

**CLEVELAND PUBLIC THEATRE, INC.**

**FINANCIAL REPORT**

**JUNE 30, 2022 and 2021**

CLEVELAND PUBLIC THEATRE, INC.

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## Independent Auditors' Report

To the Board of Directors  
Cleveland Public Theatre, Inc.  
Cleveland, Ohio

### **Opinion**

We have audited the financial statements of Cleveland Public Theatre, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years 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 Cleveland Public Theatre, Inc. as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years 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 Auditors' Responsibilities for the Audits of the Financial Statements section of our report. We are required to be independent of Cleveland Public Theatre, Inc. 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 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 Cleveland Public Theatre, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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## **Auditors' Responsibilities for the Audits 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 it 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 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 Cleveland Public Theatre, Inc.'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 Cleveland Public Theatre, Inc.'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 audits, significant audit findings, and certain internal control related matters that we identified during the audits.

*Meloney + Novotny LLC*

Cleveland, Ohio  
November 30, 2022

CLEVELAND PUBLIC THEATRE, INC.  
STATEMENTS OF FINANCIAL POSITION

June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,291,525	\$ 1,151,720
Receivables (Note 2)	727,069	630,969
Prepaid expenses and other assets	<u>30,132</u>	<u>18,042</u>
Total current assets	2,048,726	1,800,731
<b>NON-CURRENT ASSETS</b>		
Receivables (Note 2)	250,000	10,000
Investments (Note 4)	794,545	1,014,871
Property and equipment, net (Note 3)	<u>5,468,612</u>	<u>5,684,138</u>
Total non-current assets	<u>6,513,157</u>	<u>6,709,009</u>
 Total assets	 <u>\$ 8,561,883</u>	 <u>\$ 8,509,740</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current portion of long-term debt (Note 8)	\$ 13,812	\$ 13,177
Accounts payable and accrued liabilities (Note 5)	175,988	233,491
Deferred program revenue	<u>3,992</u>	<u>4,051</u>
Total current liabilities	193,792	250,719
 <b>LONG-TERM DEBT</b>		
Paycheck Protection Program loan (Note 15)	211,882	211,882
Mortgage loan, less current portion (Note 8)	<u>281,852</u>	<u>295,664</u>
Total long-term debt	<u>493,734</u>	<u>507,546</u>
 Total liabilities	 687,526	 758,265
 <b>NET ASSETS</b>		
Without donor restrictions	5,617,565	5,818,154
With donor restrictions (Note 7)	<u>2,256,792</u>	<u>1,933,321</u>
Total net assets	<u>7,874,357</u>	<u>7,751,475</u>
 Total liabilities and net assets	 <u>\$ 8,561,883</u>	 <u>\$ 8,509,740</u>

The accompanying notes are an integral part of these financial statements.

CLEVELAND PUBLIC THEATRE, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
<b>PUBLIC SUPPORT AND REVENUES</b>			
Grants	\$ 289,210	\$ 1,459,199	\$ 1,748,409
Donations	246,713	30,100	276,813
Box office	76,555	-	76,555
Fees	171,110	-	171,110
Concessions and boutique	6,059	-	6,059
Advertising	10,338	-	10,338
Donated goods and services	64,175	-	64,175
Benefit events	115,646	300,488	416,134
Interest and other	2,530	-	2,530
Building reserve allocation designated for operations (Note 4)	-	90,000	90,000
Net assets released from restrictions	<u>1,336,266</u>	<u>(1,336,266)</u>	<u>-</u>
Total revenues	2,318,602	543,521	2,862,123
<b>OPERATING EXPENSES</b>			
Programs:			
Production	1,112,227	-	1,112,227
Education	619,836	-	619,836
Supporting services:			
Administration	237,334	-	237,334
Fundraising	<u>327,468</u>	<u>-</u>	<u>327,468</u>
Total operating expenses	<u>2,296,865</u>	<u>-</u>	<u>2,296,865</u>
Change in net assets before investment loss and depreciation	21,737	543,521	565,258
Building reserve investment loss, net of allocation	-	(220,050)	(220,050)
Depreciation	<u>(222,326)</u>	<u>-</u>	<u>(222,326)</u>
Change in net assets	(200,589)	323,471	122,882
Net assets at beginning of year	<u>5,818,154</u>	<u>1,933,321</u>	<u>7,751,475</u>
Net assets at end of year	<u>\$ 5,617,565</u>	<u>\$ 2,256,792</u>	<u>\$ 7,874,357</u>

The accompanying notes are an integral part of these financial statements.

