

**Main Street Theater Houston**

Financial Statements  
and Independent Auditors' Report  
for the years ended August 31, 2023 and 2022

# Main Street Theater Houston

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**Independent Auditors' Report**

To the Board of Directors of  
Main Street Theater Houston:

**Report on the Audit of the Financial Statements**

***Opinion***

We have audited the financial statements of Main Street Theater Houston, which comprise the statements of financial position as of August 31, 2023 and 2022, and the related statements of activities, of functional expenses, and of 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 Main Street Theater Houston as of August 31, 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. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Main Street Theater Houston 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 Main Street Theater Houston's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

***Auditors' Responsibilities for the Audit of the Financial Statements***

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

standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, 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 Main Street Theater Houston'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 Main Street Theater Houston's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Blazek & Vetterling*

January 17, 2024

## Main Street Theater Houston

Statements of Financial Position as of August 31, 2023 and 2022

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	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and cash equivalents <i>(Note 3)</i>	\$ 270,728	\$ 468,668
Prepaid expenses and other assets	123,644	87,918
Contributions receivable	217,503	86,282
Cash restricted for capital expenditures	26,500	26,500
Operating lease right-of-use assets <i>(Note 4)</i>	365,219	
Property, net <i>(Note 5)</i>	<u>2,394,938</u>	<u>2,507,103</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 3,398,532</u></b>	<b><u>\$ 3,176,471</u></b>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 69,702	\$ 34,953
Deferred revenue from ticket sales and tuition	255,979	210,267
Refundable advance – Shuttered Venue Operators Grant		353,631
Refundable advance – special events		6,750
Note payable <i>(Note 6)</i>	939,620	966,959
Operating lease liabilities <i>(Note 4)</i>	<u>365,939</u>	
Total liabilities	<u>1,631,240</u>	<u>1,572,560</u>
Net assets:		
Without donor restrictions	1,350,789	1,495,554
With donor restrictions <i>(Note 7)</i>	<u>416,503</u>	<u>108,357</u>
Total net assets	<u>1,767,292</u>	<u>1,603,911</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 3,398,532</u></b>	<b><u>\$ 3,176,471</u></b>

*See accompanying notes to financial statements.*

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## Main Street Theater Houston

Statement of Activities for the year ended August 31, 2023

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	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions	\$ 677,962	\$ 402,003	\$ 1,079,965
Government grants <i>(Note 8)</i>		518,582	518,582
Special events	60,345		60,345
Cost of direct donor benefits	(18,975)		(18,975)
Ticket sales	1,326,896		1,326,896
Tuition and fees	416,814		416,814
Other income	109,228		109,228
Total revenue	2,572,270	920,585	3,492,855
Net assets released from restrictions:			
Satisfaction of program restrictions	580,582	(580,582)	
Satisfaction of time restrictions	31,857	(31,857)	
Total	3,184,709	308,146	3,492,855
EXPENSES:			
Program services	2,656,136		2,656,136
Marketing and sales	336,937		336,937
Management and general	251,965		251,965
Fundraising	84,436		84,436
Total expenses	3,329,474		3,329,474
CHANGES IN NET ASSETS	(144,765)	308,146	163,381
Net assets, beginning of year	1,495,554	108,357	1,603,911
Net assets, end of year	\$ 1,350,789	\$ 416,503	\$ 1,767,292

*See accompanying notes to financial statements.*

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## Main Street Theater Houston

Statement of Activities for the year ended August 31, 2022

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	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions	\$ 589,060	\$ 116,857	\$ 705,917
Government grants <i>(Note 8)</i>		707,291	707,291
Ticket sales	947,751		947,751
Tuition and fees	350,040		350,040
Other income	<u>58,623</u>		<u>58,623</u>
Total revenue	1,945,474	824,148	2,769,622
Net assets released from restrictions:			
Satisfaction of program restrictions	745,791	(745,791)	
Satisfaction of time restrictions	<u>75,000</u>	<u>(75,000)</u>	
Total	<u>2,766,265</u>	<u>3,357</u>	<u>2,769,622</u>
EXPENSES:			
Program services	2,315,432		2,315,432
Marketing and sales	204,158		204,158
Management and general	241,898		241,898
Fundraising	<u>97,559</u>		<u>97,559</u>
Total expenses	<u>2,859,047</u>		<u>2,859,047</u>
CHANGES IN NET ASSETS	(92,782)	3,357	(89,425)
Net assets, beginning of year	<u>1,588,336</u>	<u>105,000</u>	<u>1,693,336</u>
Net assets, end of year	<u>\$ 1,495,554</u>	<u>\$ 108,357</u>	<u>\$ 1,603,911</u>

