TAPROOT THEATRE

Financial Statements

For the Year Ended December 31, 2022

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Independent Auditor's Report

To the Board of Directors
Taproot Theatre
Seattle, Washington

Opinion

We have audited the financial statements of Taproot Theatre (the Theatre) which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, 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 December 31, 2022, 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 audits 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 2 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 December 31, 2022. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

The financial statements of the Theatre for the year ended December 31, 2021, were audited by another auditor whose report dated August 16, 2022 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, 2021 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.

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 P.S.

Certified Public Accountants
August 2, 2023

TAPROOT THEATRE

Statement of Financial Position
December 31, 2022
(With Comparative Totals for 2021)

	2022	2021
Assets		
Current Assets:		
Cash and cash equivalents	$ 1,070,026	$ 1,945,236
Accounts and interest receivable	7,074	
Prepaid expenses and deposits	70,947	66,001
Total Current Assets	**1,148,047**	**2,011,237**
Investments	99,538	113,072
Financing right-of-use lease asset	59,558	
Property and equipment, net	5,551,151	5,767,301
Total Assets	**$ 6,858,294**	**$ 7,891,610**
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	$ 43,790	$ 89,734
Accrued expenses	119,574	73,585
Advance ticket sales and gift certificates	353,858	169,559
Deferred Shuttered Venue Operators Grant revenue		642,966
Paycheck Protection Program loan		331,271
Current portion of capital lease obligation		10,767
Current portion of financing lease liability	11,386	
Current portion of long-term debt	44,643	41,455
Total Current Liabilities	**573,251**	**1,359,337**
Capital lease obligation, net of current portion		26,064
Long-term financing lease liability, net of current portion	48,499	
Long-term debt, net of current portion	1,287,108	1,327,256
Total Liabilities	**1,908,858**	**2,712,657**
Net Assets:		
Without donor restrictions	4,949,436	5,178,253
With donor restrictions		700
Total Net Assets	**4,949,436**	**5,178,953**
Total Liabilities and Net Assets	**$ 6,858,294**	**$ 7,891,610**

See accompanying notes.

TAPROOT THEATRE

Statement of Activities
For the Year Ended December 31, 2022
(With Comparative Totals for 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
Revenue:				
Earned revenue-				
Jewell Mainstage and other productions:				
Box office sales	$ 470,422	$ -	$ 470,422	$ 124,976
Subscription sales	309,403		309,403	93,344
Education and outreach:				
Touring company	134,084		134,084	65,420
Acting studio	113,576		113,576	63,057
Investment return	(10,789)		(10,789)	4,643
Concessions and other	34,818		34,818	954
Total earned revenue	1,051,514		1,051,514	352,394
Contributed revenue-				
Contributions and grants	1,052,707		1,052,707	1,924,068
Fundraising events, net of direct expenses of $40,565 and $37,353 for 2022 and 2021, respectively	95,835		95,835	172,253
Federal COVID-relief funding	1,126,026		1,126,026	171,586
In-kind contributions	11,285		11,285	2,800
Net assets released from restrictions	700	(700)		
Total contributed revenue	2,286,553	(700)	2,285,853	2,270,707
Total Revenue	**3,338,067**	**(700)**	**3,337,367**	**2,623,101**
Expenses:				
Program services-				
Jewell Mainstage and other productions	2,461,584		2,461,584	809,225
Education and outreach	540,649		540,649	327,068
Total program services expenses	3,002,233		3,002,233	1,136,293
Supporting services-				
Management and general	372,526		372,526	455,930
Fundraising	212,740		212,740	171,474
Total supporting services expense	585,266		585,266	627,404
Total Expenses	**3,587,499**		**3,587,499**	**1,763,697**
Total Change in Net Assets, Operating Activities	**(249,432)**	**(700)**	**(250,132)**	**859,404**
Nonoperating Activities:				
Loss on disposal of equipment				(9,937)
Facility and other rentals	20,615		20,615	4,073
Change in Net Assets, Nonoperating Activities	**20,615**		**20,615**	**(5,864)**
Total Change in Net Assets	**(228,817)**	**(700)**	**(229,517)**	**853,540**
Net assets, beginning of year	5,178,253	700	5,178,953	4,325,413
Net Assets, End of Year	**$ 4,949,436**	**$ -**	**$ 4,949,436**	**$ 5,178,953**

See accompanying notes.

