire at various dates through 2028. The office lease include renewal options ranging up to 5 years that are included in the lease liability as it is reasonably certain the options will be exercised.

The components of lease expense for the year ended August 31, 2023 are as follows:

Operating lease cost	\$ 66,677
Short-term and other lease costs	<u>87,473</u>
<b>Total Leasing Expense</b>	<b><u>\$ 154,150</u></b>

Supplemental cash flow information related to leases as of August 31, 2023 is as follows:

Cash paid for amounts included in the measurement of lease liabilities-	
Operating cash flows from operating leases	\$ 60,758
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 104,107
Weighted-average remaining lease term - operating leases	7.00
Weighted-average discount rate - operating leases	3.81%

## VILLAGE THEATRE

### Notes to Financial Statements For the Year Ended August 31, 2023 (With Comparative Totals for 2022)

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#### Note 9 - Continued

At August 31, 2023, future minimum rental payments under all noncancelable operating leases are as follows:

For the Year Ending August 31,

2024	\$	84,566
2025		86,508
2026		86,508
2027		86,508
2028		88,449
Thereafter		<u>158,015</u>
Total undiscounted cash flows		590,554
Less present value discount		<u>(71,176)</u>
<b>Total Lease Liabilities</b>		<b><u><u>\$ 519,378</u></u></b>

**Operating Lessor Arrangements** - The Theatre has tenants who lease office space and retail space at the Francis J. Gaudette Theatre, with terms that expire through 2030. Total rental revenue for the years ended August 31, 2023 and 2022, was \$211,476 and \$206,079, respectively.

At August 31, 2023, future minimum rental receipts for the next five years under all noncancelable operating leases are as follows:

For the Year Ending August 31,

2024	\$	206,657
2025		130,181
2026		93,388
2027		93,388
2028		93,388
Thereafter		<u>165,442</u>
		<b><u><u>\$ 782,444</u></u></b>

#### Note 10 - Commitments and Contingencies

**Pension Plan** - The Theatre maintains an employee self-directed retirement plan (the Plan) under Internal Revenue Code Section 403(b) which covers employees who meet certain eligibility requirements. The Theatre matches 50% of employee contributions up to 3% of the employees' base salary. During the years ended August 31, 2023 and 2022, employer contributions of \$45,945 and \$53,395, respectively, were contributed to the Plan.

## VILLAGE THEATRE

### Notes to Financial Statements For the Year Ended August 31, 2023 (With Comparative Totals for 2022)

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#### Note 10 - Continued

**Labor Contracts** - The Theatre has several multi-year collective bargaining agreements with specific locals union that cover the work of their musicians, stage crews and other production staff. They also participate in national labor agreements covering the work of their actors and stage managers, directors, and designers. All of these agreements include specific stipulations covering working conditions, wage rates and benefit percentages including health and welfare and pension. These agreements have various ending dates through 2025 and have addressed variances related to COVID-19 in specific memorandums of understanding. These relationships are core to the Theatre's ability to produce theatre, and management works closely with union representatives throughout the contract periods to facilitate timely renewal of all contracts.

As part of the Theatre's contract with the Actors' Equity Association, the Theatre is also required to secure cash reserves equal to a defined percentage of season salary contracts. The amount was \$157,438 at August 31, 2023 for the 2023/24 seasons and is reported as reserved cash on the statement of financial position.

#### Note 11 - Net Assets Without Donor Restrictions

Net assets without donor restrictions consist of the following at August 31:

	<u>2023</u>	<u>2022</u>
Board designated reserves for operations	\$ 1,537,821	\$ 3,014,327
Board designated quasi-endowment	246,480	236,529
Undesignated	<u>8,794,361</u>	<u>11,354,229</u>
	<b><u>\$ 10,578,662</u></b>	<b><u>\$ 14,605,085</u></b>

#### Note 12 - Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following at August 31:

	<u>2023</u>	<u>2022</u>
Subject to the passage of time or expenditure for specified purposes-		
Operations and productions	\$ 126,000	\$ 106,500
Capital projects	347,810	347,810
Restricted for use in future periods	384,382	184,548
Accumulated unspent earnings on endowment	439,198	352,006
Endowment funds-		
General endowment	1,029,955	1,021,872
Mainstage endowment	81,050	80,050
Youth education endowment	602,599	477,099
Village Originals endowment	137,945	136,945
Pledges receivable for endowment	<u>152,701</u>	<u>268,444</u>
	<b><u>\$ 3,301,640</u></b>	<b><u>\$ 2,975,274</u></b>

