



Gary McGee & Co. LLP
CERTIFIED PUBLIC ACCOUNTANTS

Artists Repertory Theatre

Financial Statements and Other Information
as of and for the Year Ended June 30, 2022
and Report of Independent Accountants

ARTISTS REPERTORY THEATRE

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REPORT OF INDEPENDENT ACCOUNTANTS

*The Board of Directors
Artists Repertory Theatre:*

Opinion

We have audited the accompanying financial statements of Artists Repertory Theatre, which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Artists Repertory Theatre as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Artists Repertory Theatre and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States, 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 Artists Repertory Theatre's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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, including omissions, 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 Artists Repertory Theatre 's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Artists Repertory Theatre 's ability to continue as a going concern for a reasonable period of time.

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

Summarized Comparative Information

We have previously audited Artists Repertory Theatre's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 24, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Amy McLean & Co. LLP". The signature is written in a cursive, flowing style.

October 12, 2022

ARTISTS REPERTORY THEATRE
STATEMENT OF FINANCIAL POSITION

JUNE 30, 2022
(WITH COMPARATIVE AMOUNTS FOR 2021)

	2022	2021
Assets:		
Cash and cash equivalents	\$ 686,951	1,047,828
Contributions and grants receivable <i>(note 3)</i>	223,172	160,750
Deferred charges, prepaid expenses, and other assets	171,631	62,929
Investments <i>(note 4)</i>	6,055,340	6,497,422
Property and equipment <i>(note 5)</i>	7,590,050	7,167,392
Total assets	\$ 14,727,144	14,936,321
Liabilities:		
Accounts payable and accrued expenses	70,479	47,481
Construction payable	44,487	–
Deferred revenues – advance ticket sales	35,950	45,585
Notes payable – Paycheck Protection Program <i>(note 7)</i>	–	280,897
Total liabilities	150,916	373,963
Net assets:		
Without donor restrictions:		
Available for programs, general operations, and future capital investment	4,868,248	5,051,376
Net investment in capital assets	7,590,050	7,167,392
Total without donor restrictions	12,458,298	12,218,768
With donor restrictions <i>(note 8)</i>	2,117,930	2,343,590
Total net assets	14,576,228	14,562,358
Commitments <i>(notes 3, 6, and 11)</i>		
Total liabilities and net assets	\$ 14,727,144	14,936,321

See accompanying notes to financial statements.

ARTISTS REPERTORY THEATRE

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

(WITH COMPARATIVE TOTALS FOR 2021)

	2022		Total	2021
	Without donor restrictions	With donor restrictions		
Operating revenues, gains, and other support:				
Production revenues	\$ 92,207	—	92,207	58,610
Contributions and grants	522,549	466,274	988,823	1,841,594
In-kind contributions	4,722	—	4,722	65,732
Special event revenues	72,536	—	72,536	76,078
COVID-19 relief funding (<i>note 7</i>)	879,872	—	879,872	343,000
Total investment return (<i>note 4</i>)	(221,101)	(6,485)	(227,586)	7,653
Rental income	12,744	—	12,744	31,427
Other	51,246	—	51,246	33,840
Total operating revenues and gains	1,414,775	459,789	1,874,564	2,457,934
Net assets released from restrictions for operating purposes (<i>note 9</i>)	780,391	(780,391)	—	—
Total operating revenues, gains, and other support	2,195,166	(320,602)	1,874,564	2,457,934
Expenses (<i>note 10</i>):				
Program services:				
Artistic and production	1,675,752	—	1,675,752	1,352,984
Audience development and services	405,776	—	405,776	387,552
Total program services	2,081,528	—	2,081,528	1,740,536
Supporting services:				
Management and general	308,653	—	308,653	358,944
Financial development	48,113	—	48,113	30,370
Total supporting services	356,766	—	356,766	389,314
Total expenses	2,438,294	—	2,438,294	2,129,850
Increase (decrease) in net assets before non-operating activities	\$ (243,128)	(320,602)	(563,730)	328,084

Continued

ARTISTS REPERTORY THEATRE
STATEMENT OF ACTIVITIES (CONTINUED)

YEAR ENDED JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	2022		Total	2021
	Without donor restrictions	With donor restrictions		
Non-operating activities:				
Capital campaign gifts restricted for long-term investment in property and equipment	\$ –	577,600	577,600	1,395,712
Net assets released from restrictions for capital purposes (<i>note 9</i>)	482,658	(482,658)	–	–
Total non-operating activities	482,658	94,942	577,600	1,395,712
Increase (decrease) in net assets	239,530	(225,660)	13,870	1,723,796
Net assets at beginning of year	12,218,768	2,343,590	14,562,358	12,838,562
Net assets at end of year	\$ 12,458,298	2,117,930	14,576,228	14,562,358

See accompanying notes to financial statements.