TAPROOT THEATRE

Statement of Functional Expenses
For the Year Ended December 31, 2022
(With Comparative Totals for 2021)

	Program Services			Support Services				
	Jewell Mainstage and Other Productions	Education and Outreach	Total Program Services	General and Administrative	Fundraising	Total Support Services	2022 Total	2021 Total
Payroll, taxes and benefits	$ 1,620,938	$ 367,951	$ 1,988,889	$ 181,090	$ 156,777	$ 337,867	$ 2,326,756	$ 1,062,837
Office expenses	58,898	23,834	82,732	108,161	71,646	179,807	262,539	199,489
Marketing expenses	87,646	11,369	99,015		5,659	5,659	104,674	38,545
Occupancy expenses	62,148	29,337	91,485	29,337		29,337	120,822	94,689
Professional services	5,095	3,744	8,839	32,747	19,223	51,970	60,809	34,885
Interest expense	66,074		66,074				66,074	68,266
Production expenses	423,044	51,437	474,481				474,481	90,767
Deprecation	137,741	52,977	190,718	21,191		21,191	211,909	211,572
Total Functional Expenses	**2,461,584**	**540,649**	**3,002,233**	**372,526**	**253,305**	**625,831**	**3,628,064**	**1,801,050**
Less expenses netted against revenues on the statement of activities- Fundraising event expenses					(40,565)		(40,565)	(37,353)
Total Expenses on the Statement of Activities	**$ 2,461,584**	**$ 540,649**	**$ 3,002,233**	**$ 372,526**	**$ 212,740**	**$ 625,831**	**$ 3,587,499**	**$ 1,763,697**

See accompanying notes.

TAPROOT THEATRE

Statement of Cash Flows
For the Year Ended December 31, 2022
(With Comparative Totals for 2021)

	2022	2021
Cash Flows From Operating Activities:		
Change in net assets	$ (229,517)	$ 853,540
Adjustments to reconcile change in net assets		
to net cash (used in) provided by operating activities-		
Depreciation	211,909	211,572
Realized and unrealized losses (gains) on investments	13,232	(5,277)
Interest on financing lease	522	
Paycheck Protection Program loan forgiveness	(331,271)	
Loss on disposal of equipment		9,937
Loan fee amortization	1,429	1,429
Donated securities		12,450
Cash (used) provided by changes in operating assets and liabilities:		
Accounts and interest receivable	(7,074)	1,054
Pledges receivable		3,844
Prepaid expenses and deposits	(4,946)	(25,383)
Accounts payable	(45,944)	48,129
Accrued expenses	75,684	(53,545)
Advance ticket sales and gift certificates	184,299	(174,970)
Deferred Shuttered Venue Operators Grant revenue	(642,966)	642,966
Capital lease obligation	(36,831)	
Financing lease liability, net of right-of-use asset	2,584	
Net Cash (Used in) Provided by Operating Activities	**(808,890)**	**1,525,746**
Cash Flows From Investing Activities:		
Purchase of property and equipment	(25,454)	(59,059)
Proceeds from sale of investments	(1,039)	
Purchase of investments	1,341	(75,200)
Net Cash Used in Investing Activities	**(25,152)**	**(134,259)**
Cash Flows From Financing Activities:		
Principal payment on capital lease obligations		(10,537)
Proceeds from Paycheck Protection Program loan		331,271
Principal paid on finance lease	(2,779)	
Principal paid on long term debt	(38,389)	(42,473)
Net Cash (Used in) Provided by Financing Activities	**(41,168)**	**278,261**
Net Change in Cash and Cash Equivalents	**(875,210)**	**1,669,748**
Cash and cash equivalents, beginning of year	1,945,236	275,488
Cash and Cash Equivalents, End of Year	**$ 1,070,026**	**$ 1,945,236**
Supplementary Disclosure of Cash Flow Information:		
Cash paid during the year for interest	$ 73,046	$ 59,786

See accompanying notes.

Note 1 - Organization

Taproot Theatre's ("Taproot" or "the Theatre") mission is to tell stories of hope, serving the Pacific Northwest through live theatre and educational programs. We value faith, we respect people, we celebrate theatre.