*See accompanying notes to financial statements.*

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## Main Street Theater Houston

### Statements of Functional Expenses for the years ended August 31, 2023 and 2022

	PROGRAM SERVICES	MARKETING AND SALES	MANAGEMENT AND GENERAL	FUNDRAISING	2023 TOTAL
Compensation and related costs	\$ 1,701,339	\$ 196,073	\$ 110,291	\$ 34,721	\$ 2,042,424
Rent	275,204	12,093	9,753	9,070	306,120
Production supplies	234,879				234,879
Royalties	131,866				131,866
Postage and printing	55,668	55,668	3,587	8,808	123,731
Depreciation	123,091				123,091
Bank service fees			59,208		59,208
Advertising		52,280	214	5,471	57,965
Professional services		16,519	24,721	15,229	56,469
Supplies	33,454	280	12,818	6,517	53,069
Insurance	19,408	960	23,310	170	43,848
Utilities	26,586	3,064	1,723	543	31,916
Interest	25,825				25,825
Repairs	15,659				15,659
Other	13,157		6,340	3,907	23,404
Total expenses	<u>\$ 2,656,136</u>	<u>\$ 336,937</u>	<u>\$ 251,965</u>	<u>\$ 84,436</u>	<u>\$ 3,329,474</u>

	PROGRAM SERVICES	MARKETING AND SALES	MANAGEMENT AND GENERAL	FUNDRAISING	2022 TOTAL
Compensation and related costs	\$ 1,527,278	\$ 124,536	\$ 125,345	\$ 65,888	\$ 1,843,047
Rent	244,210	6,736	5,416	5,052	261,414
Production supplies	165,821				165,821
Royalties	93,820				93,820
Postage and printing	39,649	39,649	2,487	8,164	89,949
Depreciation	125,261				125,261
Bank service fees			41,241		41,241
Advertising		19,019	143	1,931	21,093
Professional services		11,390	25,077		36,467
Supplies	30,874	1,324	12,919	10,409	55,526
Insurance	15,438		19,339		34,777
Utilities	18,447	1,504	1,514	796	22,261
Interest	24,508				24,508
Repairs	21,171				21,171
Other	8,955		8,417	5,319	22,691
Total expenses	<u>\$ 2,315,432</u>	<u>\$ 204,158</u>	<u>\$ 241,898</u>	<u>\$ 97,559</u>	<u>\$ 2,859,047</u>

*See accompanying notes to financial statements.*

## Main Street Theater Houston

### Statements of Cash Flows for the years ended August 31, 2023 and 2022

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	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ 163,381	\$ (89,425)
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Depreciation	123,091	125,261
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	(35,726)	(14,657)
Contributions receivable	(131,221)	1,968
Operating lease right-of-use assets	22,792	
Accounts payable and accrued expenses	34,749	(6,711)
Deferred revenue	45,712	(75,744)
Refundable advance – Paycheck Protection Program		(240,000)
Refundable advance – Shuttered Venue Operators Grant	(353,631)	(113,650)
Refundable advance – special events	(6,750)	(76,050)
Operating lease liabilities	<u>(22,072)</u>	<u>                    </u>
Net cash used by operating activities	<u>(159,675)</u>	<u>(489,008)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale of property		132,595
Purchases of property	<u>(10,926)</u>	<u>(42,187)</u>
Net cash provided (used) by investing activities	<u>(10,926)</u>	<u>90,408</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Repayments of note payable	<u>(27,339)</u>	<u>(24,566)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>		
	(197,940)	(423,166)
Cash and cash equivalents, beginning of year	<u>495,168</u>	<u>918,334</u>
Cash and cash equivalents, end of year	<u>\$ 297,228</u>	<u>\$ 495,168</u>
<i>Reconciliation of cash balances:</i>		
Cash	\$ 270,728	\$ 468,668
Cash restricted for capital expenditures	<u>26,500</u>	<u>26,500</u>
Total cash	<u>\$ 297,228</u>	<u>\$ 495,168</u>
<i>Supplemental disclosure of cash flow information:</i>		
Interest paid	\$25,825	\$24,508
Operating right-of-use assets financed by operating lease liabilities	\$387,291	

*See accompanying notes to financial statements.*

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## Main Street Theater Houston

Notes to Financial Statements for the years ended August 31, 2023 and 2022

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### NOTE 1 – ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES

Organization – Main Street Theater Houston (the Theater) is a nonprofit theatrical organization located in Houston, Texas. The Theater was organized in 1975 to provide a wide variety of dramatic literature and theatrical innovation. In addition, the Theater provides an opportunity for artists living in the Houston area to showcase and develop their talents.