CLEVELAND PUBLIC THEATRE, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
<b>PUBLIC SUPPORT AND REVENUES</b>			
Grants	\$ 274,714	\$ 1,124,832	\$ 1,399,546
Donations	229,407	49,853	279,260
Box office	3,504	-	3,504
Fees	54,873	-	54,873
Donated goods and services	16,263	-	16,263
Benefit events	81,706	196,665	278,371
Interest and other	224,234	-	224,234
Building reserve allocation designated for operations (Note 4)	-	60,000	60,000
Net assets released from restrictions	<u>1,061,093</u>	<u>(1,061,093)</u>	<u>-</u>
 Total revenues	 1,945,794	 370,257	 2,316,051
<b>OPERATING EXPENSES</b>			
Programs:			
Production	767,667	-	767,667
Education	459,594	-	459,594
Supporting services:			
Administration	231,271	-	231,271
Fundraising	<u>180,596</u>	<u>-</u>	<u>180,596</u>
 Total operating expenses	 <u>1,639,128</u>	 <u>-</u>	 <u>1,639,128</u>
 Change in net assets before capital campaign, investment gain and depreciation	 306,666	 370,257	 676,923
 Capital campaign costs (Note 11)	 (78,300)	 -	 (78,300)
Building reserve investment gain, net of allocation	-	201,325	201,325
Depreciation	(219,319)	-	(219,319)
Net assets released from restrictions	<u>3,412</u>	<u>(3,412)</u>	<u>-</u>
 Change in net assets	 12,459	 568,170	 580,629
 Net assets at beginning of year	 <u>5,805,695</u>	 <u>1,365,151</u>	 <u>7,170,846</u>
 Net assets at end of year	 <u>\$ 5,818,154</u>	 <u>\$ 1,933,321</u>	 <u>\$ 7,751,475</u>

The accompanying notes are an integral part of these financial statements.

CLEVELAND PUBLIC THEATRE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2022

	<u>Production</u>	<u>Education</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total</u>
Compensation, taxes and benefits	\$ 542,916	\$ 466,753	\$ 120,060	\$ 101,763	\$ 1,231,492
Project personnel	131,888	12,319	-	11,793	156,000
Advertising, marketing and publicity	134,465	14,294	-	130,919	279,678
Production costs	93,805	18,674	-	42,735	155,214
Utilities	36,528	14,611	6,697	3,044	60,880
Professional fees	7,753	6,236	2,023	1,443	17,455
Interest	6,735	5,417	1,757	732	14,641
Leases and equipment rent	8,421	6,774	2,197	915	18,307
Office	57,146	41,807	16,931	12,054	127,938
Building maintenance	35,705	13,654	70,608	4,008	123,975
Insurance	21,061	8,424	3,861	1,755	35,101
Telephone	4,332	5,433	982	409	11,156
Travel	31,472	5,440	7,712	15,898	60,522
Theft losses	-	-	4,506	-	4,506
Total operating expenses	<u>1,112,227</u>	<u>619,836</u>	<u>237,334</u>	<u>327,468</u>	<u>2,296,865</u>
Depreciation	<u>140,679</u>	<u>49,038</u>	<u>22,393</u>	<u>10,216</u>	<u>222,326</u>
Total	<u>\$ 1,252,906</u>	<u>\$ 668,874</u>	<u>\$ 259,727</u>	<u>\$ 337,684</u>	<u>\$ 2,519,191</u>

The accompanying notes are an integral part of these financial statements.

CLEVELAND PUBLIC THEATRE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2021

