THE TAPROOT THEATRE

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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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, 2020, 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, 2020, 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 2019 financial statements, and our report dated July 22, 2020 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, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Bellevue, Washington
September 29, 2021

THE TAPROOT THEATRE
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2019)

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 275,488	$ 70,950
Accounts Receivable	1,054	-
Pledges Receivable	3,844	1,294
Investments	12,450	899
Deferred Charges	46,187	93,056
Total Current Assets	339,023	166,199
PROPERTY AND EQUIPMENT, NET	5,929,753	6,111,475
BENEFICIAL INTEREST HELD BY SEATTLE FOUNDATION	22,739	19,187
OTHER ASSETS	4,285	4,781
Total Assets	$ 6,295,800	$ 6,301,642
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	$ 41,605	$ 48,788
Accrued Payroll	127,130	94,065
Deferred Revenue:		
Mainstage Subscriptions, Presales, and Passes	341,297	458,043
Touring Company	1,400	6,757
Rentals	1,832	3,690
Current Portion of Capital Lease Obligation	10,217	6,702
Current Portion of Mortgage Payable	44,934	37,396
Personal Loans	-	54,000
Total Current Liabilities	568,415	709,441
LONG-TERM LIABILITIES		
Long-Term Capital Lease Obligations, Net of Current Portion	37,151	16,396
Mortgage Payable, Net of Current Portion	1,364,821	1,380,670
Total Long-Term Liabilities	1,401,972	1,397,066
Total Liabilities	1,970,387	2,106,507
NET ASSETS		
Without Donor Restrictions	4,316,789	4,186,535
With Donor Restrictions	8,624	8,600
Total Net Assets	4,325,413	4,195,135
Total Liabilities and Net Assets	$ 6,295,800	$ 6,301,642

See accompanying Notes to Financial Statements.

THE TAPROOT THEATRE
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2019)

	Without Donor Restrictions	With Donor Restrictions	Totals 2020	Totals 2019
OPERATING REVENUE AND SUPPORT				
Jewell Mainstage:				
Box Office Sales	$ 133,131	$ -	$ 133,131	$ 713,776
Subscription Sales	88,952	-	88,952	406,453
Isaac Studio	175	-	175	57,884
Touring Company	76,739	-	76,739	235,489
Acting Studio	30,676	-	30,676	165,159
Bartered Advertising	-	-	-	34,375
Loss on Disposal of Equipment	(1,203)	-	(1,203)	-
Other Operating Revenue	3,670	-	3,670	44,478
Net Investment (Loss) Income	2,669	-	2,669	1,436
Total Revenue	334,809	-	334,809	1,659,050
Contributions and Grants	1,363,541	8,624	1,372,165	867,929
Fundraising Events, Net of Direct Expenses of $10,090 and $32,027 for 2020 and and 2019, Respectively	179,065	-	179,065	216,908
Net Assets Released from Restrictions	8,600	(8,600)	-	-
Total Operating Revenue and Support	1,886,015	24	1,886,039	2,743,887
EXPENSES				
Program Services:				
Isaac Studio	86,518	-	86,518	163,352
Jewell Mainstage	766,774	-	766,774	1,502,931
Touring Company	145,611	-	145,611	311,550
Acting Studio	139,789	-	139,789	218,192
Total Program Services	1,138,692	-	1,138,692	2,196,025
Support Services:				
General and Administrative	443,534	-	443,534	531,384
Café	-	-	-	-
Fundraising	188,018	-	188,018	183,646
Total Support Services	631,552	-	631,552	715,030
Total Expenses	1,770,244	-	1,770,244	2,911,055
CHANGES IN NET ASSETS FROM OPERATING ACTIVITIES	115,771	24	115,795	(167,168)

See accompanying Notes to Financial Statements.

THE TAPROOT THEATRE
STATEMENT OF ACTIVITIES (CONTINUED)
YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2019)

	Without Donor Restrictions	With Donor Restrictions	Totals 2020	Totals 2019
NONOPERATING ACTIVITIES				
Facility Rentals, Net of Expenses of $55,619 and $56,970 for 2020 and 2019, Respectively	$ 5,823	$ -	$ 5,823	$ 2,409
Café Rental Income	8,660	-	8,660	15,482
CHANGES IN NET ASSETS FROM NONOPERATING ACTIVITIES	14,483	-	14,483	17,891
CHANGE IN NET ASSETS	130,254	24	130,278	(149,277)
Net Assets - Beginning of Year	4,186,535	8,600	4,195,135	4,344,412
NET ASSETS - END OF YEAR	$ 4,316,789	$ 8,624	$ 4,325,413	$ 4,195,135

See accompanying Notes to Financial Statements.

