

CLEVELAND PUBLIC THEATRE, INC.

FINANCIAL REPORT

JUNE 30, 2023 and 2022



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, 2023 and 2022, 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, 2023 and 2022, 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.

Maloney + Novotny LLC

Cleveland, Ohio
January 26, 2024

CLEVELAND PUBLIC THEATRE, INC.
STATEMENTS OF FINANCIAL POSITION

June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,228,994	\$ 1,291,525
Receivables (Note 2)	765,230	727,069
Prepaid expenses and other assets	<u>19,242</u>	<u>30,132</u>
Total current assets	2,013,466	2,048,726
NON-CURRENT ASSETS		
Receivables (Note 2)	-	250,000
Investments (Note 4)	819,077	794,545
Property and equipment, net (Note 3)	<u>5,255,441</u>	<u>5,468,612</u>
Total non-current assets	<u>6,074,518</u>	<u>6,513,157</u>
 Total assets	 <u>\$ 8,087,984</u>	 <u>\$ 8,561,883</u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of long-term debt (Note 8)	\$ 14,442	\$ 13,812
Accounts payable and accrued liabilities (Notes 5 and 10)	349,571	175,988
Deferred program revenue	<u>1,065</u>	<u>3,992</u>
Total current liabilities	365,078	193,792
 LONG-TERM DEBT		
Paycheck Protection Program loan (Note 15)	-	211,882
Mortgage loan, less current portion (Note 8)	<u>267,410</u>	<u>281,852</u>
Total long-term debt	<u>267,410</u>	<u>493,734</u>
 Total liabilities	 632,488	 687,526
 NET ASSETS		
Without donor restrictions	5,651,388	5,617,565
With donor restrictions (Note 7)	<u>1,804,108</u>	<u>2,256,792</u>
Total net assets	<u>7,455,496</u>	<u>7,874,357</u>
 Total liabilities and net assets	 <u>\$ 8,087,984</u>	 <u>\$ 8,561,883</u>

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

CLEVELAND PUBLIC THEATRE, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUES			
Grants	\$ 118,049	\$ 932,214	\$ 1,050,263
Contributions	244,378	32,000	276,378
Box office	83,806	-	83,806
Fees for service	158,861	-	158,861
Concessions and boutique	10,225	-	10,225
Donated goods and services	51,316	-	51,316
Benefit events	138,064	242,470	380,534
Interest and other	22,637	-	22,637
Forgiveness of Paycheck Protection Program loan (Note 15)	211,882	-	211,882
Employee Retention Tax Credit (Note 16)	352,496	-	352,496
Building reserve allocation designated for operations (Note 4)	-	48,000	48,000
Net assets released from restrictions	<u>1,732,178</u>	<u>(1,732,178)</u>	<u>-</u>
 Total revenues	 3,123,892	 (477,494)	 2,646,398
OPERATING EXPENSES			
Programs:			
Production	1,356,220	-	1,356,220
Education	691,312	-	691,312
Supporting services:			
Administration	416,644	-	416,644
Fundraising	<u>363,222</u>	<u>-</u>	<u>363,222</u>
 Total operating expenses	 <u>2,827,398</u>	 <u>-</u>	 <u>2,827,398</u>
 Change in net assets before capital campaign, investment gain and depreciation	 296,494	 (477,494)	 (181,000)
 Capital campaign costs (Note 11)	 (49,500)	 -	 (49,500)
Building reserve investment gains, net of allocation	-	24,532	24,532
Interest and dividends	-	278	278
Depreciation	<u>(213,171)</u>	<u>-</u>	<u>(213,171)</u>
 Change in net assets	 33,823	 (452,684)	 (418,861)
 Net assets at beginning of year	 <u>5,617,565</u>	 <u>2,256,792</u>	 <u>7,874,357</u>
 Net assets at end of year	 <u>\$ 5,651,388</u>	 <u>\$ 1,804,108</u>	 <u>\$ 7,455,496</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
PUBLIC SUPPORT AND REVENUES			
Grants	\$ 289,210	\$ 1,459,199	\$ 1,748,409
Contributions	246,713	30,100	276,813
Box office	76,555	-	76,555
Fees for service	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
OPERATING EXPENSES			
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	 -	 (220,326)	 (220,326)
Interest and dividends	-	276	276
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 FUNCTIONAL EXPENSES