	<u>Production</u>	<u>Education</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total</u>
Compensation, taxes and benefits	\$ 391,165	\$ 335,720	\$ 76,365	\$ 76,424	\$ 879,674
Project personnel	101,200	19,121	-	1,149	121,470
Advertising, marketing and publicity	53,058	4,053	-	66,056	123,167
Production costs	57,128	23,318	-	10,536	90,982
Utilities	39,378	11,251	8,125	3,750	62,504
Professional fees	6,242	4,781	36,579	930	48,532
Interest	7,204	5,518	1,533	1,073	15,328
Leases and equipment rent	4,790	3,669	1,020	713	10,192
Office	47,839	30,808	37,577	9,381	125,605
Building maintenance	28,852	7,970	63,623	2,657	103,102
Insurance	21,381	6,109	4,412	2,036	33,938
Telephone	6,297	7,027	1,229	878	15,431
Travel	3,133	249	808	5,013	9,203
Total operating expenses	<u>767,667</u>	<u>459,594</u>	<u>231,271</u>	<u>180,596</u>	<u>1,639,128</u>
Depreciation	144,125	36,539	26,475	12,180	219,319
Capital campaign costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>78,300</u>	<u>78,300</u>
Total	<u>\$ 911,792</u>	<u>\$ 496,133</u>	<u>\$ 257,746</u>	<u>\$ 271,076</u>	<u>\$ 1,936,747</u>

The accompanying notes are an integral part of these financial statements.

CLEVELAND PUBLIC THEATRE, INC.

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 122,882	\$ 580,629
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	222,326	219,319
Forgiveness of Paycheck Protection Program loan	-	(204,500)
Realized and unrealized losses (gains) on investments	130,326	(261,051)
Changes in assets and liabilities:		
Receivables	(336,100)	(297,563)
Prepaid expenses and other assets	(12,090)	(6,456)
Accounts payable and accrued liabilities	(57,503)	118,993
Deferred program revenue	(59)	(778)
Total adjustments	<u>(53,100)</u>	<u>(432,036)</u>
Net cash provided by operating activities	69,782	148,593
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(6,800)	(79,975)
Distribution from investments, net of contributions	<u>90,000</u>	<u>60,000</u>
Net cash provided (used) by investing activities	83,200	(19,975)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on long term debt	(13,177)	(12,571)
Proceeds from Paycheck Protection Program loan	-	211,882
Net cash (used) provided by financing activities	<u>(13,177)</u>	<u>199,311</u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	139,805	327,929
<b>CASH AND CASH EQUIVALENTS – BEGINNING</b>	<u>1,151,720</u>	<u>823,791</u>
<b>CASH AND CASH EQUIVALENTS – ENDING</b>	<u>\$ 1,291,525</u>	<u>\$ 1,151,720</u>

The accompanying notes are an integral part of these financial statements.

CLEVELAND PUBLIC THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS

**Note 1. Purpose, Presentation and Summary of Significant Accounting Policies**

***Purpose***

Cleveland Public Theatre, Inc. ("CPT") was formed to create, present, and promote the theatre arts and to provide training and education in the theatre arts. CPT is funded primarily through private foundations, government agencies, donations, and ticket sales.

CPT pursues its mission through robust new play development initiatives, a season of professional productions, education programs for local youth and men in recovery, and large-scale neighborhood festivals. Regarding education, CPT runs three core programs: Cleveland Act Now ("CAN"), a year-round afterschool and summer program for 700 children ages 5 to 14 conducted at an onsite Academy and at four Cuyahoga Metropolitan Housing Authority sites; Student Theatre Enrichment Program ("STEP"), an onsite summer job training and theatre creation program for 20 to 30 Cleveland teens who tour their original performance to city parks; and Y-Haven Theatre Project, an onsite theatre creation program for 15 to 20 formerly homeless men in recovery who tour their original performance to community centers, juvenile detention facilities, and the Y-Haven treatment center. CPT is home to two cultural ensembles: Teatro Público de Cleveland (working with the Latino community) and Masrah Cleveland Al-Arabi (working with Arabic-speaking communities). During fiscal year 2021, CPT maintained all of these services and programs by conducting them virtually and online and in 2022 resumed in-person programming. Accessibility remains a top priority: year after year, CPT's season of productions features a majority of BIPOC- (Black, Indigenous, and People of Color) and women-created work. For audiences, low ticket prices and free community events reduce financial barriers to participation.

Although most of the education outreach programming takes place off site, CPT produces and presents works in its performance facilities (the "performance facilities") located in the Gordon Square Arts District on the near West Side of Cleveland. The "James A. Levin Theatre" along with offices, workshop, and rehearsal space have been occupied by CPT since 1984. The "Gordon Square Theatre," owned by CPT since 1995, is a vaudeville-era theatre built in 1912. CPT conducts rehearsals and workshops in an adjacent church and hall purchased in 2009. CPT is in the process of renovating these facilities.

