THE TAPROOT THEATRE

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

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CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Taproot Theatre
Seattle, Washington

We have audited the accompanying financial statements of The Taproot Theatre (TTT), a Washington nonprofit organization, which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
The Taproot Theatre

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Taproot Theatre as of December 31, 2019, 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.

Report on Summarized Comparative Information

We have previously audited The Taproot Theatre's 2018 financial statements, and our report dated November 15, 2019 expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Bellevue, Washington
July 22, 2020

THE TAPROOT THEATRE
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2018)

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 70,950	$ 175,927
Accounts Receivable	-	22,200
Pledges Receivable	1,294	2,844
Deferred Charges	93,056	101,179
Total Current Assets	165,300	302,150
PROPERTY AND EQUIPMENT, Net	6,111,475	6,296,151
BENEFICIAL INTEREST HELD BY SEATTLE FOUNDATION	19,187	17,793
OTHER ASSETS	5,680	1,415
Total Assets	$ 6,301,642	$ 6,617,509
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	$ 48,788	$ 125,615
Accrued Payroll	94,065	75,133
Deferred Revenue:		
Mainstage Subscriptions, Presales and Passes	458,043	421,854
Touring Company	6,757	14,654
Rentals	3,690	-
Current Portion of Capital Lease Obligation	6,702	8,694
Current Portion of Mortgage Payable	37,396	35,827
Personal Loans	54,000	169,781
Total Current Liabilities	709,441	851,558
LONG-TERM LIABILITIES		
Long-Term Capital Lease Obligations, Net of Current Portion	16,396	3,371
Mortgage Payable, Net of Current Portion	1,380,670	1,418,168
Total Long-Term Liabilities	1,397,066	1,421,539
Total Liabilities	2,106,507	2,273,097
NET ASSETS		
Without Donor Restrictions	4,186,535	4,331,412
With Donor Restrictions	8,600	13,000
Total Net Assets	4,195,135	4,344,412
Total Liabilities and Net Assets	$ 6,301,642	$ 6,617,509

See accompanying Notes to Financial Statements.

THE TAPROOT THEATRE
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2018)

	Without Donor Restrictions	With Donor Restrictions	Totals 2019	Totals 2018
OPERATING REVENUE AND SUPPORT				
Jewell Mainstage:				
Box Office Sales	$ 713,776	$ -	$ 713,776	$ 650,144
Subscription Sales	406,453	-	406,453	462,891
Isaac Studio	57,884	-	57,884	56,611
Touring Company	235,489	-	235,489	222,425
Acting Studio	165,159	-	165,159	193,282
Bartered Advertising	34,375	-	34,375	39,550
Other Operating Revenue	44,478	-	44,478	39,707
Net Investment (Loss) Income	1,436	-	1,436	(1,289)
Total Revenue	1,659,050	-	1,659,050	1,663,321
Contributions and Grants	859,329	8,600	867,929	790,290
Fundraising Events, Net of Direct Expenses of $32,027 and $32,075 for 2019 and and 2018, Respectively	216,908	-	216,908	143,382
Net Assets Released from Restrictions	13,000	(13,000)	-	-
Total Operating Revenue and Support	2,748,287	(4,400)	2,743,887	2,596,993
EXPENSES				
Program Services:				
Isaac Studio	163,352	-	163,352	163,129
Jewell Mainstage	1,502,931	-	1,502,931	1,521,945
Touring Company	311,550	-	311,550	296,288
Acting Studio	218,192	-	218,192	263,836
Total Program Services	2,196,025	-	2,196,025	2,245,198
Support Services:				
General and Administrative	531,384	-	531,384	466,131
Café	-	-	-	10,969
Fundraising	183,646	-	183,646	213,683
Total Support Services	715,030	-	715,030	690,783
Total Expenses	2,911,055	-	2,911,055	2,935,981
CHANGES IN NET ASSETS FROM OPERATING ACTIVITIES	(162,768)	(4,400)	(167,168)	(338,988)

See accompanying Notes to Financial Statements.