Year Ended June 30, 2023

	<u>Production</u>	<u>Education</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total</u>
Compensation, taxes and benefits	\$ 732,833	\$ 506,412	\$ 265,064	\$ 154,677	\$ 1,658,986
Project personnel	167,494	26,820	-	6,600	200,914
Advertising, marketing and publicity	116,931	15,442	-	145,164	277,537
Production costs	97,266	31,021	-	23,281	151,568
Utilities	41,714	19,759	8,117	3,660	73,250
Professional fees	9,254	6,468	14,807	199	30,728
Interest	6,406	4,477	2,755	138	13,776
Equipment costs	5,814	4,063	2,501	125	12,503
Office	72,884	39,230	38,736	7,475	158,325
Building maintenance	39,422	15,911	72,113	3,680	131,126
Insurance	20,754	9,831	4,004	1,821	36,410
Telephone	4,270	5,455	2,329	77	12,131
Travel	41,178	6,423	6,218	16,325	70,144
Total operating expenses	<u>1,356,220</u>	<u>691,312</u>	<u>416,644</u>	<u>363,222</u>	<u>2,827,398</u>
Capital campaign costs	-	-	-	49,500	49,500
Depreciation	<u>127,667</u>	<u>53,689</u>	<u>21,873</u>	<u>9,942</u>	<u>213,171</u>
Total	<u>\$ 1,483,887</u>	<u>\$ 745,001</u>	<u>\$ 438,517</u>	<u>\$ 422,664</u>	<u>\$ 3,090,069</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
Equipment costs	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.

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (418,861)	\$ 122,882
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	213,171	222,326
Forgiveness of Paycheck Protection Program loan	(211,882)	-
Realized and unrealized (gains) losses on investments	(72,532)	130,326
Changes in assets and liabilities:		
Receivables	211,839	(336,100)
Prepaid expenses and other assets	10,890	(12,090)
Accounts payable and accrued liabilities	173,583	(57,503)
Deferred program revenue	<u>(2,927)</u>	<u>(59)</u>
Total adjustments	<u>322,142</u>	<u>(53,100)</u>
Net cash (used) provided by operating activities	(96,719)	69,782
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	-	(6,800)
Distribution from investments, net of contributions	<u>48,000</u>	<u>90,000</u>
Net cash provided by investing activities	48,000	83,200
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long term debt	<u>(13,812)</u>	<u>(13,177)</u>
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(62,531)	139,805
CASH AND CASH EQUIVALENTS – BEGINNING	<u>1,291,525</u>	<u>1,151,720</u>
CASH AND CASH EQUIVALENTS – ENDING	<u>\$ 1,228,994</u>	<u>\$ 1,291,525</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, contributions, and ticket (box office) 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. CPT runs three core education 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 2022, CPT resumed in-person programming following the pandemic. 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, benefit 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 \$44,535 and \$37,236 for the fiscal years 2023 and 2022, respectively. In-kind services consist of catering, underwriting support, radio ads, custom artwork, and printing for season and event marketing. These donated services totaled \$6,781 and \$26,939 for the fiscal years 2023 and 2022, 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 \$7,265 and \$12,333 for fiscal years 2023 and 2022, respectively.

Commitments

CPT enters into commitments for various services and other costs related to performances at various points throughout the year. During the year ended June 30, 2023, CPT entered into commitments amounting to \$49,250 which have not yet recorded in these financial statements and is expected to be recognized in the next fiscal year.

CLEVELAND PUBLIC THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

Significant Accounting Policies (Continued)

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.

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.

Reclassifications

Certain 2022 amounts have been reclassified to conform to 2023 presentation.

CLEVELAND PUBLIC THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 2. Receivables

	<u>2023</u>	<u>2022</u>
Grants receivable, next twelve months	\$ 565,139	\$ 571,830
Unconditional promises to give	125,010	124,127
Accounts receivable	<u>75,081</u>	<u>31,112</u>
Receivable in the next twelve months	765,230	727,069
Grants receivable in 2-5 years	<u>-</u>	<u>250,000</u>
	<u>\$ 765,230</u>	<u>\$ 977,069</u>

