

ARTISTS REPERTORY THEATRE

FINANCIAL STATEMENTS

Year Ended June 30, 2024



KERN ▲ THOMPSON
CERTIFIED PUBLIC ACCOUNTANTS

ARTISTS REPERTORY THEATRE

FINANCIAL STATEMENTS

Year Ended June 30, 2024

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Artists Repertory Theatre
Portland, Oregon

Opinion

We have audited the accompanying financial statements of Artists Repertory Theatre (a nonprofit Company), which comprise the statement of financial position as of June 30, 2024, 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, 2024, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 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 Artists Repertory Theatre 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.

Board of Directors
Artists Repertory Theatre

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 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 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.

Report on Summarized Comparative Information

The financial statements of Artists Repertory Theatre as of June 30, 2023, were audited by other auditors whose report dated December 26, 2023, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material aspects, with the audited financial statements from which it has been derived.



Portland, Oregon
December 7, 2024

ARTISTS REPERTORY THEATRE
STATEMENT OF FINANCIAL POSITION

June 30, 2024
(With Comparative Totals as of June 30, 2023)

ASSETS

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 635,215	\$ 596,176
Grants and contributions receivable	13,180	165,330
Prepaid expenses and other assets	33,046	84,867
Investments	-	4,837,904
Property and equipment, net	2,317,060	2,147,831
Construction in progress	13,638,329	6,965,224
Operating lease right-of-use asset	-	49,943
Total assets	\$ <u>16,636,830</u>	\$ <u>14,847,275</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ 39,996	\$ 79,501
Accrued payroll	14,213	16,996
Construction payable	-	811,655
Deferred revenues - advance ticket sales	26,159	-
Operating lease right-of-use liability	-	49,943
Total liabilities	<u>80,368</u>	<u>958,095</u>

Net assets

Without donor restrictions	201,189	3,814,149
Net investment in capital assets	15,912,973	9,113,055
Total without restrictions	<u>16,114,162</u>	<u>12,927,204</u>
With donor restrictions	442,300	961,976

Total net assets	<u>16,556,462</u>	<u>13,889,180</u>
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Total liabilities and net assets	\$ <u>16,636,830</u>	\$ <u>14,847,275</u>
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See notes to financial statements.

ARTISTS REPERTORY THEATRE

STATEMENT OF ACTIVITIES

Year Ended June 30, 2024

(With Comparative Totals for the Year Ended June 30, 2023)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2024	2023
Revenues and other support				
Production revenues	\$ 9,030	\$ -	\$ 9,030	\$ 166,021
Grants and contributions	511,452	8,456	519,908	832,498
In-kind contributions	49,376	-	49,376	27,424
Special event revenues	-	-	-	36,605
Coronavirus relief funding	-	-	-	370,566
Total investment return	91,106	-	91,106	12,096
Rental income	6,905	-	6,905	5,500
Other	23,577	-	23,577	18,503
	<u>691,446</u>	<u>8,456</u>	<u>699,902</u>	<u>1,469,213</u>
Net assets released from restriction	<u>365,363</u>	<u>(365,363)</u>	<u>-</u>	<u>-</u>
Total revenues and other support	<u>1,056,809</u>	<u>(356,907)</u>	<u>699,902</u>	<u>1,469,213</u>
Expenses				
Program services				
Artistic production	493,716	-	493,716	1,710,183
Audience development and services	<u>75,778</u>	<u>-</u>	<u>75,778</u>	<u>404,789</u>
Total program services	569,494	-	569,494	2,114,972
Supporting services				
Management and general	648,793	-	648,793	403,429
Fundraising	<u>25,933</u>	<u>-</u>	<u>25,933</u>	<u>144,583</u>
Total expenses	<u>1,244,220</u>	<u>-</u>	<u>1,244,220</u>	<u>2,662,984</u>
Change in net assets before other revenue (expense)	<u>(187,411)</u>	<u>(356,907)</u>	<u>(544,318)</u>	<u>(1,193,771)</u>
Other revenue (expenses)				
Capital campaign contributions	3,329,500	96,300	3,425,800	506,723
Capital campaign expenses	(214,200)	-	(214,200)	-
Net assets released from restrictions	<u>259,069</u>	<u>(259,069)</u>	<u>-</u>	<u>-</u>
Total other revenue (expenses)	<u>3,374,369</u>	<u>(162,769)</u>	<u>3,211,600</u>	<u>506,723</u>
Change in net assets	<u>3,186,958</u>	<u>(519,676)</u>	<u>2,667,282</u>	<u>(687,048)</u>
Net assets, beginning of year	<u>12,927,204</u>	<u>961,976</u>	<u>13,889,180</u>	<u>14,576,228</u>
Net assets, end of year	<u>\$ 16,114,162</u>	<u>\$ 442,300</u>	<u>\$ 16,556,462</u>	<u>\$ 13,889,180</u>

