THE TAPROOT THEATRE

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Taproot Theatre
Seattle, Washington

Report on the Audit of the Financial Statements

Opinion

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, 2021, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Taproot Theatre as of December 31, 2021, 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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of The Taproot Theatre and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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.

Board of Directors
The Taproot Theatre

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 Taproot 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 Taproot 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.

Report on Summarized Comparative Information

We have previously audited The Taproot Theatre's 2020 financial statements, and our report dated September 29, 2021 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, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Bellevue, Washington
August 16, 2022

THE TAPROOT THEATRE
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2020)

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 1,945,236	$ 275,488
Accounts Receivable	-	1,054
Pledges Receivable	-	3,844
Investments	-	12,450
Deferred Charges	71,594	46,187
Total Current Assets	2,016,830	339,023
PROPERTY AND EQUIPMENT, NET	5,767,303	5,929,753
BENEFICIAL INTEREST HELD BY SEATTLE FOUNDATION	103,216	22,739
OTHER ASSETS	4,261	4,285
Total Assets	$ 7,891,610	$ 6,295,800
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	$ 89,734	$ 41,605
Accrued Payroll	73,585	127,130
Deferred Revenue:		
Mainstage Subscriptions, Presales, and Passes	166,327	341,297
Touring Company	1,400	1,400
Rentals	1,832	1,832
Refundable Advances (SVO Grant)	642,966	-
Paycheck Protection Program Note Payable	331,271	-
Current Portion of Capital Lease Obligation	10,767	10,217
Current Portion of Mortgage Payable	41,455	44,934
Total Current Liabilities	1,359,337	568,415
LONG-TERM LIABILITIES		
Long-Term Capital Lease Obligations, Net of Current Portion	26,064	37,151
Mortgage Payable, Net of Current Portion	1,327,256	1,364,821
Total Long-Term Liabilities	1,353,320	1,401,972
Total Liabilities	2,712,657	1,970,387
NET ASSETS		
Without Donor Restrictions	5,178,253	4,316,789
With Donor Restrictions	700	8,624
Total Net Assets	5,178,953	4,325,413
Total Liabilities and Net Assets	$ 7,891,610	$ 6,295,800

THE TAPROOT THEATRE
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2020)

	Without Donor Restrictions	With Donor Restrictions	Totals 2021	Totals 2020
OPERATING REVENUE AND SUPPORT				
Jewell Mainstage:				
Box Office Sales	$ 124,976	$ -	$ 124,976	$ 133,131
Subscription Sales	93,344	-	93,344	88,952
Isaac Studio	-	-	-	175
Education and Outreach:				
Touring Company	65,420	-	65,420	76,739
Acting Studio	63,057	-	63,057	30,676
Loss on Disposal of Equipment	(9,937)	-	(9,937)	(1,203)
Other Operating Revenue	1,549	-	1,549	3,670
Net Investment Income	5,330	-	5,330	2,669
Total Revenue	343,739	-	343,739	334,809
Contributions and Grants	1,926,168	700	1,926,868	1,372,165
Shuttered Venue Organization Grant	171,586	-	171,586	-
Fundraising Events, Net of Direct Expenses of $37,353 and $10,090 for 2021 and and 2020, Respectively	172,254	-	172,254	179,065
Net Assets Released from Restrictions	8,624	(8,624)	-	-
Total Operating Revenue and Support	2,622,371	(7,924)	2,614,447	1,886,039
EXPENSES				
Program Services:				
Isaac Studio	67,273	-	67,273	86,518
Jewell Mainstage	741,952	-	741,952	766,774
Education and Outreach	327,068	-	327,068	285,400
Total Program Services	1,136,293	-	1,136,293	1,138,692
Support Services:				
General and Administrative	455,930	-	455,930	443,534
Fundraising	171,474	-	171,474	188,018
Total Support Services	627,404	-	627,404	631,552
Total Expenses	1,763,697	-	1,763,697	1,770,244
CHANGES IN NET ASSETS FROM OPERATING ACTIVITIES	858,674	(7,924)	850,750	115,795
NONOPERATING ACTIVITIES				
Facility Rentals, Net of Expenses of $-0- and $18,341 for 2021 and 2020, Respectively	2,040	-	2,040	5,823
Café Rental Income	750	-	750	8,660
CHANGES IN NET ASSETS FROM NONOPERATING ACTIVITIES	2,790	-	2,790	14,483
CHANGE IN NET ASSETS	861,464	(7,924)	853,540	130,278
Net Assets - Beginning of Year	4,316,789	8,624	4,325,413	4,195,135
NET ASSETS - END OF YEAR	$ 5,178,253	$ 700	$ 5,178,953	$ 4,325,413