THE TAPROOT THEATRE
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2019)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Contributions	$ 1,547,219	$ 1,118,414
Cash Received from Services Provided	239,386	1,752,282
Cash Received from Investments	883	42
Cash Paid to Employees and Suppliers	(1,424,575)	(2,720,144)
Cash Paid for Interest	(81,587)	(81,841)
Net Cash Provided by Operating Activities	281,326	68,753
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	-	(12,653)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Related Party Loans	50,000	25,000
Repayment of Related Party Loans	(104,000)	(140,000)
Repayment of Capital Lease Obligations	(13,048)	(8,719)
Principal Payments on Mortgage Payable	(9,740)	(37,358)
Net Cash Used by Financing Activities	(76,788)	(161,077)
NET CHANGE IN CASH AND CASH EQUIVALENTS	204,538	(104,977)
Cash and Cash Equivalents - Beginning of Year	70,950	175,927
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 275,488	$ 70,950
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in Net Assets	$ 130,278	$ (149,277)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	217,837	217,081
Loss on Disposal of Equipment	1,203	-
Loan Fee Amortization	1,429	1,429
Gain on Investments/Beneficial Interest	(3,552)	(1,394)
Donated Securities	(11,551)	-
(Increase) Decrease in Assets:		
Accounts Receivable	(1,054)	22,200
Pledges Receivable	(2,550)	1,550
Deferred Charges	46,869	8,123
Other Assets	496	(4,265)
Increase (Decrease) in Liabilities:		
Accounts Payable	(7,183)	(76,827)
Accrued Interest on Personal Loans	-	(781)
Accrued Payroll	33,065	18,932
Deferred Revenue	(123,961)	31,982
Net Cash Provided by Operating Activities	$ 281,326	$ 68,753

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.

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, 2019, 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, 2020 and 2019 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, 2020 and 2019, 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2020, TTT received approximately 35% of its total operating revenues and support from drama productions. The remaining 65% of total operating revenues and support is provided by contributions. 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2020 and 2019, 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 September 29, 2021, 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: 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:

	2020			
	Level 1	Level 2	Level 3	Total
Common Stock	$ 12,450	$ -	$ -	$ 12,450
Mutual Fund Held in Pooled Account at Seattle Foundation:	-	22,739	-	22,739
BNY Balanced Pool	$ 12,450	$ 22,739	$ -	$ 35,189

	2019			
	Level 1	Level 2	Level 3	Total
Common Stock	$ 899	$ -	$ -	$ 899
Mutual Fund Held in Pooled Account at Seattle Foundation:	-	19,187	-	19,187
BNY Balanced Pool	$ 899	$ 19,187	$ -	$ 20,086

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, 2020 and 2019, 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, 2020 and 2019 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.

	2020	2019
Cash and Cash Equivalents	$ 275,488	$ 70,950
Accounts Receivable	1,054	-
Pledges Receivable	3,844	1,294
Investments	12,450	899
Beneficial Interest Held by Seattle Foundation	22,739	19,187
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	$ 315,575	$ 92,330

NOTE 4 PROPERTY AND EQUIPMENT

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

	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

	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

Depreciation expense of $217,837 and $217,081 for the years ended December 31, 2020 and 2019, respectively, is included in operating activities.

NOTE 5 LINE OF CREDIT

TTT had a line of credit for $75,000 with interest at *The Wall Street Journal Prime Rate* plus 1.0%. (4.25% at December 31, 2020). There was no outstanding balance on the line of credit at December 31, 2020 and 2019. The line of credit was due in full on June 30, 2020 but extended to March 31, 2021. The line of credit was not renewed.

The line of credit was 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. Management believes that TTT is in compliance with the covenants.

NOTE 6 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 $11,413 as of December 31, 2020. 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, 2020 and 2019 are as follows:

Year Ending December 31,	Amount
2021	$ 12,461
2022	12,461
2023	12,461
2024	12,461
2025	3,115
Total	52,959
Less: Amount Representing Interest	(5,591)
Total	47,368
Less: Current Portion	(10,217)
Total	$ 37,151

NOTE 7 NOTES PAYABLE

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

Description	2020	2019
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
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

NOTE 7 NOTES PAYABLE (CONTINUED)

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

Description	2020	2019
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.	$ 1,418,090	$ 1,427,830
Less: Loan Fees	(8,335)	(9,764)
Total Mortgage Payable	$ 1,409,755	$ 1,418,066

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

Year Ending December 31,	Amount
2021	$ 44,934
2022	41,445
2023	43,457
2024	45,567
2025	47,779
Thereafter	1,194,908
Total	$ 1,418,090

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.

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. 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, 2020 and 2019 is included in operating activities.

NOTE 8 PAYROLL 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 six 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.

The Organization 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.

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 9 IN-KIND AND OTHER ADVERTISING

Total in-kind revenue for the years ended December 31, 2020 and 2019 was $-0- and $34,375, respectively, primarily in-kind radio airtime advertising.

Other advertising totaled $40,278 and $136,338 for the years ended December 31, 2020 and 2019, respectively.