***Presentation***

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. CPT has reported information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

***Significant Accounting Policies***

**Public Support and Revenues**

Ticket (box office) sales, special events, and fees for service are recognized at the time of the event or when the service has been rendered. Ticket sales and fees for service received prior to the event or service to which they apply are recorded as deferred program or service revenue, respectively, and recognized as revenue when the performance or service takes place.

CLEVELAND PUBLIC THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**Note 1. Purpose, Presentation and Summary of Significant Accounting Policies (Continued)**

*Significant Accounting Policies (Continued)*

Public Support and Revenues (Continued)

When contributions, including grants and unconditional promises to give, are received they are recorded as without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restriction is satisfied in the reporting period in which the revenue is recognized. Otherwise, when a restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Conditional promises to give are recognized when the conditions on which they depend are met. Unconditional promises to give due in the next fiscal year are recorded at their estimated net realizable value. Unconditional promises to give due in subsequent years are discounted to present value using an appropriate discount rate commensurate with the risks involved.

Cash and Cash Equivalents

For the purpose of reporting cash flows, CPT considers all highly liquid investments with a maturity of three months or less when purchased to be "cash equivalents."

CPT maintains its cash balances at six financial institutions. The Federal Deposit Insurance Corporation fully insures the balances in CPT's accounts up to \$250,000 in each financial institution. However, balances may exceed federally insured amounts at times during the year.

Receivables

Receivables are stated net of a reserve for credit losses based on a history of past write-offs and collections and current credit conditions. Management believes that the established reserve sufficiently covers the risk of payment default. CPT grants credit to others based on an evaluation of their financial condition and collateral is generally not required. No interest is accrued on past due balances beyond CPT's typical terms, generally 30 days. Account balances written off as uncollectible are charged to the reserve for credit losses on a case-by-case basis, principally when CPT has not received payment after exhausting all intended collection efforts.

Property and Equipment

Property and equipment expenditures in excess of \$5,000 are capitalized and recorded at cost. Donated property and equipment having an estimated fair market value in excess of \$5,000 is recorded at the estimated fair market value at the date of donation. CPT depreciates property and equipment using the straight-line method over the estimated useful life of 40 years for buildings and building improvements, 7 years for land improvements, and 5 to 10 years for production and office equipment. No depreciation is provided on land as it is deemed to have an indefinite life. Repairs and maintenance are charged to expense.

CLEVELAND PUBLIC THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**Note 1. Purpose, Presentation and Summary of Significant Accounting Policies (Continued)**

*Significant Accounting Policies (Continued)*

Fair Value Measurements

CPT estimates the fair value of financial instruments using available market information and other generally accepted valuation methodologies. Fair value is defined as the price that would be received to sell an asset or would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The inputs used to measure fair value are classified into three levels:

Level 1 – Quoted market prices in active markets for identical assets or liabilities.

Level 2 – Observable market-data inputs or unobservable inputs that are corroborated by market data.

Level 3 – Unobservable inputs in which little or no market data exists.

CPT's investments are held in the Cleveland Foundation Investment Pool, a pooled investment fund managed by the Cleveland Foundation and further described in Note 4. The underlying holdings of these investments have a readily determinable market value, but their fair value is calculated based on the percentage of ownership of the market value of assets held in the pool, which is a Level 2 input.

Donated Goods and Services

CPT receives various forms of gifts-in-kind ("GIK") including goods such as food, lodging accommodations, decorations, and use of theatre equipment. These donated goods totaled \$37,236 and \$2,290 for the fiscal years 2022 and 2021, respectively. In-kind services consist of catering, underwriting support, radio ads, custom artwork, and printing for season and event marketing. These donated services totaled \$26,939 and \$13,973 for the fiscal years 2022 and 2021, respectively. Donated GIK are not sold but are used to benefit CPT's programming and annual benefit event, Pandemonium. Typically, over half of donated services are utilized to support and facilitate Pandemonium, while the remainder of GIK are used to support CPT's programming throughout the year. GIK are reported as in-kind contributions at their estimated fair value on the date of receipt and are reported as expense when utilized. The valuation of all donated goods and services is provided by the good or service provider, who estimates the fair value based on standard industry pricing for similar goods or services.

Advertising

Advertising costs are expensed as incurred. Advertising costs were \$12,333 and \$9,681 for fiscal years 2022 and 2021, respectively.