THE TAPROOT THEATRE
STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2018)

	Without Donor Restrictions	With Donor Restrictions	Totals 2019	Totals 2018
NONOPERATING ACTIVITIES				
Facility Rentals, Net of Expenses of $56,970 and $13,250 for 2019 and 2018, Respectively	$ 2,409	$ -	$ 2,409	$ 43,942
Café Rental Income	15,482	-	15,482	9,545
CHANGES IN NET ASSETS FROM NONOPERATING ACTIVITIES	17,891	-	17,891	53,487
CHANGE IN NET ASSETS	(144,877)	(4,400)	(149,277)	(285,501)
Net Assets - Beginning of Year	4,331,412	13,000	4,344,412	4,629,913
NET ASSETS - END OF YEAR	$ 4,186,535	$ 8,600	$ 4,195,135	$ 4,344,412

See accompanying Notes to Financial Statements.

THE TAPROOT THEATRE
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Contributions	$ 1,118,414	$ 972,981
Cash Received from Services Provided	1,752,282	1,653,075
Cash Received from Investments	42	7
Cash Paid to Employees and Suppliers	(2,720,144)	(2,629,328)
Cash Paid for Interest	(81,841)	(79,213)
Net Cash Provided (Used) by Operating Activities	68,753	(82,478)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(12,653)	(823)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Related Party Loans	25,000	239,781
Repayment of Related Party Loans	(140,000)	(70,000)
Repayment of Capital Lease Obligations	(8,719)	(8,980)
Principal Payments on Mortgages	(37,358)	(33,938)
Net Cash Provided (Used) by Financing Activities	(161,077)	126,863
NET CHANGE IN CASH AND CASH EQUIVALENTS	(104,977)	43,562
Cash and Cash Equivalents - Beginning of Year	175,927	132,365
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 70,950	$ 175,927
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Change in Net Assets	$ (149,277)	$ (285,501)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation and Amortization	217,081	215,593
Loan Fee Amortization	1,429	1,429
(Gain) Loss on Investments/Beneficial Interest	(1,394)	1,296
Donated Securities	-	(766)
(Increase) Decrease in Assets:		
Accounts Receivable	22,200	(17,042)
Pledges Receivable	1,550	8,000
Deferred Charges	8,123	(24,170)
Other Assets	(4,265)	-
Increase (Decrease) in Liabilities:		
Accounts Payable	(76,827)	65,201
Accrued Interest on Personal Loans	(781)	-
Accrued Payroll	18,932	(24,838)
Deferred Revenue	31,982	(21,680)
Net Cash Provided (Used) by Operating Activities	$ 68,753	$ (82,478)

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Taproot Theatre (TTT or the Organization) is a Washington nonprofit corporation formed in 1976 to explore the beauty and questions of life through dramatic productions that provide hope to man's search for meaning. TTT conducts operations under the name of Taproot Theatre Company. TTT acquired the Mainstage Theatre building in 1988. The building adjacent to the Mainstage Theatre (Eleanor Roosevelt Building) was acquired in 2000, and had been rented to tenants who operated restaurant businesses. This building was destroyed by fire in 2009 but was rebuilt in 2013 and re-opened as the Kendall Center.

TTT reports drama activities in four groups: Jewell Mainstage, Isaac Studio Theatre, Touring Company, and Acting Studio. The Jewell Mainstage Theatre is a 226-seat venue located in Seattle, Washington. Mainstage productions consist of a regular season of five productions from February through November, a special Christmas production during December, and other special productions during the year. Isaac Studio Theatre is a new 119-seat venue in the Kendall Center. The Touring Company presents productions for churches, schools, clubs, and other groups throughout the Pacific Northwest. The Acting Studio is a Seattle-based, year-round instructional program for theater artists of all ages and experience levels that are designed to help the actor develop his or her unique gifts.

Accounting Standard Changes

In 2019, TTT early adopted Financial Accounting Standards Board's (FASB) Accounting Standards Codification Topic 606, *Revenues from Contracts with Customers*, which requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. There was no material impact on the TTT's financial position and results of operations upon adoption of the new standard.