ARTISTS REPERTORY THEATRE

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30 , 2022

(WITH COMPARATIVE TOTALS FOR 2021)

	2022									
	Program services			Supporting services				2022 Total	2021 Total	
	Artistic and production	Audience development and services	Total	Management and general	Financial development	Facilities	Total			
Salaries and related costs	\$ 821,566	265,782	1,087,348	84,430	11,429	52,392	148,251	1,235,599	1,286,421	
Contracted services	137,946	28,753	166,699	300	495	–	795	167,494	93,152	
Professional fees and dues	37,615	16,349	53,964	112,705	–	–	112,705	166,669	132,760	
Materials and supplies	99,096	3,707	102,803	11,466	362	70	11,898	114,701	47,924	
Occupancy	246,217	–	246,217	15,646	–	63,377	79,023	325,240	222,544	
Royalties	15,925	–	15,925	–	–	–	–	15,925	5,500	
Office expenses	444	751	1,195	16,240	2,140	–	18,380	19,575	25,999	
Technology	2,945	2,263	5,208	121,442	50	10,313	131,805	137,013	134,874	
Advertising	35,550	26,878	62,428	85	1,315	–	1,400	63,828	21,090	
Travel	32,116	397	32,513	1,136	–	–	1,136	33,649	8,254	
Special event expenses	–	–	–	–	23,277	–	23,277	23,277	19,049	
Insurance	600	–	600	27,865	–	–	27,865	28,465	30,486	
Depreciation	–	–	–	–	–	60,000	60,000	60,000	67,397	
Other expenses	14,128	4,824	18,952	17,357	2,437	8,113	27,907	46,859	34,400	
	1,444,148	349,704	1,793,852	408,672	41,505	194,265	644,442	2,438,294	2,129,850	
Allocation of management and general expenses	106,559	25,798	132,357	(135,397)	3,040	–	(132,357)	–	–	
Allocation of facilities expenses	125,045	30,274	155,319	35,378	3,568	(194,265)	(155,319)	–	–	
Total expenses	\$ 1,675,752	405,776	2,081,528	308,653	48,113	–	356,766	2,438,294	2,129,850	

See accompanying notes to financial statements.

ARTISTS REPERTORY THEATRE

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	2022	2021
Cash flows from operating activities:		
Cash received from contributors and grantors	\$ 1,501,912	2,204,139
Cash received from admissions and other service fees	146,562	33,487
Investment income	5,637	2,767
Cash paid to employees and suppliers	(2,459,276)	(2,055,442)
Net cash provided by (used in) operating activities	(805,165)	184,951
Cash flows from investing activities:		
Proceeds from the sale of investments	721,593	363,130
Purchase of investments	(507,367)	(1,679,632)
Reinvestment of earnings	(5,367)	(2,798)
Capital expenditures	(438,171)	(64,498)
Net cash used in investing activities	(229,312)	(1,383,798)
Cash flows from financing activities:		
Proceeds from contributions restricted for future long-term capital investment	673,600	1,245,712
Proceeds received from the issuance of notes payable – Paycheck Protection Program (<i>note 7</i>)	–	280,897
Net cash provided by financing activities	673,600	1,526,609
Increase (decrease) in cash and cash equivalents	(360,877)	327,762
Cash and cash equivalents at beginning of year	1,047,828	720,066
Cash and cash equivalents at end of year	\$ 686,951	1,047,828

Supplemental schedule of noncash financing activities:

Paycheck Protection Program loan forgiveness (<i>note 7</i>)	\$ 280,897	343,000
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See accompanying notes to financial statements.

ARTISTS REPERTORY THEATRE

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

1. Organization

Artists Repertory Theatre is a nonprofit corporation established in the state of Oregon in 1982. The Company is the longest-running professional theatre company in Portland, Oregon.

