

**Artists Repertory Theatre**

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Financial Statements

June 30, 2019 and 2018

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Independent Auditor's Report

**To the Board of Directors  
Artists Repertory Theatre  
Portland, Oregon**

**Report on the Financial Statements**

We have audited the accompanying financial statements of Artists Repertory Theatre, which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

**Management's Responsibility 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 of America; this includes 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.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the statements of financial position of Artists Repertory Theatre as of June 30, 2019 and 2018, 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 of America.

*Richard Winkel, CPA*

September 25, 2019

ARTISTS REPERTORY THEATRE  
STATEMENTS OF FINANCIAL POSITION  
June 30, 2019 and 2018

	2019	2018
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 625,016	\$ 1,688,505
Certificates of deposit	30,000	-
Contributions and grants receivable	88,600	90,712
Accounts receivable	2,805	16,568
Notes receivable, current	12,750	22,500
Deferred charges	115,970	95,180
Prepaid expense and other current assets	85,958	69,139
Total current assets	961,099	1,982,604
Notes receivable, non-current	6,000	11,250
Property and equipment, net	7,391,484	6,180,518
Total assets	\$ 8,358,583	\$ 8,174,372
<b>LIABILITIES</b>		
Current liabilities		
Note payable	\$ 200,000	\$ -
Accounts Payable	175,171	125,345
Accrued payroll and expenses	11,824	18,829
Escrow deposit	525,000	-
Deferred income	221,463	389,269
Total liabilities	1,133,458	533,443
<b>NET ASSETS</b>		
Net assets without restrictions	6,893,144	7,276,603
Net assets with restrictions	331,981	364,326
Total net assets	7,225,125	7,640,929
Total liabilities and net assets	\$ 8,358,583	\$ 8,174,372

See the accompanying notes to these financial statements

ARTISTS REPERTORY THEATRE  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
For the Year Ended June 30, 2019

	<u>Without Restrictions</u>	<u>With Restrictions</u>	<u>Totals</u>
Operating revenues and other support			
Production income	\$ 810,169	\$ -	\$ 810,169
Contributions and grants	1,813,654	80,878	1,894,532
In-kind contributions	98,747	-	98,747
Special event revenue	373,386	-	373,386
Rental income	185,593	-	185,593
Other income	132,329	-	132,329
Net assets released from restrictions	<u>113,223</u>	<u>(113,223)</u>	<u>-</u>
 Total support and revenue	 <u>3,527,101</u>	 <u>(32,345)</u>	 <u>3,494,756</u>
Operating expenses			
Production	2,355,120	-	2,355,120
Marketing	568,182	-	568,182
Fundraising	396,638	-	396,638
Management and general	<u>590,620</u>	<u>-</u>	<u>590,620</u>
 Total operating expenses	 <u>3,910,560</u>	 <u>-</u>	 <u>3,910,560</u>
 Change in net assets	 (383,459)	 (32,345)	 (415,804)
 Net assets, beginning of year	 <u>7,276,603</u>	 <u>364,326</u>	 <u>7,640,929</u>
 Net assets, end of year	 <u>\$ 6,893,144</u>	 <u>\$ 331,981</u>	 <u>\$ 7,225,125</u>

See the accompanying notes to these financial statements

ARTISTS REPERTORY THEATRE  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
For the Year Ended June 30, 2018

	<u>Without Restrictions</u>	<u>With Restrictions</u>	<u>Totals</u>
Operating revenues and other support			
Production income	\$ 864,883	\$ -	\$ 864,883
Contributions and grants	8,235,012	11,073	8,246,085
In-kind contributions	39,620	4,744	44,364
Special event revenue	218,798	-	218,798
Rental income	267,756	-	267,756
Other income	141,854	-	141,854
Net assets released from restrictions	<u>135,884</u>	<u>(135,884)</u>	<u>-</u>
 Total support and revenue	 <u>9,903,807</u>	 <u>(120,067)</u>	 <u>9,783,740</u>
Operating expenses			
Production	2,252,637	-	2,252,637
Marketing	492,053	-	492,053
Fundraising	354,972	-	354,972
Management and general	<u>1,052,934</u>	<u>-</u>	<u>1,052,934</u>
 Total operating expenses	 <u>4,152,596</u>	 <u>-</u>	 <u>4,152,596</u>
 Change in net assets	 5,751,211	 (120,067)	 5,631,144
 Net assets, beginning of year	 <u>1,525,392</u>	 <u>484,393</u>	 <u>2,009,785</u>
 Net assets, end of year	 <u>\$ 7,276,603</u>	 <u>\$ 364,326</u>	 <u>\$ 7,640,929</u>