Analysis of various provisions of this standard resulted in no significant changes in the way TTT recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

Additionally, in June 2018 FASB issued Accounting Standards Update (ASU) 2018-08, *Accounting Guidance for Contributions Received and Made*. This ASU was issued to clarify accounting guidance for contributions received and contributions made. The amendments to this ASU assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities,* or as an exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional.

The financial statements reflect the application of ASU 2018-08. There was no material impact on TTT's financial position and results of operations upon adoption of the new standard.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

Net assets of the Organization, and changes therein, are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets without donor restrictions include all net assets on which there are no donor-imposed restrictions.

Net Assets With Donor Restrictions – Included in net assets with donor restrictions are those that may be satisfied by future actions of the Organization or the passage of time as well as net assets that will be maintained permanently by the Organization.

Prior Year Comparative Information

The financial statements include certain prior-year summarized information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with TTT's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

Use of Estimates

TTT prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements, and revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Cash and Cash Equivalents

Cash consists of balances in checking and savings accounts at two financial institutions in the Pacific Northwest. Cash equivalents consist of highly liquid investments that can be converted to known amounts of cash and mature in less than three months when purchased.

The balances at the financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC).

Accounts Receivable

Accounts receivable are presented at amounts expected to be collected. Management considers invoices to be past due if they are outstanding more than 60 days after services are provided. When management determines that past due amounts will not be collected, accounts receivable are written off, and bad debt expense is recorded. TTT does not assess finance charges on past due amounts and generally requires no collateral from its patrons. Based on historical collection of accounts receivable, management believes that all accounts receivable balances at December 31, 2019 and 2018 are fully collectible in the normal course of business. As a result, there is no allowance for doubtful accounts recorded in these financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pledges Receivable

Pledges are recognized when a donor makes an unconditional promise to give to TTT. Pledges that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

The receivables are unsecured and noninterest bearing.

TTT uses the allowance method to determine uncollectible unconditional promises to give. The allowance is an estimate based on management's analysis. For the years ended December 31, 2019 and 2018, management determined that pledges were fully collectible.

Deferred Charges

Deferred charges represent prepayment of costs for next year's performances, including the cost of direct mail advertising to promote the next season's programs. Deferred charges are recognized as expenses in the year that the performances occur.

Property and Equipment

Property and equipment is presented net of accumulated depreciation. TTT capitalizes purchased and donated assets with a cost or fair market value greater than $500 and an estimated useful life greater than one year.

Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis, ranging from 5 to 39 years. When property and equipment are retired or otherwise disposed of, the cost and the related depreciation are adjusted, and any gain or loss in disposal is included in the statements of activities. TTT periodically reviews the carrying value of property and equipment and recognizes impairments when the expected future operating cash flows derived from such assets is less than their carrying value.

Beneficial Interest Held by Seattle Foundation

TTT has a beneficial interest in assets held by the Seattle Foundation (the Foundation). Fair value of the beneficial interest is estimated as the net asset value (NAV) of the underlying shares in the Foundation's investment pool.

Net investment income includes interest, dividends, realized and unrealized gains (losses), less account management fees. Absent donor restrictions on the use of investment returns, all investment income is reported as an increase in net assets without restrictions. Investment income whose use is restricted is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. However, if a restriction is fulfilled in the same time period in which the investment income is earned, TTT reports that investment income as an increase in net assets without donor restrictions.

Deferred Revenue

Deferred revenue represents the amount of season ticket subscription purchases for the next year's Mainstage performances.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measure of Operations

TTT classifies revenues, support, expenses, and gains and losses into operating and nonoperating categories in its statements of activities. Operating activities include revenues, support, expenses, and gains and losses that are an integral part of theatre programs and associated support services. Nonoperating activities are revenues, expenses, and gains and losses directly related to rental of Jewell Mainstage Theatre and Isaac Studio.

Revenue Recognition

During the year ended December 31, 2019, TTT received approximately 61% of its total operating revenues and support from drama productions. The remaining 39% of total operating revenues and support is provided by contributions. During the year ended December 31, 2018, TTT received approximately 64% of its total operating revenues and support from drama productions. The remaining 36% of total operating revenues and support is provided by contributions.