Note 3. Property and Equipment

	<u>2023</u>	<u>2022</u>
Land and buildings	\$ 696,100	\$ 696,100
Building improvements	7,060,582	7,060,582
Production and office equipment	<u>448,731</u>	<u>448,731</u>
	8,205,413	8,205,413
Less accumulated depreciation	<u>2,949,972</u>	<u>2,736,801</u>
	<u>\$5,255,441</u>	<u>\$5,468,612</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 \$819,077 and \$794,545 in 2023 and 2022, respectively, and \$50,531 and \$50,253 is included in cash in 2023 and 2022, respectively. As of June 30, 2023 and 2022, the BRF with market values of \$869,608 and \$844,798, respectively, was \$130,392 and \$155,202, 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, 2023 and 2022, in accordance with the Building Reserve Policy, management approved the disbursement of \$48,000 and \$90,000, respectively, from investment earnings on the BRF. 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>2023</u>	<u>2022</u>
Accounts payable	\$ 73,038	\$ 90,816
Accrued payroll	66,624	62,445
Accrued retirement contributions	186,927	-
Accrued liabilities	<u>22,982</u>	<u>22,727</u>
	<u>\$ 349,571</u>	<u>\$ 175,988</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 2023 and 2022 fiscal years was \$250,476 and \$250,455, respectively, and consisted only of Board Designated Funds that are classified as net assets without donor restrictions in the statements of financial position. Funds disbursed from the Board Designated Innovation Fund for 2023 and 2022 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>2023</u>	<u>2022</u>
<u>Subject to expenditure for specified purpose:</u>		
Production	\$ 142,500	\$ 216,719
Education	300,500	556,000
Operations	224,637	267,445
Benefit events	242,470	300,488
Building Reserve Fund and Systems Replacement	<u>869,608</u>	<u>863,645</u>
	1,779,715	2,204,297
<u>Subject to passage of time:</u>		
Grants receivable	<u>24,393</u>	<u>52,495</u>
	<u>\$1,804,108</u>	<u>\$2,256,792</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>2023</u>	<u>2022</u>
Term note	\$281,852	\$295,664
Less current portion	<u>14,442</u>	<u>13,812</u>
	<u>\$267,410</u>	<u>\$281,852</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, 2023 and 2022, CPT was in compliance with all applicable covenants.

CPT paid interest of \$13,644 and \$14,279 for fiscal years 2023 and 2022, respectively.

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

2024	\$ 14,442
2025	15,173
2026	15,904
2027	16,670
2028	<u>219,663</u>
	<u>\$281,852</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 2023 and 2022, no balance was outstanding on this line of credit.

Note 10. Retirement Plan

Effective July 1, 2022, CPT established a 401(k) plan. Employees classified as "ongoing" are eligible to participate in the 401(k) plan. CPT accrued a non-elective contribution of \$11,927 during the year ended June 30, 2023. At the direction of the Board of Directors, during the year ended June 30, 2023, CPT accrued a one-time non-elective contribution totaling \$175,000 for certain employees' 401(k) accounts in recognition of past service. As of June 30, 2023, these amounts are included in accrued liabilities in the statement of financial position.

CLEVELAND PUBLIC THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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. CPT engaged a consultant to study future capital investments and fundraising. The study is ongoing as of June 30, 2023.

Note 12. Contingencies

In fiscal year 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, which were used for a new HVAC system. 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>2023</u>	<u>2022</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 1,228,994	\$ 1,291,525
Receivables due within one year	<u>765,230</u>	<u>727,069</u>
 Financial assets available to meet cash needs for general expenditure within one year	 <u>\$ 1,994,224</u>	 <u>\$ 2,018,594</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.

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 January 26, 2024, which is the date the financial statements were available to be issued.

CLEVELAND PUBLIC THEATRE, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Note 15. Paycheck Protection Program Loan

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security ("CARES") Act was signed into law. The CARES Act, among other things, created the Paycheck Protection Program ("PPP"). In April 2021, CPT received a loan under the PPP for \$211,882 from First Federal of Lakewood. Provisions of the PPP allowed for partial or full forgiveness of the loan provided the proceeds were used for covered expenditures and certain other requirements were satisfied. The loan was recorded as debt until forgiven. During the year ended June 30, 2023, the loan was forgiven in full by the SBA at which time it was recorded as income.

Note 16. Employee Retention Tax Credit

The CARES Act also created the Employer Retention Tax Credit ("ERTC") for a refundable payroll tax credit. During 2023, CPT amended its quarterly tax return for an ERTC for the second and third quarters of 2020, and the first and third quarters of 2021, totaling \$352,496, including \$15,771 in interest received. The employees' wages were incurred for that time period so the entire amount has been recorded as income in 2023. Laws and regulations concerning the CARES Act are complex and subject to varying interpretations. Claims made under the CARES Act may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge CPT's claim to the ERTC, and it is not possible to determine the impact (if any) this would have on CPT.