See the accompanying notes to these financial statements

ARTISTS REPERTORY THEATRE  
STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended June 30, 2019

	<u>Production</u>	<u>Marketing</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
Salaries, taxes, and benefits	\$ 1,473,481	\$ 186,380	\$ 121,911	\$ 334,186	\$ 2,115,958
Contracted services	266,067	29,294	18,219	129,059	442,639
Fees and dues	29,573	3,718	1,928	19,877	55,096
Materials and supplies	183,356	11,523	7,605	12,072	214,556
Occupancy	94,783	9,372	6,130	16,805	127,090
Royalties	72,184	-	-	-	72,184
Office	2,668	17	-	11,552	14,237
Technology	40,056	17,826	3,125	18,933	79,940
Telecommunications	8,245	1,043	682	1,870	11,840
Advertising	-	290,266	-	-	290,266
Travel	40,844	546	4,174	8,673	54,237
Special events	-	-	220,961	-	220,961
Interest	-	-	-	4,965	4,965
Insurance	15,881	2,009	1,314	3,602	22,806
Depreciation	127,982	16,188	10,589	29,026	183,785
Total expenses	<u>\$ 2,355,120</u>	<u>\$ 568,182</u>	<u>\$ 396,638</u>	<u>\$ 590,620</u>	<u>\$ 3,910,560</u>

See the accompanying notes to these financial statements

ARTISTS REPERTORY THEATRE  
STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended June 30, 2018

	<u>Production</u>	<u>Marketing</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
Salaries, taxes, and benefits	\$ 1,460,165	\$ 182,364	\$ 122,083	\$ 246,776	\$ 2,011,388
Contracted services	250,417	35,698	21,365	142,547	450,027
Fees and dues	34,177	900	9,066	61,237	105,380
Materials and supplies	188,364	5,754	22,640	2,186	218,944
Occupancy	61,212	8,261	6,272	10,820	86,565
Royalties	61,770	-	-	-	61,770
Office	-	-	-	24,713	24,713
Technology	480	7,942	33,239	1,589	43,250
Telecommunications	7,833	1,057	803	1,384	11,077
Advertising	-	229,438	-	-	229,438
Travel	37,278	269	4,364	2,899	44,810
Special events	-	-	119,674	-	119,674
Interest	14,370	1,939	1,472	534,643	552,424
Insurance	10,707	1,445	1,097	1,892	15,141
Depreciation	125,864	16,986	12,897	22,248	177,995
	<u>125,864</u>	<u>16,986</u>	<u>12,897</u>	<u>22,248</u>	<u>177,995</u>
Total expenses	<u>\$ 2,252,637</u>	<u>\$ 492,053</u>	<u>\$ 354,972</u>	<u>\$ 1,052,934</u>	<u>\$ 4,152,596</u>

See the accompanying notes to these financial statements

ARTISTS REPERTORY THEATRE  
STATEMENTS OF CASH FLOWS  
For the Years Ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Change in net assets	\$ (415,804)	\$ 5,631,144
Adjustment to reconcile increase in net assets to net cash provided by (used in) operating activities		
Depreciation	183,786	177,995
Forgiveness of note payable	-	(50,000)
Change in:		
Contributions and grants receivable, net	2,112	3,540
Accounts receivable, net	13,763	(4,263)
Deferred charges	(20,790)	16,014
Other assets	(16,819)	(4,363)
Accounts payable	49,826	(390,551)
Accrued payroll and expenses	(7,005)	(360,532)
Deferred income	357,194	(18,506)
Net cash used in operating activities	146,263	5,000,478
Cash flows from investing activities		
Payments on note receivable	15,000	-
Purchase of certificates of deposit	(30,000)	-
Purchase of property and equipment	(1,394,752)	(156,475)
Net cash used in investing activities	(1,409,752)	(156,475)
Cash flows from financing activities		
Proceeds from line of credit	-	80,000
Payments on line of credit	-	(275,000)
Borrowings on notes payable	200,000	1,076,258
Repayment of notes payable	-	(4,279,192)
Net cash provided by (used in) financing activities	200,000	(3,397,934)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,063,489)	1,446,069
Cash and cash equivalents, beginning of year	1,688,505	242,436
Cash and equivalents, end of year	\$ 625,016	\$ 1,688,505