The Company's mission is to engage diverse audiences in fresh, thought-provoking and intimate theatre. Productions feature the work of a core group of accomplished Resident Artists, each with a shared history and a shorthand for collaboration, working alongside guest artists from Portland and beyond. The Company is committed to world-class acting, directing, design and stagecraft that support new playwriting and aspire to embody great literature, moving audiences to feel and experience storytelling in a way that only the best live theater can.

2. Summary of Significant Accounting Policies

The significant accounting policies followed by the Company are described below to enhance the usefulness of the financial statements to the reader.

Basis of Accounting – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles and the principles of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors.

Basis of Presentation – Net assets, revenues, gains and losses are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Company and changes therein are classified and reported as follows:

- *Net assets without donor restrictions* – Net assets available for use in general operations and not subject to donor-imposed stipulations. From time to time, the Board of Directors may designate a portion of these net assets for particular purposes and objectives.
- *Net assets with donor restrictions* – Net assets subject to donor-imposed stipulations that will be met either by actions of the Company and/or the passage of time. These balances represent the unexpended portion of donor-restricted contributions, grants and investment return to be used for specific programs and activities as directed by the donor.

Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are also reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor-imposed restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. In the opinion of management, such differences, if any, would not be significant.

Cash Equivalents – For purposes of the financial statements, the Company considers all liquid investments having initial maturities of three months or less to be cash equivalents. Cash and cash equivalents held as part of the Company’s investment portfolio, and where management’s intention is to use the cash to acquire investments to be held long-term, are classified as investments.

Investments – Investments in marketable securities with readily determinable fair values and all investments in debt securities are carried at their fair value in the statement of financial position. Whenever available, quotations from organized securities exchanges are used as the basis for fair value.

Net investment return, which includes both current yield (interest and dividend income) and net change in the fair value of investments, is reported in the statement of activities, net of investment expenses. Interest income is accrued as earned. All security transactions are recorded on a trade date basis.

The Company has some exposure to investment risks, including interest rate, market, and credit risks, for both marketable and non-marketable securities. Due to the level of risk exposure, it is possible that near-term valuation changes for investment securities may occur to an extent that could materially affect the amounts reported in the accompanying financial statements.

Capital Assets and Depreciation – Property and equipment are carried at cost, and initially measured at fair value when acquired by gift. Depreciation is provided on a straight-line basis over the estimated useful lives of the respective assets, which is generally 20 to 40 years for buildings and building improvements, and five to ten years for furniture and equipment.

Revenue Recognition – With regard to revenues from grants and contracts, the Company evaluates whether each transfer of assets is (1) an exchange (reciprocal) transaction in which a resource provider receives commensurate value in return for the assets transferred, or (2) a nonreciprocal transfer (a contribution or a grant), where no value is exchanged.

- *Exchange Transactions* – If the transfer of assets is determined to be an exchange transaction, the Company recognizes revenue when or as it satisfies the required performance obligations and transfers the promised good or service to a customer, and when the customer obtains control of that good or service.

Cash received related to performances or special events that have not occurred as of the end of the fiscal year are deferred. Such deferred revenue is subsequently recognized upon occurrence of the related production or special event.

- *Contributions and Grants* – If the transfer of assets is determined to be a contribution, the Company evaluates whether the contribution is conditional based upon whether the agreement includes both (1) a barrier that must be overcome to be entitled to the funds and (2) either a right of return of assets transferred or a right of release of a promisor’s obligation to transfer assets.
- *Governmental Support* – Activities funded by governments are often carried out for the benefit of the general public, rather than to obtain goods or services for the government’s own use or proprietary benefit. Accordingly, if the primary beneficiary of the activity is the general public, rather than the government itself, the transaction is treated as nonreciprocal (i.e., a contribution).

Contributions – Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period the donor’s commitment is received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

Contributions and grants received with donor stipulations that limit the use of the donated assets are reported as net assets with donor restrictions.

Unconditional promises to give with payments due in future periods, are recorded as increases in net assets with donor restrictions at the estimated present value of future cash flows using credit adjusted discount rates which articulate to the collection period of the respective pledge. Such discount rates are not subsequently revised. Amortization of the discount is recorded as additional contribution revenue in subsequent years in the appropriate net asset class.

Unconditional contributions and grants receivable are reported net of an allowance for estimated uncollectible promises. Promises to give are written off when deemed uncollectible.

When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Conditional contributions with donor-imposed restrictions are recorded as net assets without donor restrictions if those restrictions are satisfied, and conditions are met, in the same reporting period. Otherwise, contributions with donor-imposed restrictions are recorded as increases in net assets with donor restrictions, depending on the nature of the restriction.