Income Taxes

CPT is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and is considered a charitable corporation. CPT believes it has appropriate support for any tax positions taken and, as such, does not have any uncertain tax positions that would be material to the financial statements.

CLEVELAND PUBLIC THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**Note 1. Purpose, Presentation and Summary of Significant Accounting Policies (Continued)**

*Significant Accounting Policies (Continued)*

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets (principally in the establishment of the estimated useful life of long lived assets and the valuation of investments due to the uncertainties inherent in the estimation process) 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 significantly from those estimates.

Allocation of Functional Expense

CPT's method for allocating expense between operational departments is based on the class of functional expense. Compensation of project employees and independent contractors, marketing, production costs, and travel is allocated based on actual use by departments as recorded on individual bills and contracts. Compensation of ongoing staff is allocated based on estimates of time spent on projects or working for departments as developed by staff and reviewed by management. Facilities related expenses (utilities, building maintenance, and insurance) are based on estimated square footage used by a production, program, or operational department. Other overhead expenses (professional fees, interest, leases, and telephone and office expense) are allocated to match the proportions of payroll expense for each department.

Funding of Depreciation

CPT's strategy for funding depreciation is to execute periodic capital campaigns. As a result, depreciation is not funded on an annual basis, but is funded on a longer time frame. In order to give the reader a more accurate picture of CPT's annual operational condition, depreciation and renovation and campaign expense are segregated in a second section of the statements of activities. The change in net assets subtotal is most representative of CPT's year to year operational finances.

Recently Issued Accounting Standard

During the year ended June 30, 2022, CPT adopted Accounting Standards Update 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a nonprofit entity has received. Adoption of this standard did not have a significant impact on the financial statements, with the exception of the increased disclosure.

Reclassifications

Certain 2021 amounts have been reclassified to conform to 2022 presentation.

CLEVELAND PUBLIC THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**Note 2. Receivables**

	<u>2022</u>	<u>2021</u>
Grants receivable, next twelve months	\$ 571,830	\$ 530,073
Unconditional promises to give	124,127	88,962
Accounts receivable	<u>31,112</u>	<u>11,934</u>
Receivable in the next twelve months	727,069	630,969
Grants receivable in 2-5 years	<u>250,000</u>	<u>10,000</u>
	<u>\$ 977,069</u>	<u>\$ 640,969</u>

**Note 3. Property and Equipment**

	<u>2022</u>	<u>2021</u>
Land and buildings	\$ 696,100	\$ 696,100
Building improvements	7,060,582	7,053,782
Production and office equipment	<u>448,731</u>	<u>448,731</u>
	8,205,413	8,198,613
Less accumulated depreciation	<u>2,736,801</u>	<u>2,514,475</u>
	<u>\$5,468,612</u>	<u>\$5,684,138</u>

**Note 4. Building Reserve Investments**

During fiscal 2012, CPT received a \$1,000,000 donor restricted grant for the purpose of maintaining its performance facilities. The principal amount is with donor restrictions; however, only investment earnings may be used to defray the cost of maintenance and provide for the replacement of building systems as planned or as needed. In the event of an emergency impacting the function or condition of the performance facilities, or to protect the performance facilities from imminent damage, CPT may use all or a portion of the principal to remedy the problem, provided that it has established a reasonable plan approved by the Board of Directors to replenish the principal within a ten year period through additional fundraising, operating surpluses, and/or investment earnings. This donor restriction does not apply to changes in the fund's value due to fluctuations in the market value of investments that are part of the fund.

Upon receipt of this grant, CPT established a Building Reserve Fund ("BRF") in the amount of \$1,000,000 and its Board of Directors approved a policy to guide its use in order to comply with the donor restrictions, including those instances where CPT may use the principal. The BRF proceeds were invested in the Cleveland Foundation Investment Pool ("CFIP"), a pooled investment fund managed by the Cleveland Foundation. The BRF is recorded in the statements of financial position as investments of \$794,545 and \$1,014,871 in 2022 and 2021, respectively, and \$50,253 and \$49,977 is included in cash in 2022 and 2021, respectively. As of June 30, 2022 and 2021, the BRF with market values of \$844,798 and \$1,064,848, respectively, was \$155,202 and \$-0-, respectively, below the original gift amount, due to a change in market value.