From its humble beginnings in 1976 as a touring group, Taproot Theatre is now Seattle's largest mid-size theatre company. Through the Mainstage, Acting Studio, and Touring programs, Taproot is dedicated to creating quality art that unites people through the unique power of live storytelling and the relationships that we build and nurture. Strategically located as one of the largest theatres outside Seattle's downtown arts corridor, Taproot strives to become the theatre of choice for North Seattle/Northwest King County.

Taproot generates a shared sense of community and hope for both audiences and artists with stories that amplify the hope, courage, self-sacrifice, love, and redemption in our world. Since resuming live in-person productions on the Mainstage in November 2021 after an 18-month delay brought on by the pandemic, Taproot has produced a gamut of productions ranging from classical drama to modern comedy to regional premiere musicals, all sharing the common theme of hope.

Making theatre is very different today than it was before the pandemic, but we adapt and adjust continually to try to get it right. It's worth it. We believe that stories, beautifully realized by a skilled artistic team, have the power to move people, inspiring them towards empathy, community, grace, growth, and love of neighbor.

In addition to the Jewell Mainstage, our ethos has created deeply impactful Education and Outreach programs that reach the greater Seattle area and throughout the state. Taproot's Acting Studio reaches students primarily from North Seattle and Shoreline zip codes. Taproot's Education and Outreach department has also partnered with the Phinney Neighborhood Association's Greenwood Senior Center and the "Momentia" movement in Seattle to create regular dementia friendly programming for Seattle participants with Early-Stage Memory Loss. This one-of-a-kind "Re-Ignite the Mind" program of improv workshops for seniors with early-stage memory loss activates imaginations and counters isolation.

While Taproot is deeply rooted in the local community, the impact of Taproot programming spreads throughout the state with our Road Company touring program that brings bullying prevention strategies and social/emotional learning to K-12 students through its touring plays. We also have a structured internship program that attracts college-age theatre students from across our region and across the country, many of whom have stayed in Seattle to develop as artists and pursue careers in theatre.

Note 2 - Significant Accounting Policies

Basis of Presentation - Net assets and 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.
>
> Net Assets With Donor Restrictions - Net assets subject to donor-imposed time and/or purpose restrictions.

Note 2 - Continued

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 or 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 the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. The Theatre has adopted a policy to classify donor restricted contributions as without donor restrictions to the extent that donor restrictions were met in the year the contribution was received.

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.

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. At times, balances may exceed federally insured limits. The Theatre has not experienced a credit loss associated with cash investments.

Revenue Recognition and Accounts Receivable -

Subscription 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. 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.

Touring Revenue - Touring revenue is recognized at the point in time when the presentation is held.

Acting Studio - Acting Studio revenue is recognized upon completion of the camp or class.

Contribution and Grant 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 no conditional contributions as of December 31, 2022 and 2021. 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.

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 the Theatre and require specialized skills, are provided by the individuals possessing those skills, and would have been purchased if not provided by contributors.

Prepaid Expenses - Prepaid expenses primarily represent prepayment of costs for the subsequent year's performances. Expenses are recognized in the year the performance occurs.

Note 2 - Continued

Investments - Investments include an agency account with the Seattle Foundation (the Foundation). The Theatre also holds a bond as part of one of its union contracts, which is recorded at fair value. Fair value is estimated as the net asset value (NAV) of the underlying shares in the Foundation's investment pool. Realized and unrealized gain or loss, interest and dividends are included in investment return as earned.

Investment securities, in general, are exposed to various risks, including interest rate, credit, and overall market volatility. Due to the level of risk associated with certain long-term investments, it is reasonably probable that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Property and Equipment - The Theatre's property and equipment are stated at cost if purchased, or fair value on the date of receipt if contributed. All property and equipment over $5,000 are depreciated on a straight-line basis over the estimated useful lives of the assets as follows:

Building	39 years
Building improvements	10 - 39 years
Equipment	5 - 15 years

Advance Ticket Sales and Gift Certificates - Advance ticket sales for future performances are accrued and reported as a liability and are recognized as revenue when performances are completed. Revenue from gift cards is recognized at the time the gift is redeemed.

The advance ticket sales and gift certificates is comprised of the following at December 31:

	2022	2021	2020
Deferred subscription revenue	$ 302,878	$ 157,999	$ 314,488
Gift cards	12,637	8,366	7,031
Deferred box office revenue	29,993	76	16,356
Deferred education and outreach revenue	8,350	1,400	5,245
Deferred rental revenue		1,718	1,718
Total Advanced Ticket Sales and Gift Certificates	**$ 353,858**	**$ 169,559**	**$ 344,838**

Concentrations - At December 31, 2022, 12% of the Theatre's employees are represented by unions with collective bargaining agreements.