See the accompanying notes to these financial statements

ARTISTS REPERTORY THEATRE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019 and 2018

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1. ORGANIZATION

Artists Repertory Theatre, Inc. (the "Theatre") is a nonprofit organization, incorporated in the State of Oregon in 1982. The Theatre is a professional theater company dedicated to challenging artists and audiences with plays of depth and vibrancy in an intimate environment. The Theatre's support comes primarily from the sale of tickets for performances and from donor contributions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Program Services

Program services consist of the following:

Theatre productions

Perform theatre productions of adult and children plays to challenge audiences.

Educational outreach

Educational outreach provides outreach programs oriented towards the educational and creative opportunities for children and youth.

Cash and Cash Equivalents

Cash and cash equivalents include accounts with financial institutions covered by the Federal Deposit Insurance Corporation (FDIC) of \$250,000. For purposes of the statement of cash flows, the Theatre considers all short-term investments purchased with an original maturity of three months or less to be cash equivalents. Theatre had bank balances in excess of FDIC coverage of \$180,898 and \$552,932 as of June 30, 2019 and 2018, respectively.

ARTISTS REPERTORY THEATRE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019 and 2018

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents and investments. The Organization maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. The Organization cash and cash equivalent accounts have been placed with high credit quality financial institutions. The Organization has not experienced, nor does it anticipate, any losses with respect to such accounts.

Investments

The Foundation follows guidance in Accounting Standards Codification (ASC) 820 and 958. Investments are reflected on the statement of financial position at fair value with changes in unrealized gains and losses resulting from changes in fair value reflected in the statement of activities. Interest income is reported as earned.

Accounts, Contributions and Grants Receivable

Accounts, contributions and grants receivable which are expected to be received within one year are reported at net realizable value. Contributions and grants receivable that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contributions and grants revenue.

The allowance for uncollectible receivables is the Theatre's best estimate of the amount of probable losses in existing receivables. The Theatre determines the allowance based on historical write-off experience and current information. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Theatre determined that no allowance is necessary for the year ended June 30, 2019 and 2018.

Deferred Charges

Deferred charges represent costs incurred in advance related to productions that will be staged in the following year. These costs are recognized as expenses in the season when the productions are performed and consist of royalties, marketing costs, and cost of labor and materials for sets and costumes.

Property and Equipment

Purchased property and equipment are recorded at cost. Donated property and equipment are recorded at fair market value at the date of the donation. When assets are disposed of, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is recorded in the statements of activities.

Depreciation is computed using the straight-line method over the following estimated useful lives:

Works of art	0 years
Land	0 years
Building	40 years
Building improvements	20 years
Furniture and equipment	5-10 years

ARTISTS REPERTORY THEATRE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019 and 2018

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Income

Deferred income represents subscriptions received for the subsequent year's Theatre productions. Revenue is recognized as the related productions are performed.

Revenue Recognition

Production income is derived from ticket sales which are recognized when the performance has been completed. Ticket sales collected for the next fiscal year's productions and sponsorship revenues relating to a specific production are deferred and recognized as income in the period in which the related productions are performed.

The Theatre has entered into an agreement with a third party authorizing the use of a portion of the Theatre's land to provide parking services to the public. Parking rental income is based upon a percentage of monthly gross parking revenue and is recognized as earned.

Grants and Contributions

Grants and contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), 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.

In-Kind Contributions and Expenses

Donations of property, equipment, materials and other assets are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Donated equipment, materials, and other assets were \$67,298 and \$34,832 for the years ended June 30, 2019 and 2018, respectively.