Contributions of capital assets without donor stipulations concerning the use of such long-lived assets are reported as revenues of the net assets without donor restrictions class. Contributions of cash or other assets to be used to acquire capital assets with such donor stipulations are reported as net assets with donor restrictions; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

Benefits Provided to Donors at Special Events – The Company conducts special fundraising events in which a portion of the gross proceeds paid by the participants represents payment for the direct cost of the benefits received by participants at the event. Unless a verifiable, objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the Company.

In-Kind Contributions – A number of unpaid volunteers have made significant contributions of their time to develop and implement the Company’s programs. Under generally accepted accounting principles, significant services received which create or enhance a non-financial asset or require specialized skills that the Company would have purchased if not donated are recognized in the statement of activities. During the year ended June 30, 2022, \$4,722 of contributed services were recorded. Contributed services are valued at the market rates for similar services.

In-kind contributions of land, buildings, equipment, and other materials are recorded where there is an objective basis upon which to value these contributions and where the contributions are an essential part of the Company’s activities. During the year ended June 30, 2022, no contributed materials and supplies were recorded.

Advertising and Promotion – Advertising and promotion costs are charged to expense as they are incurred or the first time the advertising takes place. Advertising costs for the year ended June 30, 2022 totaled \$63,828.

Operating Results – Operating results reported in the statement of activities reflect all transactions that change net assets without donor restrictions, except for gains on the sale of capital assets, contribution restricted for capital improvements, and net assets released from restrictions for capital purposes.

Depreciation of capital assets is allocated to operating programs and supporting activities based on benefit estimates prepared by management.

Concentrations of Credit Risk – The Company’s financial instruments consist primarily of cash and cash equivalents, equity and fixed income securities, which may subject the Company to concentrations of credit risk as, from time to time, for example, cash balances may exceed amounts insured by the Federal Deposit Insurance Corporation (“FDIC”). In addition, the market value of securities is dependent on the ability of the issuer to honor its contractual commitments, and the investments are subject to changes in market values.

All checking and savings accounts, and certificates of deposit are insured by the FDIC for up to \$250,000 for each depositor, for each insured bank, for each account ownership category. At June 30, 2022, the Company held \$376,564 in excess of FDIC insurance.

Finally, certain receivables may also, from time to time, subject the Company to concentrations of credit risk. To minimize its exposure to significant losses from customer or donor insolvencies, the Company’s management evaluates the financial condition of its customers and donors, and monitors concentrations of credit risk arising from similar geographic regions, activities, or economic characteristics. When necessary, receivables are reported net of an allowance for uncollectible accounts.

Income Taxes – The Company is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law, and derives its public charity status as an organization described in Sections 170(b)(1)(A)(vi) and 509(a)(1) of the Internal Revenue Code.

Union Agreements – The Company participates in collective bargaining agreements with the Actors’ Equity Association (for performing artists), Stage Directors and Choreographers Society (for directors and choreographers), and United Scenic Artists (for stage and production designers). The Company contributes to each union’s pension and welfare plan on behalf of applicable union members employed by the Company, with contribution amounts determined based on a set percentage of the union member’s salary.

Subsequent Events – Subsequent events have been evaluated by management through October 12, 2022, which is the date the financial statements were available to be issued.

Summarized Financial Information for 2021– The accompanying financial information as of and for the year ended June 30, 2021 is presented for comparative purposes only and is not intended to represent a complete financial statement presentation.

Other Significant Accounting Policies – Other significant accounting policies are set forth in the financial statements and the following notes.

3. Contributions and Grants Receivable

Contributions and grants receivable totaled \$223,172 at June 30, 2022, and are expected to be collected within one year.

These receivables carry the following restrictions:

Capital campaign	\$	29,009
General operations		194,163
		<hr/>
	\$	223,172

Conditional Contributions

At June 30, 2022, the Company held an additional \$1,500,000 in conditional contributions, including a promise of \$500,000 for general operating purposes conditioned upon raising additional matching funds and a promise of \$1,000,000 for capital improvements conditioned on completion of certain construction benchmarks and obtaining sufficient funding for project completion.