See notes to financial statements.

ARTISTS REPERTORY THEATRE

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2024

(With Comparative Totals for the Year Ended June 30, 2023)

	PROGRAM SERVICES			SUPPORTING SERVICES			Total	
	Artistic and Production	Audience Development and Services	Total Program	Management and General	Fundraising		2024	2023
Personnel costs	\$ 448,046	\$ 75,778	\$ 523,824	\$ 252,002	\$ 12,948	\$ 788,774	\$ 1,214,378	
Contracted services	9,660	-	9,660	135,623	-	145,283	266,042	
General expenses	6,960	-	6,960	60,245	-	67,205	318,570	
Professional dues and fees	910	-	910	21,425	1,000	23,335	252,454	
Building	-	-	-	-	-	-	271,332	
Occupancy	12,000	-	12,000	-	-	12,000	31,670	
Insurance	-	-	-	33,981	-	33,981	108,881	
Technology	-	-	-	50,304	-	50,304	-	
Royalties	3,665	-	3,665	-	-	3,665	10,662	
Development	130	-	130	12,262	11,985	24,377	-	
Facilities	-	-	-	5,997	-	5,997	131,161	
Marketing & education	12,345	-	12,345	15,065	-	27,410	-	
Venue rental	-	-	-	1,150	-	1,150	2,474	
Depreciation	-	-	-	60,739	-	60,739	55,360	
	<u>\$ 493,716</u>	<u>\$ 75,778</u>	<u>\$ 569,494</u>	<u>\$ 648,793</u>	<u>\$ 25,933</u>	<u>\$ 1,244,220</u>	<u>\$ 2,662,984</u>	

See notes to financial statements.

ARTISTS REPERTORY THEATRE

STATEMENT OF CASH FLOWS

Year Ended June 30, 2024

(With Comparative Totals for the year ended June 30, 2023)

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Change in net assets	\$ 2,667,282	\$ (687,048)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	60,739	55,360
Change in:		
Grants and contributions receivable	152,150	57,842
Prepaid expenses and other assets	51,821	86,764
Accounts payable	(39,505)	9,354
Accrued payroll	(2,783)	16,664
Construction payable	(811,655)	767,168
Deferred revenues - advance ticket sales	26,160	(35,950)
Contributions restricted for long term purposes	(96,300)	(673,600)
Net cash provided by (used in) operating activities	<u>2,007,909</u>	<u>(403,446)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(229,969)	(5,299)
Purchase of property and equipment - Construction in progress	(6,673,105)	-
Purchase of investments	-	(1,573,066)
Proceeds from sale of investments	4,837,904	1,217,436
Proceeds from contributions restricted for investments in Capital Campaign	96,300	673,600
Net cash provided by (used in) investing activities	<u>(1,968,870)</u>	<u>312,671</u>
Net change in cash	39,039	(90,775)
Cash, beginning of year	<u>596,176</u>	<u>686,951</u>
Cash, end of year	<u>\$ 635,215</u>	<u>\$ 596,176</u>

See notes to financial statements.

ARTISTS REPERTORY THEATRE
NOTES TO FINANCIAL STATEMENTS

June 30, 2024

NOTE A – DESCRIPTION OF COMPANY

Artists Repertory Theatre (the Company) is a nonprofit corporation established in the state of Oregon in 1982. Artists Repertory Theatre's (Artists Rep or ART) mission is to produce intimate, provocative theatre and provide a home for a diverse community of artists and audiences to take creative risks.