The Theatre recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donated services are recorded as unrestricted support at their estimated fair value at the date of service. Donated services were \$31,449 and \$9,532 for the years ended June 30, 2019 and 2018, respectively, and consisted of professional services and travel services.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

ARTISTS REPERTORY THEATRE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019 and 2018

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Theatre is organized as a nonprofit corporation exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. In any year in which the Theatre has unrelated business income of \$1,000 or more, before related expenses, the Theatre must file Form 990-T with the Internal Revenue Service and may have to pay tax on such income. The Theatre is not a private foundation.

The Theatre follows accounting standards generally accepted in the United States of America related to the recognition of uncertain tax positions. These standards provide detailed guidance for financial statement recognition, measurement, and disclosure of uncertain tax positions. It requires an entity to recognize the financial statement impact of tax position when it is more likely than not that the position would not be sustained if examined by a taxing authority. Management has determined that the Theatre has no uncertain tax positions as of June 30, 2019 and 2018. The Theatre's federal and state income tax returns are subject to possible examination by the taxing authorities until the expiration of the related statutes of limitations on those tax returns. In general, the federal and state income tax returns have a three year statute of limitations.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of support and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Expense Allocations

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

Advertising Costs

Marketing and advertising costs, except for costs associated with promotion of future productions, are recognized as expense when incurred.

Concentrations of Credit Risk

The Theatre maintains its cash in bank accounts that, at times, may exceed federally insured limits. The Theatre has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to cash.

Fair Value Instruments

The carrying value of the Theatre's cash and cash equivalents, accounts receivable, contributions and grants receivable, accounts payable, and accrued expenses approximate market value as of June 30, 2019 and 2018 due to the short-term nature of the instruments.

ARTISTS REPERTORY THEATRE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019 and 2018

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional expense basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that were allocated include the following:

Salaries and benefits	Time and effort
Occupancy	Square footage
Professional services	Time and effort
Office expenses	Time and effort
Insurance	Time and effort

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include accounts with financial institutions as of June 30,:

	<u>2019</u>	<u>2018</u>
Checking accounts	\$ 585,321	\$ 64,696
Money market accounts	38,696	1,623,109
Petty cash	<u>1,000</u>	<u>700</u>
Total cash and cash equivalents	<u>\$ 625,016</u>	<u>\$ 1,688,505</u>

4. AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at June 30, 2019:

Financial assets at year end:	
Cash and cash equivalents	\$ 625,016
Accounts and notes receivable, current	15,555
Grants receivable	<u>88,600</u>
	<u>729,171</u>
Less amounts not available to be used within one year:	
Net assets with restrictions	<u>(331,981)</u>
Total financial assets available	<u>\$ 397,190</u>

ARTISTS REPERTORY THEATRE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019 and 2018

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5. INVESTMENTS

ASC 820, *Fair Value Measurements and Disclosures*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value, maximizes the use of observable inputs, and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. The classification of assets and liabilities within the hierarchy is based on whether the inputs to the valuation methodology used for measurement are observable or unobservable. Observable inputs reflect market-derived or market-based information obtained from independent resources while unobservable inputs reflect estimates about market data.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level I: Observable inputs such as quoted prices in active markets for identical assets or liabilities.
- Level II: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; these include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.
- Level III: Unobservable inputs in which there is little or no market data available, which require the reporting entity to develop its own assumptions.

The Theatre receives stock contributions which are immediately sold and distributed, net of expenses.

The following table summarizes the change in investments for the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 1,207,414	\$ -
Stock contribution	18,327	7,108,436
Change in value	9,108	12,496
Fees	-	(19,287)
Distribution	<u>(1,234,849)</u>	<u>(7,101,645)</u>
Balance, end of year	<u>\$ -</u>	<u>\$ -</u>

6. CERTIFICATES OF DEPOSIT

The Theatre carries certificates of deposit at cost, which are not required to be classified in one of the levels prescribe by the fair value hierarchy. A certificate of deposit matures April 25, 2020 and yields an annual interest rate of 0.10%. The balance of the certificate of deposit at June 30, 2019 was \$30,000. There were no certificates of deposit at June 30, 2018.