Jewell Mainstage, Isaac Studio and Touring Company revenue is recognized at the point in time when the presentation is held. Acting Studio camps are held in the summer and acting classes are held during school breaks. Acting Studio revenue is recognized upon completion of the camp or class.

Contributions

All contributions are considered to be available for general use unless specifically restricted by the donor. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment, are reported as support with donor restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, TTT reports that support as without donor restrictions. Absent donor stipulations regarding how long donated assets must be maintained, TTT reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. TTT reports the satisfaction of purpose restrictions and expiration of time restrictions by reclassifying net assets with donor restrictions to net assets without donor restrictions when these events occur.

Donated goods are recorded at estimated fair market value when received. Contributed services are recognized at their estimated fair market value if the services have value to TTT and require specialized skills, are provided by the individuals possessing those skills, and would have been purchased if not provided by contributors.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The primary allocation of costs is related to compensation and benefits of employees whose work includes both program service and supporting service components based on estimates of their labor hours.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising Costs

TTT expenses advertising production costs the first time the advertising occurs, except for direct-response advertising, which is capitalized and amortized over its expected period of future benefits, not to exceed 12 months. Direct-response advertising consists primarily of materials that include information about how to attend a drama performance.

Bartered/In-Kind Transactions

Periodically, TTT enters into reciprocal bartered/in-kind transactions, in which performance tickets are provided to radio stations and others in exchange for reducing the costs of radio airtime and other services. No gain or loss is recorded from these transactions as the revenue recognized equals the advertising and other costs incurred. Revenue from these transactions is recognized during the period in which the advertisements are displayed in the Mainstage show programs.

Sales Taxes

TTT collects sales taxes from customers and remits the entire balance to the state. TTT's accounting policy is to exclude the tax collected and remitted to the state from revenue and to report the net balance due on the statement of financial position.

Income Taxes

TTT is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC), except on net income derived from unrelated business activities. TTT, as a tax-exempt organization, files an annual federal information return (Form 990) and an exempt organization business income tax return (Form 990-T). IRC Section 513(a) defines an unrelated trade or business of an exempt organization as any trade or business which is not substantially related to the exercise or performance of its exempt purpose. Net rental income from debt financed rental property and gain from loss of debt financed rental property is considered unrelated business income. For the years ended December 31, 2019 and 2018, there were no income taxes related to unrelated business activities. Accordingly, TTT has not recorded a provision or liability for deferred taxes in these financial statements.

TTT's income tax returns are subject to review and examination by federal, state, and local authorities. TTT is not aware of any activities that are subject to tax on unrelated business income, excise, or other taxes or may jeopardize its tax-exempt status.

Reclassifications

Certain amounts in the 2018 financial statements have been reclassified to conform to the 2019 presentation. Those reclassifications had no significant effect on net assets or changes in net assets.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

The board of directors and management has evaluated subsequent events through July 22, 2020, the date the financial statements were available to be issued. Subsequent to year-end, a pandemic of the Corona Virus (COVID-19) was declared by the World Health Organization. Future revenues and expenses of TTT are uncertain due to the potential impact on the ability to perform day to day business operations and performances. As of July 22, 2020, the amount and likelihood of loss relating to these events is not determined.

Subsequent to year-end, TTT applied for and was granted a loan through the Paycheck Protection Program with a principal balance of approximately $322,000. The loan incurs interest at 1% with principal payments due beginning in November 2020 through May 2022, however up to the full balance of the loan may be forgiven if the proceeds are used for qualifying expenses. The loan may reviewed by the Small Business Administration for borrower eligibility, loan amounts and use of proceeds and loan forgiveness amounts for six years from the date the loan is either forgiven or repaid in full.

NOTE 2 FAIR VALUE MEASUREMENT

U.S. accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under accounting standards are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that TTT has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

NOTE 2 FAIR VALUE MEASUREMENT (CONTINUED)

The following is a description of the valuation methodologies used for assets measured at fair value.

Beneficial Interest Held by Seattle Foundation: NAV of pooled account held by TTT at year-end.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while TTT 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.