Artists Rep (est. 1982) is Portland's oldest professional theatre company and has become a significant presence in American theatre with a legacy of regional, national, and world premieres of provocative new work with the highest standards of stagecraft. In 2016, ART became the 72nd member of the League of Resident Theatres (LORT) and is an Associate Member of the National New Play Network (NNPN). Plays developed by ART have subsequently been produced in New York, Chicago, London, and throughout the country. Recognition for ART developed plays includes the Dramatists Guild Foundation Award, the Edgerton New Play Award, NEA Funding, the Mellon Foundation National Playwright Residency Program, American Theatre Magazine's Most-Produced Plays, and coverage in the New Yorker and the New York Times. In 2021, the Oregon Media Production Association (OMPA) honored Artists Rep with the Creative Innovation Award for the company's pivot to digital mediums in response to the COVID-19 Pandemic. Artists Rep is Portland's premier mid-size regional theatre company and is currently led by Managing Director Aiyana Cunningham.

NOTE B – 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 Company prepares its financial statements on the accrual basis of accounting, which recognizes revenue when earned and expenses when incurred.

Financial Statement Presentation

The Company reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Accordingly, the net assets of the Company and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions** – Net assets that are not subject to donor-imposed stipulations. The Board of Directors may designate net assets without donor restrictions for specific purposes.
- **Net Assets With Donor Restrictions** – Net assets either subject to donor-imposed stipulations that will be met either by actions of the Company and/or the passage of time, or net assets with donor restrictions that are not subject to appropriation or expenditure.

Expenses are reported as a decrease in net assets without donor restrictions. Gains and losses are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expiration of net assets with donor restrictions (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.

ARTISTS REPERTORY THEATRE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2024

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For financial reporting purposes, the Company considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Contributions

Contributions are recognized when the donor makes a promise to give to the Company that is, in substance, unconditional. Contributions with donor restrictions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. Otherwise, when a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. Contributions received with both donor-imposed conditions and restrictions that are met in the same reporting period are reported as support without donor restrictions and increase net assets without donor restrictions. Contributions restricted for the purchase of capital assets are released at the time of acquisition.

Revenue Recognition

Revenue streams applicable to the Company that qualify as exchange transactions with “customers” (production) are recognized at a single point upon receipt when all risks and rewards transfer. Amounts received from customers in advance, such as deposits for reserved future services and events, are recorded as deferred revenue until the Company’s performance obligations are satisfied.

With regard to revenues from all sources, 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.

Grants and Contributions Receivable

Grants and contributions receivable, including unconditional promises to give, are uncollateralized and recognized as revenues in the period promised. An allowance for uncollectible grants and contributions receivable is provided based upon management's judgment, including such factors as prior collection history, the type of contribution, and the nature of the fundraising activity. There are no receivables older than 90 days at June 30, 2024. Management has determined no allowance is necessary as of June 30, 2024.

Property and Equipment

Acquisitions of property and equipment in excess of \$2,500 are capitalized. Property and equipment purchased are recorded at cost. Donated assets are reflected as contributions at their fair market values on the date received. Depreciation of property and equipment is calculated using the straight-line method over the estimated useful lives of the assets, which range from 3 to 40 years.

ARTISTS REPERTORY THEATRE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2024

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized in the statement of functional expenses. Expenses are charged to each program based on direct expenditures incurred. Support costs are allocated to a program based on the proportion of total direct program costs to total costs. Staff time is allocated to programs based on the estimated time spent on each program.

Income Taxes

The Company has been approved as a tax-exempt Company under the Internal Revenue Code Section 501(c)(3) and applicable state laws. Accordingly, no provision for income taxes is included in the accompanying financial statements. The Company does not believe it has unrelated trade or business income in excess of \$1,000.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Prior Year Summarized Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by natural expense classification by function. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Company's financial statements for the year ended June 30, 2023, from which the summarized information was derived.

NOTE C – CONCENTRATIONS OF CREDIT RISK

The Company maintains its cash and cash equivalent balances at two separate financial institutions. The cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash and investment balances may, at times exceed coverage, the Company has not experienced any losses.

