



CLARK SCHAEFER HACKETT
BUSINESS ADVISORS

Williamston Theatre

Financial Statements

August 31, 2020 and 2019

with Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Williamston Theatre
Williamston, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of Williamston Theatre (a not-for-profit organization), which comprise the statements of financial position as of August 31, 2020 and 2019 and the related statements of activities and change in net assets, 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.

Auditors' 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 financial position of Williamston Theatre as of August 31, 2020 and 2019, and the change in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Clark Schaefer Hackett & Co.

East Lansing, Michigan
November 18, 2020

Williamston Theatre
Statements of Financial Position
August 31, 2020 and 2019

Assets

	<u>2020</u>	<u>2019</u>
Current assets:		
Cash	\$ 156,353	184,602
Accounts receivable	12,084	10,943
Prepaid expenses	<u>7,402</u>	<u>19,119</u>
	<u>175,839</u>	<u>214,664</u>
Property and equipment:		
Building and improvements	468,358	387,909
Production equipment	88,529	88,529
Office equipment	16,770	15,599
Furniture and leaseholds	<u>3,432</u>	<u>3,432</u>
	577,089	495,469
Less accumulated depreciation	<u>155,329</u>	<u>132,276</u>
Net property and equipment	<u>421,760</u>	<u>363,193</u>
Other assets:		
Construction in progress	<u>61,883</u>	<u>38,581</u>
	<u>\$ 659,482</u>	<u>616,438</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable	\$ 31,805	31,357
Accrued expenses	-	5,466
Deferred revenue	<u>8,939</u>	<u>61,569</u>
	<u>40,744</u>	<u>98,392</u>
Net assets:		
Without restrictions	552,360	434,343
With restrictions	<u>66,378</u>	<u>83,703</u>
	<u>618,738</u>	<u>518,046</u>
	<u>\$ 659,482</u>	<u>616,438</u>

See accompanying notes to the financial statements

Williamston Theatre
Statements of Activities
Years ended August 31, 2020 and 2019

	2020			2019		
	Without Restrictions	With Restrictions	Total	Without Restrictions	With Restrictions	Total
Revenues:						
Performance Income	\$ 142,020	-	142,020	270,117	-	270,117
Member and public support:						
Contributions (including in-kind of \$9,619 and \$13,592, respectively)	252,877	85,116	337,993	222,326	148,577	370,903
Program advertising	1,270	-	1,270	1,050	-	1,050
Merchandise and concession sales	687	-	687	958	-	958
Other income	252	-	252	2,365	-	2,365
Net assets released from restrictions	102,441	(102,441)	-	65,202	(65,202)	-
	<u>357,527</u>	<u>(17,325)</u>	<u>340,202</u>	<u>291,901</u>	<u>83,375</u>	<u>375,276</u>
	<u>499,547</u>	<u>(17,325)</u>	<u>482,222</u>	<u>562,018</u>	<u>83,375</u>	<u>645,393</u>
Expenses:						
Program services	293,791	-	293,791	430,871	-	430,871
Management and general	51,037	-	51,037	48,090	-	48,090
Fundraising	36,702	-	36,702	41,622	-	41,622
	<u>381,530</u>	<u>-</u>	<u>381,530</u>	<u>520,583</u>	<u>-</u>	<u>520,583</u>
Change in net assets	118,017	(17,325)	100,692	41,435	83,375	124,810
Net assets, beginning of year	<u>434,343</u>	<u>83,703</u>	<u>518,046</u>	<u>392,908</u>	<u>328</u>	<u>393,236</u>
Net assets, end of year	\$ <u>552,360</u>	<u>66,378</u>	<u>618,738</u>	<u>434,343</u>	<u>83,703</u>	<u>518,046</u>

See accompanying notes to the financial statements.