The following tables set forth by level, within the fair value hierarchy, TTT's assets at fair value as of December 31:

	2019			
	Level 1	Level 2	Level 3	Total
Mutual Fund Held in Pooled Account at Seattle Foundation:				
BNY Balanced Pool	$ -	$ 19,187	$ -	$ 19,187

	2018			
	Level 1	Level 2	Level 3	Total
Mutual Fund Held in Pooled Account at Seattle Foundation:				
BNY Balanced Pool	$ -	$ 17,793	$ -	$ 17,793

NOTE 3 INFORMATION REGARDING LIQUIDITY AND AVAILABILITY

Taproot's goals are to have cash and short-term investments equal to 20 days of average operations (approx. $163,000), and to begin each year with cash available equal to the previous year's subscription presales, or approx. $450,000. As described in Note 5, Taproot has a line of credit of $75,000 which can be drawn upon as needed in order to maintain its liquidity goals.

The following table reflects TTT's financial assets as of December 31, 2019 and 2018, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of donor restrictions or internal board designations. The net assets with donor restrictions at December 31, 2019 and 2018 are available for general expenditures in the following year. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through board resolution.

	2019	2018
Cash and Cash Equivalents	$ 70,950	$ 175,927
Accounts Receivable	-	22,200
Pledges Receivable	1,294	2,844
Beneficial Interest Held by Seattle Foundation	19,187	17,793
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	$ 91,431	$ 218,764

NOTE 4 PROPERTY AND EQUIPMENT

Major classes or property and equipment were as follows for the years ended December 31:

	2019		
	Jewell Theater	Kendall Center	Total
Depreciable Assets:			
Building and Improvements	$ 1,726,804	$ 4,808,786	$ 6,535,590
Equipment	483,616	351,314	834,930
Total	2,210,420	5,160,100	7,370,520
Less: Accumulated Depreciation	(1,232,102)	(738,916)	(1,971,018)
Total	978,318	4,421,184	5,399,502
Nondepreciable Assets:			
Land	46,805	665,168	711,973
Total Property and Equipment	$ 1,025,123	$ 5,086,352	$ 6,111,475

	2018		
	Jewell Theater	Kendall Center	Total
Depreciable Assets:			
Building and Improvements	$ 1,725,571	$ 4,808,786	$ 6,534,357
Equipment	452,444	351,314	803,758
Total	2,178,015	5,160,100	7,338,115
Less: Accumulated Depreciation	(1,015,021)	(738,916)	(1,753,937)
Total	1,162,994	4,421,184	5,584,178
Nondepreciable Assets:			
Land	46,805	665,168	711,973
Total Property and Equipment	$ 1,209,799	$ 5,086,352	$ 6,296,151

Depreciation expense of $217,081 and $215,593 for the years ended December 31, 2019 and 2018, respectively, is included in operating activities.

NOTE 5 LINE OF CREDIT

TTT has a line of credit for $75,000 with interest at *The Wall Street Journal Prime Rate* plus 1.0%. (6.25% at December 31, 2019). There was no outstanding balance on the line of credit at December 31, 2019 and 2018. The line of credit will be due in full on June 30, 2020.

The line of credit is collateralized by all business assets of TTT, a deed of trust on TTT's real estate, and cross-collateralized and cross-defaulted to all of TTT's debt with Banner Bank.

The debt agreement with Banner Bank, which includes the line of credit agreement and the term loan in Note 7, includes a debt service coverage covenant and a debt-to-tangible net worth covenant. TTT is out of compliance with the debt service covenant but has obtained a waiver from the bank.

NOTE 6 CAPITAL LEASE OBLIGATIONS

TTT entered into a contract in March 2015 to lease a copier with a commencement period of 63 months. The monthly lease payment is fixed at $571 based on the capital lease contract. TTT entered into another contract in December 2019 to lease a copier with a commencement period of 63 months. The monthly lease payment is fixed at $259 based on the capital lease contract.

The copiers have a total cost of $51,127 and accumulated depreciation of $30,329 as of December 31, 2019. The 2015 copier had a total cost of $31,375 and accumulated depreciation and $24,054 as of December 31 2018. Amortization of assets held under capital lease is included in depreciation expense.