THE TAPROOT THEATRE
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2020)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Contributions	$ 2,324,355	$ 1,547,219
Cash Received from Services Provided	820,292	239,386
Cash Received from Investments	(53)	883
Cash Paid to Employees and Suppliers	(1,552,011)	(1,424,575)
Cash Paid for Interest	(66,837)	(81,587)
Net Cash Provided by Operating Activities	1,525,746	281,326
CASH FLOWS FROM INVESTING ACTIVITIES		
Additional Investment in Beneficial Interest Held by Seattle Foundation	(75,200)	-
Purchases of Property and Equipment	(59,059)	-
Net Cash Used by Investing Activities	(134,259)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Related Party Loans	-	50,000
Repayment of Related Party Loans	-	(104,000)
Repayment of Capital Lease Obligations	(10,537)	(13,048)
Proceeds from Paycheck Protection Program Note Payable	331,271	-
Principal Payments on Mortgage Payable	(42,473)	(9,740)
Net Cash Provided (Used) by Financing Activities	278,261	(76,788)
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,669,748	204,538
Cash and Cash Equivalents - Beginning of Year	275,488	70,950
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 1,945,236	$ 275,488
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in Net Assets	$ 853,540	$ 130,278
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	211,572	217,837
Loss on Disposal of Equipment	9,937	1,203
Loan Fee Amortization	1,429	1,429
Gain on Investments/Beneficial Interest	(5,277)	(3,552)
Donated Securities	12,450	(11,551)
(Increase) Decrease in Assets:		
Accounts Receivable	1,054	(1,054)
Pledges Receivable	3,844	(2,550)
Deferred Charges	(25,407)	46,869
Other Assets	24	496
Increase (Decrease) in Liabilities:		
Accounts Payable	48,129	(7,183)
Accrued Interest on Personal Loans	-	-
Accrued Payroll	(53,545)	33,065
Deferred Revenue	(174,970)	(123,961)
Refundable Advances	642,966	-
Net Cash Provided by Operating Activities	$ 1,525,746	$ 281,326

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, Education and Outreach (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.

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, 2020, 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2021 and 2020 are fully collectible in the normal course of business. As a result, there is no allowance for doubtful accounts recorded in these financial statements.

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, 2021 and 2020, 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (Continued)

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.

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, 2021, TTT received approximately 13% of its total operating revenues and support from drama productions. The remaining 87% of total operating revenues and support is provided by contributions. During the year ended December 31, 2020, TTT received approximately 18% of its total operating revenues and support from drama productions. The remaining 82% 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Governmental Contract Revenue

A portion of TTT's revenue is derived from tow Sheltered Venue Organization (SVO) grants received from the Small Business Administration in July and September 2021, which is conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when TTT has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. The total received from the SVO grants was $814,552, of which $171,586 was recognized as revenue during the year ended December 31, 2021 and $642,966 was deferred as refundable advances at December 31, 2021.

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. TTT received bartered/in-kind revenue during totaling $2,800 and $353 in 2021 or 2020, respectively

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. Advertising totaled $8,545 and $35,430 for the years ended December 31, 2021 and 2020, respectively.

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, 2021 and 2020, 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.

Subsequent Events

The board of directors and management has evaluated subsequent events through August 16, 2022, the date the financial statements were available to be issued.

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.

NOTE 2 FAIR VALUE MEASUREMENT (CONTINUED)

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.

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

Common Stock: Quoted market prices for identical assets in active markets

Beneficial Interest Held by Seattle Foundation: *Balanced Pool held in pooled accounts*: Estimated fair value of underlying assets as reported by the Seattle Foundation 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:

	2021			
	Level 1	Level 2	Level 3	Total
Pooled Investments at Seattle Foundation				
Balanced Pool	$ -	$ -	$ 103,216	$ 103,216
Total	$ -	$ -	$ 103,216	$ 103,216

	2020			
	Level 1	Level 2	Level 3	Total
Common Stock	$ 12,450	$ -	$ -	$ 12,450
Pooled Investments at Seattle Foundation				
Balanced Pool	-	-	22,739	22,739
Total	$ 12,450	$ -	$ 22,739	$ 35,189

NOTE 2 FAIR VALUE MEASUREMENT (CONTINUED)

The investment assets held at the Seattle Foundation has been valued, as a practical expedient, at the fair value of TTT's share of the Foundation's investment pool as of the measurement date. The Foundation values securities and other financial instruments on a fair value basis of accounting. The Foundation's investments in the Balanced Growth Strategy Fund are composed approximately of 61% equity securities and 29% fixed income securities.