Williamston Theatre
Statements of Functional Expenses
Years Ended August 31, 2020 and 2019

	2020				2019			
	Program Services	Management and General	Fundraising	Total Expenses	Program Services	Management and General	Fundraising	Total Expenses
Expenses:								
Salaries and wages	\$ 108,172	29,391	22,744	160,307	150,879	25,563	22,744	199,186
Payroll taxes and benefits	27,215	3,287	2,544	33,046	38,431	2,126	5,361	45,918
Production costs	19,201	19	-	19,220	28,722	2	1	28,725
Designer fees	31,230	-	-	31,230	48,003	-	-	48,003
Professional fees	4,500	-	-	4,500	12,625	-	-	12,625
Royalties, AEA Dues	15,341	-	-	15,341	22,999	-	-	22,999
Production equipment	1,083	-	-	1,083	1,544	-	-	1,544
Front of House	19,730	-	-	19,730	27,915	-	-	27,915
Travel	2,530	-	-	2,530	6,728	-	-	6,728
Advertising	20,526	-	-	20,526	30,136	-	-	30,136
Feasibility study	-	-	-	-	22,000	-	-	22,000
Concession, merchandise, printing	5,291	-	-	5,291	8,938	-	430	9,368
Office	-	3,621	-	3,621	-	4,588	-	4,588
Accounting and legal	-	8,858	-	8,858	-	8,258	-	8,258
Meetings and seminars	750	-	-	750	1,594	-	-	1,594
Utilities	5,961	1,829	559	8,349	7,024	1,813	596	9,433
Insurance	2,814	331	165	3,310	2,914	343	171	3,428
Depreciation	19,381	3,010	662	23,053	14,028	2,890	563	17,481
Repairs and maintenance	5,668	691	148	6,507	2,499	2,507	113	5,119
Publicity	4,398	-	489	4,887	3,892	-	432	4,324
Printing, postage, launch party and donor recognition	-	-	9,391	9,391	-	-	11,211	11,211
	<u>\$ 293,791</u>	<u>51,037</u>	<u>36,702</u>	<u>381,530</u>	<u>430,871</u>	<u>48,090</u>	<u>41,622</u>	<u>520,583</u>

See accompanying notes to the financial statements.

Williamston Theatre
Statements of Cash Flows
Years Ended August 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 100,692	124,810
Reconciliation of change in net assets to net cash provided by operating activities:		
Depreciation	23,053	17,481
Change in cash flows from:		
Accounts receivable	(1,141)	(6,941)
Prepaid expenses	11,717	9,452
Accounts payable	448	25,933
Accrued expenses	(5,466)	(728)
Deferred revenue	<u>(52,630)</u>	<u>8,907</u>
Net cash provided by operating activities	76,673	178,914
Cash flows from investing activities:		
Purchase of property, equipment and construction in progress	<u>(104,922)</u>	<u>(82,711)</u>
Net change in cash	(28,249)	96,203
Cash at beginning of year	<u>184,602</u>	<u>88,399</u>
Cash at end of year	\$ <u>156,353</u>	<u>184,602</u>

See accompanying notes to the financial statements.

1. BACKGROUND AND SIGNIFICANT ACCOUNTING POLICIES:

Background

The Williamston Theatre (the Theatre) is a professional Equity theatre that was established in 2004. The Theatre's mission is to offer audiences a diverse array of intimate storytelling experiences. This mission is guided by four core values: Excellence, Inclusion, Creating a Sense of Place, and Sustainability. This mission statement is supported by the following objectives: to be an integral part of the cultural fabric of Michigan; to pursue innovative collaboration in every aspect of our work; to establish a home for Midwest artists; to engage audiences of diverse ages, cultures and economic backgrounds.

The Theatre operates under a Board of Directors and an Executive Director. The primary sources of revenue are theatre productions, donations, and fundraising events.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles (GAAP).

Basis of Presentation

Financial statement presentation follows GAAP for *Financial Statements of Not-For-Profit Organizations*. Under GAAP, the Theatre is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor or grantor restrictions.

Net assets with donor restrictions – Net assets subject to donor (or grantor) imposed restrictions. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources are maintained in perpetuity. Donor restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, or when the stipulated purpose has been accomplished.

Revenue Recognition

In accordance with GAAP, contributions received are recorded as support with donor restrictions or support without donor restrictions depending on the existence or nature of any donor restrictions. If the Theatre has to overcome a barrier and there is a right of return on the funds, a conditional contribution exists. The Theatre receives conditional contributions and elects to report conditional contributions for which the donor-imposed conditions and restrictions are met in the same period as net assets without donor restrictions. At August 31, 2020 and 2019 the Theatre had no conditional contributions.