Future noncancelable payments per the lease agreements, based on the monthly rates at December 31, 2019 and 2018, are as follows:

Year Ending December 31,	Amount
2020	$ 7,659
2021	4,313
2022	4,313
2023	4,313
2024	4,313
2025	1,078
Total	25,989
Less: Amount Representing Interest	(2,891)
Total	23,098
Less: Current Portion	(6,702)
Total	$ 16,396

NOTE 7 NOTES PAYABLE

The outstanding balance of a personal loans is as follows for the years ended December 31:

Description	2019	2018
Unsecured note payable to Taproot president. Original loan was for $49,000, due on or before May 31, 2019 with monthly principal payments of $5,000 per month and interest at 2.23% to be paid with final payment.	$ 29,000	$ 29,000
Unsecured notes payable to key employee. Original loans were for total of $190,000 and were due on or before December 31, 2019 including interest at 1.0%. Extended in January 2019 with a new due date of December 31, 2019.	-	140,781
Unsecured notes payable to individual. The loan is for a total of $25,000 and is due on or before December 31, 2020 including interest at 2.55%.	25,000	-
Total	$ 54,000	$ 169,781

The outstanding balance of a mortgage payable is as follows for the years ended December 31:

Description	2019	2018
Term loan with a 10-year maturity. Monthly payment of principal and interest of $8,815, with interest calculated at 4.75% for the first five years. During the last five years, interest will be adjusted to the US Treasury Constant Maturities rate plus 3.5%. The remaining balance will be payable on December 1, 2026.	$ 1,427,830	1,465,188.00
Less: Loan Fees	(9,764)	(11,193)
Total Mortgage Payable	$ 1,418,066	$ 1,453,995

Future maturities are as follows for the years ended December 31:

Year Ending December 31,	Amount
2020	$ 37,396
2021	39,432
2022	39,015
2023	41,006
2024	42,919
Thereafter	1,228,062
Total	$ 1,427,830

The mortgage is collateralized by all business assets of TTT, a deed of trust on TTT's real estate, and cross-collateralized and cross-defaulted to all of TTT's debt with Banner Bank.

NOTE 7 NOTES PAYABLE (CONTINUED)

The debt agreement with Banner Bank, which includes the term loan and the line of credit agreement in Note 5, includes a debt service coverage covenant and a debt-to-tangible net worth covenant. TTT is not in compliance with the debt service covenant but has obtained a waiver from the bank.

Loan fee amortization expense of $1,429 for each of the years ended December 31, 2019 and 2018 is included in operating activities.

NOTE 8 IN-KIND AND OTHER ADVERTISING

Total in-kind revenue for the years ended December 31, 2019 and 2018 was $34,375 and $39,550, respectively, primarily in-kind radio airtime advertising.

Other advertising totaled $136,338 and $148,680 for the years ended December 31, 2019 and 2018, respectively.

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at December 31, 2019:

	Beginning Balance	Contributions	Releases	Ending Balance
Time Restrictions:				
Contributions to be Used for Operations in 2020	$ 13,000	$ 8,600	$ (13,000)	$ 8,600

Net assets with donor restrictions consisted of the following at December 31, 2018:

	Beginning Balance	Contributions	Releases	Ending Balance
Time Restrictions:				
Contributions to be Used for Operations in 2019	$ 24,050	$ 13,000	$ (24,050)	$ 13,000

NOTE 10 FUNCTIONAL EXPENSES

Functional expenses for the year ended December 31, 2019 with comparative totals for 2018 are as follows:

	Program Services				
	Isaac Studio	Jewell Mainstage	Touring Company	Acting Studio	Total
Compensation	$ 72,919	$ 850,947	$ 215,198	$ 125,769	$ 1,264,833
Payroll Taxes	6,288	73,357	18,557	10,846	109,048
Employee Benefits	6,943	80,993	20,489	11,974	120,399
Total	86,150	1,005,297	254,244	148,589	1,494,280
Production Expenses	5,797	76,814	8,534	9,420	100,565
Café Food and Supplies	-	-	-	-	-
Royalties	5,680	92,818	14,054	1,153	113,705
Bank Fees	-	18,587	-	189	18,776
Marketing	4,715	111,546	7,697	10,064	134,022
In-Kind Advertising and Services	-	34,375	-	-	34,375
Office Expense	22	6,220	1,073	391	7,706
Information Technology	5,425	13,159	4,300	5,665	28,549
Interest and Amortization	11,159	26,450	469	5,865	43,943
Occupancy	14,431	34,205	607	7,584	56,827
Travel	67	7,536	17,201	13,650	38,454
Professional Development	-	2,185	-		2,185
Professional Fees	-	-	-	-	-
Development	-	-	464	-	464
Fundraising Events	-	-	-	-	-
Director and Officer Insurance	-	-	-	-	-
Taxes	365	603	-	-	968
Amenities	195	3,580	1,673	200	5,648
Total	134,006	1,433,375	310,316	202,770	2,080,467
Depreciation	29,346	69,556	1,234	15,422	115,558
Total	163,352	1,502,931	311,550	218,192	2,196,025
Less: Expenses Netted Against Revenues on the Statement of Activities:					
Fundraising Events	-	-	-	-	-
Rental Expenses	-	-	-	-	-
Total Expenses Included in the Expense Section of the Statement of Activities	$ 163,352	$ 1,502,931	$ 311,550	$ 218,192	$ 2,196,025
Comparative Totals for 2018	$ 163,129	$ 1,521,945	$ 296,288	$ 263,836	$ 2,245,198

NOTE 10 FUNCTIONAL EXPENSES (CONTINUED)

	Support Services					Totals	
	General and Administrative	Café	Rentals	Fundraising	Total	2019	2018
Compensation	$ 207,167		$ 7,462	$ 119,344	$ 333,973	$ 1,598,806	$ 1,601,523
Payroll Taxes	18,244		643	10,292	29,179	138,227	137,632
Employee Benefits	16,415		710	11,363	28,488	148,887	161,995
Total	241,826	-	8,815	140,999	391,640	1,885,920	1,901,150
Production Expenses	-	-	-	-	-	100,565	96,718
Café Food and Supplies	-	-	-	-	-	-	210
Royalties	-	-	-	-	-	113,705	132,112
Bank Fees	14,639	-	-	9,561	24,200	42,976	24,050
Marketing	2,264	-	-	52	2,316	136,338	148,680
In-Kind Advertising and Services	-	-	-	-	-	34,375	39,550
Office Expense	40,514	-	-	99	40,613	48,319	35,408
Information Technology	19,118	-	-	11,607	30,725	59,274	51,790
Interest and Amortization	28,764	-	9,782	-	38,546	82,489	80,642
Occupancy	38,117	-	12,650	-	50,767	107,594	98,908
Travel	3	-	-	13	16	38,470	31,870
Professional Development	6,844	-	-	566	7,410	9,595	15,033
Professional Fees	58,184	-	-	-	58,184	58,184	27,272
Development	889	-	-	20,733	21,622	22,086	39,507
Fundraising Events		-	-	32,027	32,027	32,027	32,075
Director and Officer Insurance	3,309	-	-	-	3,309	3,309	-
Taxes	62	-	-		62	1,030	2,156
Amenities	1,051	-	-	16	1,067	6,715	8,582
Total	455,584	-	31,247	215,673	702,504	2,782,971	2,765,713
Depreciation	75,800		25,723	-	101,523	217,081	215,593
Total	531,384	-	56,970	215,673	804,027	3,000,052	2,981,306
Less: Expenses Netted Against Revenues on the Statement of Activities:							
Fundraising Events	-	-	-	(32,027)	(32,027)	(32,027)	(32,075)
Rental Expenses	-	-	(56,970)	-	(56,970)	(56,970)	(13,250)
Total Expenses Included in the Expense Section of the Statement of Activities	$ 531,384	$ -	$ -	$ 183,646	$ 715,030	$ 2,911,055	$ 2,935,981
Comparative Totals for 2018	$ 466,131	$ 10,969	$ -	$ 213,683	$ 690,783	$ 2,935,981	