Federal income tax status – The Theater is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §509(a)(2).

Cash and cash equivalents include bank deposits and highly liquid financial instruments with original maturities of three months or less.

Contributions receivable that are expected to be collected within one year are reported at net realizable value. Amounts expected to be collected in more than one year are discounted, if material, to estimate the present value of future cash flows. At August 31, 2023, contributions receivable of \$142,503 and \$75,000 are due to be collected in 2024 and 2025, respectively.

Property is reported at cost if purchased or at fair value at the date of gift if donated. The Theater capitalizes additions and improvements with a cost of more than \$1,000. Depreciation is provided on a straight-line basis over estimated useful lives of 5 to 39 years for building and improvements, and 3 to 15 years for furniture and equipment.

Lease elections – The Theater adopted the following policy elections for reporting leases:

- *Short-term leases* – The Theater has elected to not apply the recognition requirements in Accounting Standards Codification Topic 842 to short-term leases. Instead, these leases are recognized as expense on a straight-line basis over the lease term.
- *Discount rates* – The Theater elected to use its increment borrowing rate as the discount rate when the rate implicit in a lease is not readily determinable.

Net asset classification – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both. Contributions of long-lived assets and of assets restricted for acquisition of long-lived assets are released when those assets are placed in service.

Contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as *with donor restrictions*. Conditional contributions are subject to one or more barriers that must be overcome before the Theater is entitled to receive or retain funding. Conditional contributions are recognized as revenue at fair value when the conditions have been substantially met. Funding received before conditions are met is reported as a refundable advance.

Special events revenue includes elements of both contributions and exchange transactions and is recognized when the event occurs. Cost of direct donor benefits represent the costs of goods and services provided to attendees of special events.

Ticket sales are derived from season subscription ticket holders and individual ticket sales for performances for which the Theater has a performance obligation to the ticket holder. Subscription fees are due prior to the Theater season and individual ticket sales are due at the point of sale. Subscriptions are recognized over the Theater season using the output method as performances occur. Individual ticket sales are recognized at the point in time of the performance. Subscriptions and ticket sales collected in advance for the future season performances are reported as deferred revenue. There were no assets related to ticket sales as of August 31, 2023, 2022, or 2021. Deferred revenue from ticket sales was \$226,329, \$185,306, and \$261,778 at August 31, 2023, 2022 and 2021, respectively.

Tuition and fees are derived from providing skills and performance classes, camps, and after-school enrichment classes and are recognized ratably over time as those services are provided. Scholarships reduce the amount of consideration the Theater expects to be entitled to receive, and the tuition and fees are presented net of scholarships. Tuition and fees are due upon registration of classes and camps unless payment plans have been arranged on a case by case basis. Tuition and fees collected in advance are deferred until performance obligations are met in the following fiscal year. As a practical expedient, the Theater considers registration fees to be immaterial and accordingly, they are not disaggregated from tuition and fees. Tuition and fees receivable were \$3,650, \$4,425 and \$0 at August 31, 2023, 2022 and 2021. Deferred revenue from tuition and fees was \$29,650, \$24,961 and \$24,233 at August 31, 2023, 2022, and 2021, respectively.

Advertising costs are expensed as incurred.

Functional allocation of expenses – Expenses are reported by their functional classification. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Marketing and sales activities include solicitation of ticket sales and tuition. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to more than one activity are allocated among the activities benefitted. Compensation and related costs are allocated on the basis of estimated time and effort expended. Facility costs are allocated based on usage of related facilities.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts of reported revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

## NOTE 2 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of August 31 comprise the following:

	<u>2023</u>	<u>2022</u>
Financial assets:		
Cash and cash equivalents	\$ 297,228	\$ 495,168
Contributions receivable	<u>217,503</u>	<u>86,282</u>
Total financial assets	514,731	581,450
Less financial assets not available for general expenditure:		
Cash restricted for capital expenditures	(26,500)	(26,500)
Donor-restricted assets for use in future periods or projects	<u>(100,000)</u>	<u>          </u>
Total financial assets available for general expenditure	<u>\$ 388,231</u>	<u>\$ 554,950</u>

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Theater considers all expenditures related to its ongoing program activities, as well as the conduct of services undertaken to support those activities, to be general expenditures. The Theater is substantially supported by contributions, ticket sales and tuition and fees revenue, and regularly monitors liquidity required to meet its operating needs.