4. Investments and Investment Return

Investments consist of the following at June 30, 2022:

U.S. Government Securities	\$	2,848,353
Corporate and municipal bonds		2,180,749
		<hr/>
<i>Total investments at fair value</i>		5,029,102
Cash and cash equivalents		996,160
Certificate of deposit ¹		30,078
		<hr/>
	\$	6,055,340

¹ As a condition of a land use permit from the City of Portland to construct certain improvements to the Company's primary facilities in downtown Portland, the Company has established a certificate of deposit in the amount of \$30,000 with U.S. Bank as trustee.

The Company's investments at June 30, 2022 are held for the following purposes:

Capital campaign	\$	1,270,857
Other donor-restricted operating purposes		297,401
General operations		4,487,082
		<hr/>
	\$	6,055,340

Total return on investments and cash and cash equivalents for the year ended June 30, 2022 is as follows:

Interest and dividend income ²	\$	5,367
Net appreciation in the fair value of investments		(233,223)
		<hr/>
Total investment return	\$	(227,856)

² Investment income is presented net of external and direct internal investment expenses

5. Property and Equipment

A summary of property and equipment at June 30, 2022 is as follows:

Land	\$	1,265,500
Building and building improvements		1,659,403
Theatre equipment		521,063
Office equipment		73,932
Artwork		6,750
Construction in progress		5,392,158
		<hr/>
		8,918,806
Less accumulated depreciation		(1,328,756)
		<hr/>
	\$	7,590,050

6. Line of Credit

At June 30, 2022, the Company had an unsecured line of credit available in the amount of \$200,000. The line carries an interest rate of 6.5%. There was no outstanding balance for the year ended June 30, 2022.

7. COVID-19 Relief Funding

The federal government established several new programs in response to the health and financial crisis resulting from COVID-19. The Company benefited from these federal programs, for the years ended June 30, 2021 and 2022, as follows:

	2022
Paycheck Protection Program ¹	\$ 283,090
Shuttered Venue Operators Grant	389,994
Employee Retention Tax Credit	206,788
	<u>\$ 879,872</u>

	2021
Paycheck Protection Program ¹	\$ 343,000

¹ Paycheck Protection Program

The Company was granted unsecured loans from a commercial bank in April 2020 and April 2021, in the amount of \$343,000 and \$280,897, respectively, pursuant to the Paycheck Protection Program (the “PPP”)

These loans were guaranteed by the U.S. Small Business Administration (“SBA”), under PPP, a program designed to provide a direct incentive for small businesses and nonprofits to keep their employees on payroll during the COVID-19 pandemic. The SBA promised to forgive the loans if all employees were kept on the payroll during the “covered period” (either 8 weeks or 24 weeks from the loan disbursement date) and if the funds were used for payroll, rent, mortgage interest, and/or utilities, and certain other conditions were met.

In accordance with the terms of the loans, the \$343,000 loan was forgiven by the SBA during the year ended June 30, 2021, and the second PPP loan of \$280,897 and accrued interest of \$2,193, was forgiven by the SBA during the year ended June 30, 2022.

8. Net Assets with Donor Restrictions

The following summarizes the Company’s net assets with donor-imposed restrictions as of June 30, 2022:

<i>Expendable net assets restricted</i>	
<i>for the following purposes:</i>	
Playwrights-in-residence	\$ 275,884
Oxygen program	267,896
Productions	22,500
Other programs	34,780
Capital campaign	1,341,455
	<u>1,942,515</u>
<i>Expendable net assets unrestricted</i>	
<i>as to purpose, but restricted</i>	
<i>as to time:</i>	
Pledges to benefit the Company’s general operations in future periods	175,415
	<u>175,415</u>
Total net assets with donor restrictions	<u>\$ 2,117,930</u>

9. Net Assets Released from Restrictions

During the year ended June 30, 2022, the Company incurred \$1,263,049 in expenses that satisfied restricted purposes specified by donors, or satisfied the restrictions by the occurrence of other events, as follows:

Net assets released from restrictions for operating purposes	\$ 780,391
Net assets released from restrictions for capital investment purposes	482,658
	<hr/>
	\$ 1,263,049

10. Expenses

The costs of providing the various programs and activities of the Company have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Company, and therefore require allocation on a reasonable basis that is consistently applied. Those expenses include salaries and related costs, which are allocated on the basis of estimates of time and effort, and occupancy, office expenses, insurance, and depreciation which are allocated based on the basis of direct expenses of the various benefiting functions.