Nonoperating Activities - The Theatre classified 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 activities and gains or losses on disposals of property and equipment.

Note 2 - Continued

Allocation of Functional Expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the 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. The depreciation expense related to the building and building improvements is allocated based on an estimate of square footage use.

Advertising - The Theatre expenses advertising costs as they are incurred. Total advertising expense for the year ended December 31, 2022 and 2021 was $53,304 and $8,545, respectively.

Federal Income Taxes - The Internal Revenue Service has notified the Theatre that they are tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code, except to the extent the Theatre has net income from unrelated business activities. 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, the Theatre has not recorded a provision or liability for deferred taxes in these financial statements.

Comparative Totals - The financial information includes 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 December 31, 2021, from which the summarized information was derived.

Implementation of New Accounting Standard for Leases - Effective January 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 January 1, 2022 a lease liability and a right-of-use asset of $36,831.

Lease Obligations - The Theatre determines if an arrangement contains a lease at inception. Operating leases are included in ROU assets and lease liabilities in the 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.

Note 2 - Continued

The ROU asset also includes prepaid lease payments and unamortized initial direct costs, and excludes lease incentives. The Theatre has lease agreements with lease and non-lease components which are accounted for as a single lease component. 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 $5,000.

Reclassifications of Prior Year Balances - Certain reclassifications have been made to prior year accounts to conform to the presentation in the current year financial statements. The reclassifications have no effect on the previously reported change in net assets or net asset balances.

Note 3 - Investments and Fair Value Measurements

U.S. GAAP defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. To increase consistency and comparability in fair value measurements, U.S. GAAP uses a fair value hierarchy that prioritizes the inputs to valuation approaches into three broad levels. The hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3).

Financial assets and liabilities valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets and liabilities valued using Level 2 inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets. Financial assets and liabilities using Level 3 inputs are primarily valued using management’s assumptions about the assumptions market participants would utilize in pricing the asset or liability. Valuation techniques utilized to determine fair value are consistently applied.

Following is a description of the valuation methodologies used for assets measured at fair value:

Pooled Investments at Seattle Foundation - Estimated year-end fair value of underlying assets as reported by the Seattle Foundation at year end.

Bonds - Valued using bid evaluations from similar instruments in actively traded markets.

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 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.

Note 3 - Continued

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

	Fair Value Measurements as of December 31, 2022			
	Level 1	Level 2	Level 3	Total
Pooled Investments at Seattle Foundation-				
Balanced Pool	$ -	$ -	$ 86,321	$ 86,321
Bonds		13,217		13,217
Total Investments at Fair Value	**$ -**	**$ 13,217**	**$ 86,321**	**$ 99,538**

	Fair Value Measurements as of December 31, 2021			
	Level 1	Level 2	Level 3	Total
Pooled Investments at Seattle Foundation-				
Balanced Pool	$ -	$ -	$ 103,216	$ 103,216
Bonds		9,856		9,856
Total Investments at Fair Value	**$ -**	**$ 9,856**	**$ 103,216**	**$ 113,072**

Note 4 - Property and Equipment

Property and equipment consisted of the following:

	2022	2021
Land	$ 711,973	$ 711,973
Building and improvements	6,591,947	6,572,653
Equipment	698,235	749,145
	8,002,155	8,033,771
Less accumulated depreciation	(2,451,004)	(2,266,470)
Total Property and Equipment, Net	**$ 5,551,151**	**$ 5,767,301**

Note 5 - Financing Leases

The Theatre leases a financing lease under a long-term, noncancelable lease agreement which expires in November 2027. The leases include payments for taxes, insurance and use-overages that are considered variable lease payments and are excluded from determining the lease liability.