Financial instruments classified as Level 3 in the fair value hierarchy represent TTT's investments in financial instruments in which management has used at least one significant unobservable input in the valuation model.

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, and to begin each year with cash available equal to the previous year's subscription presales.

The following table reflects TTT's financial assets as of December 31, 2021 and 2020, 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, 2021 and 2020 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.

	2021	2020
Cash and Cash Equivalents	$ 1,945,236	$ 275,488
Accounts Receivable	-	1,054
Pledges Receivable	-	3,844
Investments	-	12,450
Beneficial Interest Held by Seattle Foundation	103,216	22,739
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	$ 2,048,452	$ 315,575

NOTE 4 PROPERTY AND EQUIPMENT

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

	2021		
	Jewell Theater	Kendall Center	Total
Depreciable Assets:			
Building and Improvements	$ 1,776,686	$ 4,795,967	$ 6,572,653
Equipment	399,023	350,122	749,145
Total	2,175,709	5,146,089	7,321,798
Less: Accumulated Depreciation	(1,240,540)	(1,025,928)	(2,266,468)
Total	935,169	4,120,161	5,055,330
Nondepreciable Assets:			
Land	46,805	665,168	711,973
Total Property and Equipment	$ 981,974	$ 4,785,329	$ 5,767,303

	2020		
	Jewell Theater	Kendall Center	Total
Depreciable Assets:			
Building and Improvements	$ 1,726,804	$ 4,808,786	$ 6,535,590
Equipment	437,900	350,122	788,022
Total	2,164,704	5,158,908	7,323,612
Less: Accumulated Depreciation	(1,079,904)	(1,025,928)	(2,105,832)
Total	1,084,800	4,132,980	5,217,780
Nondepreciable Assets:			
Land	46,805	665,168	711,973
Total Property and Equipment	$ 1,131,605	$ 4,798,148	$ 5,929,753

Depreciation expense of $211,572 and $217,837 for the years ended December 31, 2021 and 2020, respectively, is included in operating activities.

NOTE 5 CAPITAL LEASE OBLIGATIONS

TTT entered into a contract in December 2019 to lease a copier with a commencement period of 63 months. The monthly lease payment is fixed at $359 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 $679 based on the capital lease contract.

The copiers have a total cost of $57,069 and accumulated depreciation of $22,826 and $11,413 as of December 31, 2021 and 2020, respectively. Amortization of assets held under capital lease is included in depreciation expense.

TTT entered into a new capital lease in July 2022 replacing the existing leases. The new lease includes monthly payments of $1,100 through October 2027.

NOTE 5 CAPITAL LEASE OBLIGATION (CONTINUED)

Future noncancelable payments per the lease agreements, based on the monthly rates at December 31, 2021 and 2020 are as follows:

Year Ending December 31,	Amount
2022	$ 12,461
2023	12,461
2024	12,461
2025	3,115
Total	40,498
Less: Amount Representing Interest	(3,667)
Total	36,831
Less: Current Portion	(10,767)
Total	$ 26,064

NOTE 6 NOTES PAYABLE

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

Description	2021	2020
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.	$ 1,375,617	$ 1,418,090
Less: Loan Fees	(6,906)	(8,335)
Total Mortgage Payable	$ 1,368,711	$ 1,409,755

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

Year Ending December 31,	Amount
2022	$ 41,455
2023	43,458
2024	43,457
2025	45,567
2026	47,779
Thereafter	1,153,901
Total	$ 1,375,617

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 6 NOTES PAYABLE (CONTINUED)

The debt agreement with Banner Bank includes a debt service coverage covenant and a debt-to-tangible net worth covenant. Management believes that TTT is in compliance with the covenants.

Loan fee amortization expense of $1,429 for each of the years ended December 31, 2021 and 2020 is included in operating activities.

NOTE 7 PAYCHECK PROTECTION PROGRAM LOAN

On April 18, 2020, TTT received a loan from Banner Bank in the amount of $322,351 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the PPP Loan). The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5) and was due over 24 months deferred for 6 months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP Loan bears interest at a fixed rate of 1.0% per annum, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if TTT fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program.

TTT applied for forgiveness of the loan and received official notice on August 18, 2021 that the loan had been fully forgiven. The loan balance was included in contributions and grant income in the 2020 statement of activities.

On May 20, 2021, TTT applied for and was granted a second PPP loan with a principal balance of $331,271. The PPP Loan bears interest at a fixed rate of 1.0% per annum, has a term of five years, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if TTT fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program.