NOTE D – 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 the 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.

ARTISTS REPERTORY THEATRE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2024

NOTE E – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2024:

Land	\$ 1,265,500
Building and building improvements	1,659,402
Theatre equipment	756,332
Office equipment	73,932
Artwork	<u>6,750</u>
	3,761,916
Less accumulated depreciation	<u>(1,444,856)</u>
	<u>\$ 2,317,060</u>

The Company had construction in progress of \$13,638,329 at June 30, 2024, which consisted primarily of leasehold improvements not yet placed in service.

NOTE F – NET ASSETS WITH DONOR RESTRICTIONS

The Company's net assets with donor restrictions are subject to the following purpose or time restrictions as of June 30, 2024:

Subject to purpose restrictions:	
Program support	\$ 366,250
Capital campaign	<u>76,050</u>
	<u>\$ 442,300</u>

NOTE G – IN-KIND CONTRIBUTIONS

The Company reports as revenue the fair value of contributed services received where the services require specialized skills, are provided by individuals possessing those skills, and represent services that would have been purchased had they not been donated. The Company receives contributed services from volunteers who assist in program activities, fundraising, and other activities.

In-kind revenue consists of the following for the year ended June 30, 2024:

In-kind services	\$ 6,960
In-kind construction for leasehold improvements	<u>42,416</u>
	<u>\$ 49,376</u>

NOTE H – 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, 2024 totaled \$13,749.

ARTISTS REPERTORY THEATRE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2024

NOTE I – LINE OF CREDIT

At June 30, 2024, the Company had an unsecured line of credit available in the amount of \$200,000. The unpaid principle balance bears an interest rate of 1% plus the prime rate announced by the bank. There was no outstanding balance as of June 30, 2024.

NOTE J – PENSION PLAN

The Company offered 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.

NOTE K – LIQUIDITY

The following chart represents the Company's financial assets available to meet cash needs for general expenditures within one year of June 30, 2024:

Financial assets at year-end	
Cash and cash equivalents	\$ 635,215
Grants and contributions receivable	13,180
Total financial assets	<u>648,395</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u><u>648,395</u></u>

As part of its liquidity management, the Company's policy is to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

NOTE L – CAPITAL CAMPAIGN

The Company is in the midst of a capital campaign to fully renovate their building and create a modern multi-use performing arts center. When fully completed, it will accommodate two theatres, a rehearsal hall, backstage support, and collaborative workspaces. To date, \$25 million has been raised and spent. A \$7.1 million gift in 2018 completed the purchase of the Company's downtown block, catalyzing the sale of a portion of their property in 2019. The \$9 million received in the sale became the lead investment for the reimagining of the remaining building. Due to the pandemic and extraordinary construction inflation, this became a phased construction plan. Phase 1 was completed in 2020 – that included \$5.75 million was invested in moving the utilities, seismic upgrades, demolition/abatement and the architectural design of the entire project. Phase 2 construction began in April 2023 and was completed in February 2024. It delivered a completed core, shell and exterior, new elevators, new HVAC, new restrooms, seismic upgrades, and an interim performance venue.

ARTISTS REPERTORY THEATRE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2024

NOTE L – CAPITAL CAMPAIGN (CONTINUED)

The Company is launching the next phases of fundraising which will determine when the remainder of the building is completed. Potential phases include:

1. Rehearsal hall & classrooms \$1,032,880;
2. Mainstage and back of house, lobby, catering kitchen, \$7,020,000;
3. Studio theatre, \$1,404,000.

The completed project is envisioned as a vibrant performing arts center that will house Artists Rep and ArtsHub of other independent artists and arts organizations.

NOTE M – SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 7, 2024, which is the date the financial statements were available to be issued.

GOVERNING BOARD AND COMPANY LEADERSHIP

Board of Directors

Pancho Savery, *Chair*

Jill Lam, *Treasurer*

Jeffrey Condit, *Past Chair*

Josie Seid

Marcia Darm, MD

Michael Davidson

Michael Szporluk

Paul Koehler

Leadership

Aiyana Cunning
Executive Director

Luan Schooler
Director of Artistic Programming

INQUIRIES AND OTHER INFORMATION

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