Note 5 - Continued

The components of lease expense for the year ended December 31, 2022 are as follows:

Financing lease cost-		
Amortization of right-of-use asset	$	4,038
Interest on lease liability		691
Variable lease cost		6,010
Total Lease Expense	**$**	**10,739**

Supplemental cash flow information related to leases as of December 31, 2022 is as follows:

Cash paid for amounts included in the measurement of lease liabilities-		
Operating cash flows from finance leases	$	522
Financing cash flows from finance leases	$	2,779
Right-of-use assets obtained in exchange for New finance lease liability	$	62,496
Weighted-average remaining lease term in years for financing leases		4.92
Weighted-average discount rate - finance lease		3.39%

Future minimum payments required under leases at December 31, 2022 were as follows:

For the Year Ending December 31,		
2023	$	13,203
2024		13,203
2025		13,203
2026		13,203
2027		12,103
Total undiscounted cash flows		64,915
Less present value discount		(5,030)
Total Lease Liability	**$**	**59,885**

Note 6 - Long-Term Debt

The Theatre entered into a term loan (the Mortgage) on December 1, 2016 with a 10-year maturity. Monthly payment of principal and interest total $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.

Note 6 - Continued

The Mortgage is collateralized by all business assets of the Theatre and a deed of trust on the Theatre's real estate.

Loan fee amortization expense of $1,429 for each of the years ended December 31, 2022 and 2021 is included in operating activities.

Long-term debt as of year end consists of the following:

	2022	2021
Principal balance of mortgage payable	$ 1,337,228	$ 1,375,607
Less loan fees	(5,477)	(6,906)
Net mortgage payable	1,331,751	1,368,701
Less current portion of long-term debt	(44,643)	(41,445)
Long-Term Debt, Net of Current Portion	**$ 1,287,108**	**$ 1,327,256**

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

For the Year Ending December 31,	
2023	$ 44,134
2024	46,861
2025	49,190
2026	51,634
2027	54,199
Thereafter	1,091,210
Principal Balance of Mortgage Payable	**$ 1,337,228**

Note 7 - Federal COVID-Relief Funding

The following reflects the federal COVID-19 relief funding presented in the statements of activities for the years ended December 31:

	2022	2021
Shuttered Venue Operators Grant	$ 642,965	$ 171,586
Paycheck Protection Program loan forgiveness	331,271	
Employee Retention Tax Credits	151,790	
Total Federal COVID-Relief Funding	**$ 1,126,026**	**$ 171,586**

Note 7 - Continued

Shuttered Venue Operators Grant - In 2021, the Theatre was awarded a Shuttered Venue Operators Grant (SVOG) of $814,552. $171,586 and $642,965 or qualifying expenses were incurred during the years ended December 31, 2022 and 2021, respectively. Revenue in the same amounts were recognized during the years ended December 31, 2022 and 2021, respectively as the conditions associated with the grant was met. 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.

Paycheck Protection Program - In response to the COVID-19 pandemic, the U.S. Congress passed the Coronavirus Aid, Relief, and Economic Securities Act (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. Included in this act was the Second Draw Program for PPP loans to provide loans to qualifying small businesses and not-for-profit organizations to cover certain eligible expenses. On May 20, 2021, the Theatre obtained a PPP loan under the Second Draw Program with a principal balance of $331,271 and an annual interest rate of 1%. Subject to the terms and conditions of the loan, the Theatre received forgiveness of the loan from the SBA on February 14, 2022. The Theatre follows the accounting guidance for debt in U.S. GAAP for accounting for the recognition of revenue from forgiveness of the PPP loans. In applying that guidance, the Theatre recognizes revenue when the formal notice of forgiveness is received.

Employee Retention Tax Credits - In response to the COVID-19 pandemic, the U.S. Congress passed the CARES Act. Included in the CARES Act was the Employee Retention Tax Credit (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 the refundable tax credits are received from the government. Total ERTC revenue recognized during the year ended December 31, 2022, was $151,790.

Note 8 - Liquidity and Availability of Financial Assets

The Theatre’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.

Note 8 - Continued

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

	2022	2021
Cash and cash equivalents	$ 1,070,026	$ 1,945,236
Accounts and interest receivable	7,074	
Investments	99,538	113,072
Total financial assets	1,176,638	2,058,308
Less financial assets unavailable3 for general expenditures-		
Actors Union Bond	(13,217)	(9,856)
Total Financial Assets Available for General Expenditure Within One Year	**$ 1,163,421**	**$ 2,048,452**

Note 9 - Subsequent Events

The Theatre evaluated subsequent events through August 2, 2023, which is the date the financial statements were available to be issued.

In February 2023, the Theatre entered into a $150,000 line of credit agreement with a bank which is scheduled to mature in February 2029.