CLEVELAND PUBLIC THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**Note 4. Building Reserve Investments (Continued)**

CFIP investment gains and losses as reported by each investment advisor, net of management fees, are allocated to each CFIP investor monthly based on the investor's average daily balance.

For the years ended June 30, 2022 and 2021, in accordance with the Building Reserve Policy, management approved the disbursement of \$90,000 and \$60,000, respectively, from investment earnings on the BRF. A portion of this disbursement was used to support current facilities maintenance and is recorded as operating investment income in the statements of activities.

**Note 5. Accounts Payable and Accrued Liabilities**

	<u>2022</u>	<u>2021</u>
Accounts payable	\$ 90,816	\$ 127,270
Accrued payroll	62,445	83,450
Accrued liabilities	<u>22,727</u>	<u>22,771</u>
	<u>\$ 175,988</u>	<u>\$ 233,491</u>

**Note 6. Innovation Fund**

In January 2014, CPT created an Innovation Project Fund. The cash balance of the fund at the end of the 2022 and 2021 fiscal years was \$250,455 and \$200,441, respectively, and consisted only of Board Designated Funds. Funds disbursed from the Board Designated Innovation Fund for 2022 and 2021 fiscal years were \$-0-.

**Note 7. Net Assets With Donor Restrictions**

Net assets with donor restrictions are designated for the following purposes as of June 30:

	<u>2022</u>	<u>2021</u>
<u>Subject to expenditure for specified purpose:</u>		
Production	\$ 216,719	\$ 234,510
Education	556,000	346,703
Operations	267,445	90,595
Benefit events	300,488	196,665
Building Reserve Fund and Systems Replacement	<u>863,645</u>	<u>1,064,848</u>
	2,204,297	1,933,321
<u>Subject to passage of time:</u>		
Grants receivable	<u>52,495</u>	<u>-</u>
	<u>\$2,256,792</u>	<u>\$1,933,321</u>

CPT periodically receives significant multi-year restricted grants. Based on accounting principles generally accepted in the United States of America, these grants are recorded in the fiscal year in which the donor commits the funds. However, the expenses that fulfill the grant's restriction are frequently incurred in the years that follow. This timing, with recognition of income in one year and the related expense in the subsequent years, can result in notably large changes in net assets with donor restrictions in the statements of activities in any given year. An increase or decrease resulting from this timing does not indicate any particular strength or weakness in the financial soundness of CPT.

CLEVELAND PUBLIC THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**Note 8. Long-Term Debt**

	<u>2022</u>	<u>2021</u>
Term note	\$295,664	\$308,841
Less current portion	<u>13,812</u>	<u>13,177</u>
	<u>\$281,852</u>	<u>\$295,664</u>

CPT has a term obligation with KeyBank. This obligation, originally \$355,000, bears interest at 4.65% and requires 119 payments of \$2,288 and a balloon payment on July 28, 2027. The obligation is secured by certain real property owned by CPT and the assignment of rents (as defined). The note contains a prepayment penalty that varies based upon the outstanding loan balance and the length of time the loan is outstanding.

CPT is subject to compliance with certain financial covenants as set forth in the note, including but not limited to indebtedness, loans, distributions, and asset sales. At June 30, 2022 and 2021, CPT was in compliance with all applicable covenants.

CPT paid interest of \$14,279 and \$14,885 for fiscal years 2022 and 2021, respectively.

Future long-term debt maturities as of June 30 are as follows:

2023	\$ 13,812
2024	14,442
2025	15,173
2026	15,904
2027	16,670
Thereafter	<u>219,663</u>
	<u>\$295,664</u>

**Note 9. Line of Credit**

On July 28, 2017, CPT opened a \$100,000 line of credit for operations with KeyBank. Draws on this line of credit are charged a variable interest rate based on the prime rate + 1.42%. This line of credit renews annually and is secured by current assets. At the end of fiscal years 2022 and 2021, no balance was outstanding on this line of credit.

**Note 10. Commitments**

In March 2017, CPT entered into a 60-month non-cancelable operating lease for copier and printer equipment which required minimum monthly payments of \$699. In March 2022, CPT entered into a 63-month non-cancelable operating lease for a new copier and printer equipment, beginning in August 2022, which requires minimum monthly payments of \$695. Future minimum lease payments on this lease are as follows:

CLEVELAND PUBLIC THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**Note 10. Commitments (Continued)**

2023	\$ 6,950
2024	8,340
2025	8,340
2026	8,340
2027	8,340
Thereafter	<u>3,475</u>
	<u>\$ 43,785</u>

Rent expense, including maintenance and service costs for copier equipment under non-cancelable operating leases, was \$18,307 and \$10,192 for fiscal years 2022 and 2021, respectively.