## VILLAGE THEATRE

### Notes to Financial Statements For the Year Ended August 31, 2023 (With Comparative Totals for 2022)

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#### Note 13 - Endowment Funds

The Theatre's endowments consist of funds with donor restrictions established for general operations, youth education, Village Originals, and a board designated quasi-endowment. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law** - The Board of Directors of the Theatre has reviewed the Washington State Prudent Management of Institutional Funds Act (PMIFA) and, having considered its rights and obligations thereunder, has determined that it is desirable to preserve, on a long-term basis, the fair value of the original gift as of the gift date of the endowment funds with donor restrictions, absent explicit donor stipulations to the contrary. As a result of this determination, the Theatre classifies as net assets restricted in perpetuity (a) the original value of the gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment; and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Board in a manner consistent with the standard of prudence prescribed by PMIFA. In accordance with PMIFA, the Board considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the Theatre and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and appreciation of investments;
- Other resources of the Theatre; and
- The investment policies of the Theatre.

**Funds With Deficiencies** - From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or PMIFA requires the Theatre to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are reported as net assets with donor restrictions. Deficiencies of this nature existed in five donor-restricted endowment funds as of August 31, 2023 and 2022. These deficiencies included an original gift value of \$298,600 and \$272,600, a current fair value of \$286,464 and \$250,070, and a deficiency of \$12,136 and \$22,530 as of August 31, 2023 and 2022, respectively.

**Return Objectives and Risk Parameters** - The Theatre has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Theatre must hold in perpetuity or for donor-specified periods.

**Strategies Employed for Achieving Objectives** - To satisfy its long-term rate of return objectives, the Theatre relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield, such as interest and dividends. The expected time horizon of the endowment funds is at least ten years.

VILLAGE THEATRE

Notes to Financial Statements  
For the Year Ended August 31, 2023  
(With Comparative Totals for 2022)

Note 13 - Continued

**Spending Policy and How the Investment Objectives Relate to the Spending Policy** - The Theatre has a policy of appropriating for distribution each year a maximum of 5% of its endowment fund's total fair value over the prior 3 years rolling average. This is consistent with the Theatre's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Changes to endowment, excluding outstanding pledges, are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment funds, September 1, 2021	\$ 219,410	\$ 1,947,290	\$ 2,166,700
Endowment investment return	(47,879)	(406,079)	(453,958)
Contributions and collections on pledges		526,761	526,761
Contributions designated by the board	60,000		60,000
<b>Endowment Funds, August 31, 2022</b>	<b>231,531</b>	<b>2,067,972</b>	<b>2,299,503</b>
Endowment investment return	21,169	184,925	206,094
Contributions and collections on pledges	5,000	135,584	140,584
Distributions	(11,220)	(97,734)	(108,954)
<b>Endowment Funds, August 31, 2023</b>	<b><u>\$ 246,480</u></b>	<b><u>\$ 2,290,747</u></b>	<b><u>\$ 2,537,227</u></b>

Separate categories of endowment funds within the endowment are comprised of the following at August 31, 2023:

	Corpus	Accumulated Unspent Earnings	Total
General endowment	\$ 1,029,955	\$ 387,244	\$ 1,417,199
Mainstage endowment	81,050	(3,732)	77,318
Youth education endowment	602,599	33,098	635,697
Village Originals endowment	137,945	22,588	160,533
Board designated quasi-endowment	238,000	8,480	246,480
	<b><u>\$ 2,089,549</u></b>	<b><u>\$ 447,678</u></b>	<b><u>\$ 2,537,227</u></b>



## VILLAGE THEATRE

### Notes to Financial Statements For the Year Ended August 31, 2023 (With Comparative Totals for 2022)

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#### Note 14 - Federal COVID-Relief Funding

The following reflects the federal COVID-19 relief funding presented in the statement of activities and changes in net assets for the years ended August 31:

	<u>2023</u>	<u>2022</u>
Paycheck Protection Program loan forgiveness	\$ -	\$ 1,606,203
Shuttered Venue Operators Grant		2,356,462
King County Revive and Thrive		1,516,120
FEMA Grant	379,772	
Employee Retention Tax Credits		13,089
<b>Total Federal-COVID Relief Funding</b>	<b><u>\$ 379,772</u></b>	<b><u>\$ 5,491,874</u></b>