NOTE 10 NET ASSETS WITH DONOR RESTRICTIONS

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

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

NOTE 11 COVID-19 PANDEMIC

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. TTT is monitoring its liquidity its sources of revenues and expenses and is actively working to minimize the impact of the pandemic. The extent of the impact of COVID-19 on TTT's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on TTT's donors, customers, employees, and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact TTT's financial position and changes in net assets and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

NOTE 12 FUNCTIONAL EXPENSES

Functional expenses for the year ended December 31, 2020 with comparative totals for 2019 are as follows:

	Program Services				
	Isaac Studio	Jewell Mainstage	Touring Company	Acting Studio	Total
Compensation	$ 16,015	$ 441,825	$ 97,041	$ 68,938	$ 623,819
Payroll Taxes	1,423	39,256	8,622	6,125	55,426
Employee Benefits	1,951	53,826	11,822	8,399	75,998
Total	19,389	534,907	117,485	83,462	755,243
Production Expenses	-	22,222	2,206	5,455	29,883
Royalties	-	19,645	11,120	1,535	32,300
Bank Fees	-	1,395	39	1,147	2,581
Marketing	-	34,204	661	4,781	39,646
In-Kind Advertising					-
and Services	-	-	-	-	-
Office Expense	-	1,252	-	828	2,080
Information Technology	5,695	11,197	6,642	6,044	29,578
Interest and Amortization	12,438	28,526	929	6,269	48,162
Occupancy	14,521	33,301	1,084	7,318	56,224
Travel	-	227	2,977	6,058	9,262
Professional Development	-	2,964	-	-	2,964
Professional Fees	-	-	-	-	-
Development	-	-	-	-	-
Fundraising Events	-	-	-	-	-
Director and Officer Insurance	-	-	-	-	-
Taxes	1,419	626	-	-	2,045
Amenities	-	500	-	233	733
Total	53,462	690,966	143,143	123,130	1,010,701
Depreciation	33,056	75,808	2,468	16,659	127,991
Total	86,518	766,774	145,611	139,789	1,138,692
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	$ 86,518	$ 766,774	$ 145,611	$ 139,789	$ 1,138,692
Comparative Totals for 2019	$ 163,352	$ 1,502,931	$ 311,550	$ 218,192	$ 2,196,025

NOTE 12 FUNCTIONAL EXPENSES (CONTINUED)

	Support Services					Totals	
	General and Administrative	Café	Rentals	Fundraising	Total	2020	2019
Compensation	$ 164,047	$ -	$ 7,589	$ 106,806	$ 278,442	$ 902,261	$ 1,598,806
Payroll Taxes	14,576	-	674	9,490	24,740	80,166	138,227
Employee Benefits	19,985	-	925	13,012	33,922	109,920	148,887
Total	198,608	-	9,188	129,308	337,104	1,092,347	1,885,920
Production Expenses	-	-	-	-	-	29,883	100,565
Royalties	-	-	-	-	-	32,300	113,705
Bank Fees	784	-	-	17,204	17,988	20,569	42,976
Marketing	632	-	-	-	632	40,278	136,338
In-Kind Advertising and Services	-	-	-	-	-	-	34,375
Office Expense	21,839	-	-	27	21,866	23,946	48,319
Information Technology	14,412	-	-	14,512	28,924	58,502	59,274
Interest and Amortization	32,660	-	2,194	-	34,854	83,016	82,489
Occupancy	36,907	-	1,129	-	38,036	94,260	107,594
Travel	-	-	-	-	-	9,262	38,470
Professional Development	3,231	-	-	140	3,371	6,335	9,595
Professional Fees	43,252	-	-	-	43,252	43,252	58,184
Development	44	-	-	26,827	26,871	26,871	22,086
Fundraising Events		-	-	10,090	10,090	10,090	32,027
Director and Officer Insurance	3,410	-	-	-	3,410	3,410	3,309
Taxes	62	-	-	-	62	2,107	1,030
Amenities	3,677	-	-	-	3,677	4,410	6,715
Total	359,518	-	12,511	198,108	570,137	1,580,838	2,782,971
Depreciation	84,016		5,830		89,846	217,837	217,081
Total	443,534	-	18,341	198,108	659,983	1,798,675	3,000,052
Less: Expenses Netted Against Revenues on the Statement of Activities:							
Fundraising Events	-	-	-	(10,090)	(10,090)	(10,090)	(32,027)
Rental Expenses	-	-	(18,341)	-	(18,341)	(18,341)	(56,970)
Total Expenses Included in the Expense Section of the Statement of Activities	$ 443,534	$ -	$ -	$ 188,018	$ 631,552	$ 1,770,244	$ 2,911,055
Comparative Totals for 2019	$ 531,384	$ -	$ -	$ 183,646	$ 715,030	$ 2,911,055	