## NOTE 3 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	<u>2023</u>	<u>2022</u>
Bank deposits	\$ 180,418	\$ 382,965
Money market mutual funds	<u>116,810</u>	<u>112,203</u>
Total cash and cash equivalents	<u>\$ 297,228</u>	<u>\$ 495,168</u>

Bank deposits exceed the federally insured limit per depositor per institution.

## NOTE 4 – OPERATING LEASES

At August 31, 2023, operating lease right-of-use assets and lease liabilities include facility leases for storing and sharing costumes and building scenery for the Theater. Right-of-use assets are recognized at the present value of the lease payments at the inception of the lease adjusted, as appropriate, for certain other payments and allowances related to obtaining the lease and placing the asset in service. Operating lease right-of-use assets are amortized so that lease costs remain constant over the lease term.

During 2023, lease costs associated with operating leases are as follows:

Short-term lease costs	\$ 279,800
Operating lease costs	<u>26,320</u>
Total lease costs	<u>\$ 306,120</u>

During 2023, the Theater subleased the costume storage and sharing facility with a non-profit organization for \$37,400.

During 2022, short-term lease expense of office and theater space was approximately \$261,000.

During the year ended August 31, 2023, cash paid for amounts included in the measurement of operating lease liabilities was \$26,320.

As of August 31, 2023, the weighted-average remaining lease term for all operating leases is 47 months. The weighted-average discount rate associated with operating leases as of August 31, 2023 is 4.35%.

Future payments due under operating leases as of August 31, 2023 are as follows:

2024	\$ 105,360
2025	106,440
2026	98,120
2027	52,200
2028	<u>35,280</u>
Total minimum lease payments	397,400
Less discount to present value	<u>(31,461)</u>
Total lease liabilities recognized	<u>\$ 365,939</u>

#### NOTE 5 – PROPERTY

Property is comprised of the following:

	<u>2023</u>	<u>2022</u>
Land	\$ 216,000	\$ 216,000
Building and improvements	3,329,965	3,329,965
Furniture and equipment	<u>209,337</u>	<u>198,411</u>
Total property, at cost	3,755,302	3,744,376
Accumulated depreciation	<u>(1,360,364)</u>	<u>(1,237,273)</u>
Property, net	<u>\$ 2,394,938</u>	<u>\$ 2,507,103</u>

#### NOTE 6 – NOTE PAYABLE

The Theater has a mortgage note payable with a corporation with interest at 2.5%. The principal and interest are due in monthly installments of \$4,090, with remaining principal and accrued interest due at the maturity date of October 31, 2026. The loan is collateralized by property. Future principal payments are due as follows:

2024	\$ 23,673
2025	26,477
2026	27,147
2027	<u>862,323</u>
Total note payable	<u>\$ 939,620</u>

## NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose:		
Production sponsorship	\$ 76,050	\$ 50,000
The Charles and Betti Saunders Green Room	<u>26,500</u>	<u>26,500</u>
Total subject to expenditure for specified purpose	102,550	76,500
Subject to passage of time:		
Contributions restricted for future operations	<u>313,953</u>	<u>31,857</u>
Total net assets with donor restrictions	<u>\$ 416,503</u>	<u>\$ 108,357</u>

## NOTE 8 – GOVERNMENT GRANTS

In 2022, the Theater received notification of award of approximately \$821,000 from the Shuttered Venue Operators Grant (SVOG) program. The Theater recognized approximately \$354,000 and \$467,000 of grant revenue during fiscal years 2023 and 2022, respectively, as the Theater incurred qualifying grant expenditures.

The Theater also applied for and received approximately \$165,000 of Employee Retention Credits (ERC) from the Department of Treasury in fiscal year 2023, as the Theater met the eligibility requirements and had eligible payroll expenses. The ERC grant was recognized in 2023.

Additionally, the Theater received financial relief from the Paycheck Protection Program. This loan was forgiven during September 2021 and was recognized as government grant revenue in 2022.

Government grants require fulfillment of certain conditions as set forth in the grant contracts and are subject to review and audit by the awarding agencies. Such reviews and audits could result in the discovery of unallowable activities and unallowable costs. Consequently, the funding sources may, at their discretion, request reimbursement for expenses or return of funds as a result of non-compliance by the Theater with the terms of the contracts. Management believes such disallowances, if any, would not be material to the Theater's financial position or changes in net assets.

## NOTE 9 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 17, 2024, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.