Revenue from sales of tickets represents a performance obligation that is an exchange transaction. Revenue is recognized at the point in time when the performance is held.

Revenue with and without donor restrictions

Grants and contributions received are recorded as support with donor restrictions or support without donor restrictions, depending on the existence and/or nature of any donor restrictions. Donor-restricted support is reported as an increase in donor restricted net assets, depending on the nature of the restriction. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the related support is reported in the statement of activities as net assets released from restrictions. Grants and contributions with donor-imposed restrictions that are met in the same year as the gifts are received are reported as revenue in the without donor restrictions net asset class. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation.

Cash and cash equivalents

Cash consists of checking and savings accounts, and petty cash. The Theatre considers all investments purchased with a maturity of three months or less to be cash equivalents.

Accounts Receivable

The Theatre reports its receivables at their estimated net realizable value. Receivables are considered to be fully collectible; accordingly, no allowance for doubtful accounts is required. The Theatre uses the direct write off method to account for bad debt, as this method is not materially different than that allowance method required by GAAP.

Prepaid Expenses

Expenditures incurred for the Theatre's theatrical productions, including such expenditures as actors' fees, physical production costs and pre-production marketing, are prepaid until the first performance date. For productions which occur within a single fiscal year, production costs are expensed.

Property and Equipment

Depreciation of property and equipment is provided over the estimated useful lives of the respective assets which range from 5 to 39 years using the straight-line method. Donated equipment is recorded at fair value at the date of the donation. Purchased equipment is recorded at cost.

The Theatre's policy is to capitalize expenditures over \$500 per item for furniture, fixtures, equipment, and leasehold improvements. Expenditures made with donations that are received in response to a Capital Campaign or Grant will be capitalized regardless of amount. Repair and maintenance costs are expensed as incurred.

Donated Goods and Services

The Theatre records various types of in-kind contributions. This includes the recognition of professional services received if those services (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, and are recorded at their estimated value.

Contributions of tangible assets are recognized at fair value when received. The value of donated assets is recorded as contributions in the period the assets are received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or assets.

In addition, a number of volunteers have donated services to the Theatre's program and supporting services. These in-kind contributions are not reflected in the financial statements since these services do not meet the criteria for recognition.

Adoption of new accounting pronouncements

During 2020, the Theatre adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*. The ASU, as updated, represents a comprehensive overhaul of substantially all previous revenue recognition guidance within U.S. GAAP. Additionally, the ASU requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Theatre adopted the new standard effective September 1, 2019, the first day of the Theatre's fiscal year using the modified retrospective approach.

As part of the adoption of the ASU, the Theatre elected the following transition practical expedients: (i) to reflect the aggregate of all contract modifications that occurred prior to the date of initial application when identifying satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price; and (ii) to apply the standard only to contracts that are not completed at the initial date of application. Because contract modifications are minimal, there is not a significant impact as a result of electing these practical expedients. Management has analyzed the provisions of the ASU and have concluded that no changes are necessary to conform with the new standard.

Effective September 1, 2019, the Theatre implemented FASB ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The standard provides guidance on determining whether a transaction should be accounted for as a contribution or as an exchange transaction and whether a contribution is considered conditional. The presentation of the Theatre's financial statements has not been changed as a result of the standard.

Use of Estimates

The preparation of financial statements in conformity with U.S. 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Advertising Costs

Advertising costs are expensed as incurred, unless they are specifically related to productions in the next fiscal year, in which case, they are recorded as prepaid expenses and charged to expense in the applicable fiscal year. Advertising expense for the years ended August 31, 2020 and 2019 was \$20,526 and \$30,136 respectively.

Income Tax Status

The Theatre has been classified as an other than private foundation and is tax-exempt under Section 501(c)(3) of the Internal Revenue Code. The Code requires that tax-exempt organizations must comply with federal tax law to maintain tax-exempt status and avoid penalties. The Theatre is subject to a tax on income from any unrelated business as defined by Section 509(a)(1) of the Code.