TTT applied for forgiveness of the loan and received official notice on February 14, 2022, that the loan had been fully forgiven.

The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on TTT's financial position.

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at December 31, 2021:

	Beginning Balance	Contributions	Releases	Ending Balance
Time Restrictions:				
Contributions to be Used for Operations in 2022	$ 8,624	$ 700	$ (8,624)	$ 700

Net assets with donor restrictions consisted of the following at December 31, 2020:

	Beginning Balance	Contributions	Releases	Ending Balance
Time Restrictions:				
Contributions to be Used for Operations in 2021	$ 8,600	$ 8,624	$ (8,600) `	$ 8,624

NOTE 9 FUNCTIONAL EXPENSES

Functional expenses for the year ended December 31, 2021 with comparative totals for 2020 are as follows:

	Program Services			
	Isaac Studio	Jewell Mainstage	Education & Outreach	Total
Compensation	$ -	$ 430,870	$ 173,387	$ 604,257
Payroll Taxes	-	44,255	17,808	62,063
Employee Benefits	-	67,089	26,997	94,086
Total	-	542,214	218,192	760,406
Production Expenses	2,775	29,672	10,022	42,469
Royalties	500	16,430	15,424	32,354
Bank Fees	-	159	2,640	2,799
Marketing	-	4,466	1,164	5,630
Office and Printing Expense	-	7,039	4,379	11,418
Information Technology	4,125	4,233	8,847	17,205
Interest and Amortization	10,414	23,446	24,220	58,080
Occupancy	14,976	33,257	7,663	55,896
Travel	-	1,856	13,592	15,448
Professional Development	-	4,217	660	4,877
Professional Fees	-	-	-	-
Development	-	-	245	245
Fundraising Events	-	-	-	-
Director and Officer Insurance	-	-	-	-
Taxes	1,516	665	-	2,181
Amenities	-	79	1,024	1,103
Total	34,306	667,733	308,072	1,010,111
Depreciation	32,967	74,219	18,996	126,182
Total	67,273	741,952	327,068	1,136,293
Less: Expenses Netted Against Revenues on the Statement of Activities:				
Rental Expenses	-	-	-	-
Fundraising Events	-	-	-	-
Total Expenses Included in the Expense Section of the Statement of Activities	$ 67,273	$ 741,952	$ 327,068	$ 1,136,293
Comparative Totals for 2020	$ 86,518	$ 766,774	$ 285,400	$ 1,138,692

NOTE 9 FUNCTIONAL EXPENSES (CONTINUED)

	Support Services			Totals	
	General and Administrative	Fundraising	Total	2021	2020
Compensation	$ 131,616	$ 108,752	$ 240,368	$ 844,625	$ 902,261
Payroll Taxes	13,497	11,170	24,667	86,730	80,166
Employee Benefits	20,463	16,933	37,396	131,482	109,920
Total	165,576	136,855	302,431	1,062,837	1,092,347
Production Expenses	-	493	493	42,962	29,883
Royalties	-	-	-	32,354	32,300
Bank Fees	7,035	4,241	11,276	14,075	20,569
Marketing	2,915	-	2,915	8,545	40,278
Office and Printing Expense	79,939	2,406	82,345	93,763	23,946
Information Technology	20,045	12,668	32,713	49,918	58,502
Interest and Amortization	10,186	-	10,186	68,266	83,016
Occupancy	38,793	-	38,793	94,689	94,260
Travel	3	-	3	15,451	9,262
Professional Development	9,543	26	9,569	14,446	6,335
Professional Fees	31,585	3,300	34,885	34,885	43,252
Development	1,051	11,377	12,428	12,673	26,871
Fundraising Events		37,353	37,353	37,353	10,090
Director and Officer Insurance	1,853	-	1,853	1,853	3,410
Taxes	11	-	11	2,192	2,107
Amenities	2,005	108	2,113	3,216	4,410
Total	370,540	208,827	579,367	1,589,478	1,580,838
Depreciation	85,390	-	85,390	211,572	217,837
Total	455,930	208,827	664,757	1,801,050	1,798,675
Less: Expenses Netted Against Revenues on the Statement of Activities:					
Rental Expenses	-	-	-	-	(18,341)
Fundraising Events	-	(37,353)	(37,353)	(37,353)	(10,090)
Total Expenses Included in the Expense Section of the Statement of Activities	$ 455,930	$ 171,474	$ 627,404	$ 1,763,697	$ 1,770,244
Comparative Totals for 2020	$ 443,534	$ 188,018	$ 631,552	$ 1,770,244	