**Note 11. Capital Campaign**

CPT engages in periodic capital campaigns to improve and maintain its 100+ years old facilities and offset the cost of depreciation. In fiscal year 2021, CPT engaged a consultant to study future capital investments and fundraising. The study is ongoing as of June 30, 2022.

**Note 12. Contingencies**

In fiscal 2012, CPT received grant proceeds of \$1,000,000 as a subrecipient from the State of Ohio relating to additional funding made available to the State through the American Recovery and Reinvestment Act of 2009 to raise energy efficiencies. As a condition of the grant, CPT is disallowed from encumbering any property and equipment acquired with the grant proceeds, without the consent of the awarding agency. Should CPT dispose of the property, it would be required to repay a proportionate share of the net proceeds received to the State of Ohio.

**Note 13. Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	<u>2022</u>	<u>2021</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 1,291,525	\$ 1,151,720
Receivables due within one year	<u>727,069</u>	<u>630,969</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 2,018,594</u>	<u>\$ 1,782,689</u>

CPT receives significant contributions restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures.

CLEVELAND PUBLIC THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**Note 13. Liquidity and Availability (Continued)**

CPT manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be satisfied. CPT has a policy to target a year-end balance of reserves of unrestricted, undesignated net assets at 15 to 30 days of expected expenditures. To achieve these targets, CPT forecasts its future cash flows and monitors its liquidity quarterly, and monitors its reserves annually.

**Note 14. Subsequent Events**

Management has evaluated subsequent events through November 30, 2022, which is the date the financial statements were available to be issued.

**Note 15. COVID-19 Global Pandemic**

On January 30, 2020, the World Health Organization declared the outbreak of the coronavirus disease 2019 ("COVID-19") a global health emergency and subsequently declared the COVID-19 outbreak a global pandemic in March 2020. The pandemic has adversely affected domestic and global economic activity, including the theater industry.

As a result of the pandemic, starting in March 2020, CPT used innovative approaches to provide programming, though at a lower volume, throughout fiscal year 2021. This included a televised version of its annual benefit event and virtual performances and classes using video meeting software. For performances, CPT charged a \$1 ticket price with the option to add a donation which most patrons did. Starting in fiscal year 2022, in-person programming resumed.

CPT's operations are dependent on ticket sales from performances, benefit events, and private and public donations from individuals, foundations, and corporations. For fiscal year 2022, CPT was scheduled to hold in-person performances at a level consistent with years prior to the pandemic; however, had to cancel two shows during the year due to COVID related health concerns in addition to difficulties in contracting performers and costume designers. CPT expects to resume in-person performances at a level consistent with years prior to the pandemic in fiscal year 2023. CPT also successfully conducted its annual benefit event in-person in fiscal year 2022 and is scheduled to do the same in fiscal year 2023. However, the ongoing nature of the pandemic may continue to affect CPT's financial condition, results of operations, and cash flows for fiscal year 2023.

In April 2020, CPT received a \$204,500 loan under the Paycheck Protection Program ("PPP") from KeyBank. Provisions of the PPP loan allowed for partial or full forgiveness of the loan provided the proceeds were used for covered expenditures and certain other requirements were satisfied. CPT initially recorded the loan as a note payable and ultimately recorded \$204,500 in loan forgiveness income when the loan was released by the Small Business Administration ("SBA") in February 2021.

In April 2021, CPT received a loan under the PPP for \$211,882 from First Federal of Lakewood. The PPP loan bears interest at a fixed rate of 1% per annum, has a term of five years, and is unsecured and guaranteed by the SBA. Provisions of the PPP allow for partial or full forgiveness of the loan provided the proceeds are used for covered expenditures and certain other requirements are satisfied. The loan will be recorded as debt until forgiven. As of June 30, 2022, CPT has submitted an application for loan forgiveness and expects all or nearly all of the loan will be forgiven and at that time it will be recorded as income. Regardless of the outcome, the terms of the loan are in force as of June 30, 2022 and, as such, the loan is recorded as noncurrent.