7. NOTES RECEIVABLE

The Theatre has a note receivable with another organization that requires monthly payments of \$1,000 with no interest and matures on December 31, 2020. Future payments to be received under this note receivable are \$12,750 for the year ended June 30, 2020 and \$6,000 for the year ended June 30, 2021.

ARTISTS REPERTORY THEATRE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019 and 2018

8. PROPERTY AND EQUIPMENT

Property and equipment at June 30<sup>th</sup> consist of the following:

	2019	2018
Land	\$ 2,537,000	\$ 2,537,000
Building and improvements	6,907,146	5,519,516
Furniture and equipment	1,068,337	1,061,215
Works of art	6,750	6,750
	10,519,233	9,124,481
Less accumulated depreciation	(3,127,749)	(2,943,963)
	\$ 7,391,484	\$ 6,180,518

Depreciation expense was \$183,785 and \$177,995 for the years ended June 30, 2019 and 2018, respectively.

9. NOTES PAYABLE

The Theatre has a note payable to a former board member of \$200,000, due upon final closing of the Organization's half block building sale. No interest is charged under the terms of this note. This note was forgiven subsequent to June 30, 2019.

During the year ended June 30, 2018 the Theatre took out a loan in the amount of \$3,900,000. Proceeds from this loan were used to pay off existing debt and liabilities. The loan accrued interest at 13.0% with a maturity date of February 28, 2019. This loan was paid off during the year ended June 30, 2018.

10. LINE OF CREDIT

The Theatre has a \$200,000 line of credit available with U.S. Bank that is secured by the Theatre's assets. Interest is payable monthly at prime plus 1.00% (5.50% as of June 30, 2019). There was no outstanding balances due on the line of credit as of June 30, 2019 and 2018, respectively.

11. RESTRICTIONS ON NET ASSETS

Net assets with restrictions consist of the following at June 30,:

	2019	2018
Contributions and grants subject to use restrictions	\$ 331,381	\$ 363,906
	\$ 331,381	\$ 363,906

ARTISTS REPERTORY THEATRE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019 and 2018

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12. LEASES

The Theatre leases office equipment under operating lease agreements that will expire by March, 2024. The Theatre also leases office space that began June 1, 2019 with a lease term that expires May 31, 2022 with required payments of \$8,121 a month.. Rental expense paid in connection with the operating leases was \$54,376 and \$19,486 for the years ended June 30, 2019 and 2018, respectively.

Future minimum payments under the leases are as follows for the years ending June 30:

2020	\$ 118,525
2021	112,110
2022	101,239
2023	11,299
2024	<u>4,473</u>
	<u>\$ 347,646</u>

13. SUPPLEMENTAL CASH FLOW INFORMATION

Schedule of non-cash investing and financing transactions for the years ended June 30, 2019 and 2018:

	2019	2018
Forgiveness of note payable	\$ -	\$ 50,000
Proceeds from note payable used to pay existing debt	\$ -	\$ 3,123,742
Cash paid during the year for interest	\$ 4,965	\$ 262,537

14. INCOME TAXES

Income related to the commercial parking has been determined to be unrelated business income. Related to this activity, the Theatre has net operating loss carryforwards totaling approximately \$59,400 and \$55,200 as of June 30, 2019 and 2018, respectively, which expire through 2035 and 2034, respectively. A deferred tax asset of approximately \$19,800 and \$18,000 as of June 30, 2019 and 2018, respectively, relating to this loss carryforward has been completely offset by a valuation allowance of the same amount and is therefore not presented in the accompanying financial statements.

In accordance with ASC 740, *Income Taxes*, the Theatre adopted a policy to record accrued interest and penalties associated with uncertain tax positions in income tax expense in the statements of activities. On initial adoption of ASC 740 and through June 30, 2019, the Theatre recognized no uncertain tax positions nor accrued interest and penalties associated with uncertain tax positions.

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15. SUBSEQUENT EVENTS

The Theatre has evaluated for subsequent events through September 25, 2019, which is the date the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements for the year ended June 30, 2019.

The Theatre closed on the sale of the northern half of its building (including the Alder Theatre and the adjacent parking lot) on July 9th, 2019 for \$9 million. In addition, the note payable to a former board member of \$200,000 was forgiven after year end.