**Paycheck Protection Program** - In response to the COVID-19 pandemic, the U.S. Congress passed the CARES Act. Included in the CARES Act was the Paycheck Protection Program (PPP) to provide loans to qualifying small businesses and not-for-profit organizations to cover certain eligible expenses. The Theatre obtained two loans under the PPP with principal balances of \$640,000 and \$1,606,203, respectively. All or a portion of the PPP loans may be forgiven if certain terms and conditions of the program are met. The Theatre's accounting policy for recognition of revenue from forgiveness of the PPP loans is to recognize the revenue when the loans are forgiven by the lender. The \$640,000 PPP loan was forgiven in full during the year ending June 30, 2021. The \$1,606,203 PPP loan was forgiven in full during the year ending June 30, 2022.

**Shuttered Venue Operators Grant** - On July 14, 2021, The Theatre was awarded a Shuttered Venue Operators Grant (SVOG) of \$3,106,721 and on December 12, 2021, The Theatre was awarded a SVOG supplemental grant of \$2,356,462. The Theatre recognized \$2,356,462 and \$3,106,721 as revenue during the years ended August 31, 2022, and 2021, respectively. The SVOG program was established by the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act, and amended by the American Rescue Plan Act, and provides COVID-19 relief funding for operators of venues impacted by the pandemic. This grant program is administered by the Small Business Administration and required compliance auditing in accordance with federal guidelines for the years ended August 31, 2022 and 2021.

**Employee Retention Tax Credit (ERTC)** - In response to the COVID-19 pandemic, the U.S. Congress passed the CARES Act. Included in the CARES Act was the ERTC to encourage businesses and not-for-profit organizations impacted by COVID-19 to keep employees on their payroll. The ERTC is a refundable tax credit computed based on wages paid by The Theatre. The Theatre's accounting policy for the ERTC is to record revenue when an amended tax return is filed with the government. Total ERTC revenue recognized during the years ended August 31, 2022 and 2021, was \$13,089 and \$749,219, respectively.

**Federal Emergency Management Agency (FEMA)** - In response to the COVID-19 pandemic, FEMA granted funding to cover all or a portion of pandemic related costs. The award is a cost reimbursement grant for qualifying costs incurred in prior years. The Theatre's accounting policy for the grant is to record revenue when the contract was signed as the qualifying costs were incurred in advance of the grant being awarded. The Theatre recognized revenue on FEMA grants of \$379,772 during the year ended August 31, 2023.

## VILLAGE THEATRE

### Notes to Financial Statements For the Year Ended August 31, 2023 (With Comparative Totals for 2022)

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#### Note 15 - Liquidity and Availability of Financial Assets

The Theatre's working capital and cash flows have seasonal variations during the year attributable to the annual cash receipts for prepaid subscription revenue in the fourth quarter of the fiscal year in advance of the next year and a concentration of contributions received near calendar year end and fiscal year end. Monthly cash outflows vary each year based on the specific requirements of the productions programmed that season. To manage liquidity, the Theatre maintains a line of credit of \$1.5 million with a bank that is drawn upon as needed during the year to manage cash flow. See Note 6 for further description of this line. The Theatre also has board designated cash reserves that it can draw upon (see Note 1).

The following reflects the Theatre's financial assets as of the date of the statement of financial position, reduced by amounts not available for general use within one year of the date of the statement of financial position because of contractual or donor-imposed restrictions or internal designations.

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 3,425,417	\$ 6,622,700
Accounts receivable, net, to be collected in less than one year	24,033	54,313
Pledges receivable, net, to be collected in less than one year	298,023	171,494
Grants receivable, net, to be collected in less than one year	674,430	149,448
Investments	<u>2,537,227</u>	<u>2,299,503</u>
Total financial assets, excluding noncurrent receivables and restricted cash	6,959,130	9,297,458
Contractual or donor-imposed restrictions-		
Endowment fund investments	(2,290,747)	(2,299,503)
Other donor restrictions on pledges to be collected in less than one year	<u>(64,300)</u>	<u>(69,000)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	4,604,083	6,928,955
Assets available with board approval:		
Board designated reserves	<u>1,537,821</u>	<u>3,014,327</u>
<b>Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year With Board Approval</b>	<b><u>\$ 6,141,904</u></b>	<b><u>\$ 9,943,282</u></b>