11. Operating Lease Commitments and Other Commitments

The Company leases certain facilities under non-cancelable operating leases that expire in various years through 2024. Future minimum payments under these agreements for the years subsequent to June 30, 2022 are summarized as follows:

<i>Years ending June 30,</i>	
2023	\$ 15,621
2024	7,763
	<hr/>
	\$ 23,384

During the year ended June 30, 2020, the Company launched an ambitious campaign to redevelop its existing building into a modern multi-use arts center. During the current period of fundraising and construction, the Company's administrative offices were located offsite, and productions were held at offsite venues. Rent expense for the year ended June 30, 2022 totaled \$36,242 for office rent and \$225,820 for certain theatre rents.

The organization has entered into various agreements for hosting certain productions, and providing related support, during the year ending June 30, 2023, totaling \$337,500.

In addition, as of June 30, 2022, the Company has remaining contractual commitments of \$382,000 for construction and related commitments towards the ongoing redevelopment of its arts center.

12. Retirement Plan

The Company offers its employees an independently-administered, tax-sheltered annuity plan, as described under Section 403(b) of the Internal Revenue Code. All employees may make voluntary contributions to the plan on a pre-tax basis, up to the limits allowed by law, from their date of hire. Contributions to the plan vest immediately. The Company makes no contributions to the plan.

13. Fair Value

Included in the accompanying financial statements, the Company's investments are carried at fair value.

The fair value of an asset is the amount at which that asset could be bought or sold in a current transaction between willing parties, that is, other than in a forced or liquidation sale; similarly, the fair value of a liability is the amount at which the liability could be transferred in a current transaction between willing parties. Fair values are based on quoted market prices when available.

When market prices are not available, fair value is generally estimated using discounted cash flow analyses, incorporating current market inputs for similar financial instruments with comparable terms and credit quality.

Investments have been classified for disclosure purposes based on a hierarchy defined under generally accepted accounting principles. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities and the lowest ranking to fair values determined using methodologies and models with unobservable inputs, as follows:

- *Level 1* – Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.
- *Level 2* – Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument.
- *Level 3* – Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Company's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

At June 30, 2022, the following financial assets are measured at fair value on a recurring basis:

	Level 1	Level 2	Total
Investments:			
U.S. government securities	\$ 2,848,353	–	2,848,353
Corporate and municipal bonds	–	2,180,749	2,180,749
	\$ 2,848,353	2,180,749	5,029,102

14. Liquidity and Availability of Financial Assets

Financial assets available for general expenditure within one year of the statement of financial position date comprise the following at June 30, 2022:

<i>Total financial assets available at June 30, 2022 to fund general operations:</i>	
Cash and cash equivalents	\$ 686,951
Contributions and grants receivable	223,172
Investments	6,055,340
	<hr/>
	6,965,463
<hr/>	
<i>Less financial assets not available within the year ending June 30, 2023:</i>	
Financial assets restricted by donors to capital investment	(1,341,455)
Certificate of deposit held by trustee for future construction (note 4)	(30,078)
	<hr/>
	(1,371,533)
	<hr/>
	\$ 5,593,930
	<hr/>

As part of its liquidity management, the Company has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. Management closely monitors the liquidity of the Company throughout the year and believes the current cash available and projected earnings are sufficient to fund the Company's operations.

15. Statement of Cash Flow Reconciliation

The following presents a reconciliation of the increase in net assets (as reported on the statement of activities) to net cash provided by operating activities (as reported on the statement of cash flows):

Increase in net assets	\$	13,870
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<i>Adjustments to reconcile increase in net assets used in operating activities:</i>		
Depreciation		60,000
Net decrease in the fair value of investments		233,223
Paycheck Protection Program loan forgiveness		(280,897)
Proceeds from contributions restricted for future long-term capital investment		(673,600)
<i>Net changes in:</i>		
Contributions and grants receivable		(62,422)
Deferred charges, prepaid expenses, and other assets		(108,702)
Accounts payable and accrued expenses		22,998
Deferred revenues – advance ticket sales		(9,635)
		<hr/>
Total adjustments		(819,035)
		<hr/>
Net cash used in operating activities	\$	(805,165)
		<hr/>

16. Reclassification of 2021 Comparative Totals

Certain 2021 amounts presented herein have been reclassified to conform to the 2022 presentation.



ARTISTS REPERTORY THEATRE
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ARTISTS REPERTORY THEATRE
INQUIRIES AND OTHER INFORMATION

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