Professional standards prescribe a more-likely-than-not recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken. The Theatre has analyzed tax positions taken for filing with the Internal Revenue Service. The Theatre believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Theatre's financial condition, results of operations or cash flows. Accordingly, the Theatre has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at August 31, 2019 and 2018. The Theatre's policy is to classify income tax related interest and penalties as interest expense and other expenses, respectively.

Functional Expenses

Certain costs of the Theatre have been allocated to program service and supporting service activities. Salaries and related expenses have been allocated based upon estimated time allocations for each employee. The allocation of other costs is based on management's estimation of actual activity.

Date of Management's Review

Subsequent events have been evaluated through the November 18, 2020, which is the date the financial statements were available to be issued.

3. NON CASH CONTRIBUTIONS:

The Theatre received donated items, printed materials, office, promotional and production supplies, office and performance space and professional services totaling \$9,619 and \$13,592 for the years ended August 31, 2020 and 2019, respectively.

Non cash contributions included as support and expenses in the accompanying financial statements are as follows:

	2020		2019	
	Support	Expenses	Support	Expenses
Food	\$ 1,800	1,800	1,600	1,600
Office, promotional and production supplies	-	-	5,059	5,059
Printed materials	4,919	4,919	5,433	5,433
Rehearsal space	900	900	-	-
Professional services	2,000	2,000	1,500	1,500
	<u>\$ 9,619</u>	<u>9,619</u>	<u>13,592</u>	<u>13,592</u>

4. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions at are comprised of the following as of August 31:

	<u>2020</u>	<u>2019</u>
Program restriction:		
Capital campaign	\$ 60,378	83,703
Arts Council of Greater Lansing Promotion	<u>6,000</u>	<u>-</u>
	<u>66,378</u>	<u>83,703</u>

Net assets released from donor restrictions by meeting time and program restrictions specified by donors are as follows:

	<u>2020</u>	<u>2019</u>
Program restriction:		
Capital campaign	\$ <u>102,441</u>	<u>65,202</u>

5. COMMENTS AND CONTINGENCIES:

Williamston Theatre receives a substantial amount of its support from corporate and individual donors, and public and private foundations. A significant reduction in the level of this support, if this were to occur, may have an effect on the Theatre's ability to continue its programs and activities.

6. LINE OF CREDIT:

The Theatre has a line of credit with Opportunity Resource Fund for \$10,000, bearing interest at 7%. At August 31, 2020 and 2019 there was \$0 borrowed against this line of credit. The line of credit is secured by essentially all the Theatre's assets.

7. SBA LOAN:

The Coronavirus Aid, Relief, and Economic Security (CARES) Act signed into law in March 2020, established the Paycheck Protection Program (PPP). Loan amounts are forgiven to the extent proceeds are used to cover documented payroll, mortgage interest, rent and utility costs. During the year ended August 31, 2020, the Theatre received loan proceeds of \$30,065 under the Paycheck Protection Program. Management is anticipating that substantially all of the loan will be forgiven within the coming year. Accordingly, this is reported as contribution revenue.

8. RETIREMENT PLAN:

The Theatre contributes to a union benefit plan in accordance with collective bargaining agreement covering some of its employees. Total union benefit expenses, based upon gross compensation, amounted to \$19,479 and \$30,842, of which \$3,121 and \$5,485 represent pension expense for 2020 and 2019, respectively. The Theatre makes weekly contributions to the plan equal to the amount accrued.

As illustrated in the table below, the Theatre participated in a multi-employer plan for the years ended August 31, 2020 and 2019. The "EIN Pension Plan Number" column provides the Employer Identification Number (EIN) and the three digit plan number, if applicable. The most recent Pension Protection Act (PPA) zone status available in 2017 is for the Plan's most recent fiscal year ends as noted in the table below.

Based on actuary's certified information, the Theatre received the zone status information for the plan to identify the various zones each plan was identified with. Plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are less than 80 percent funded, and plans in the green zone are at least 80 percent funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. The last column lists the expiration date of the collective bargaining agreement.

Pension Fund	EIN/Pension Plan Number	Pension Protection Act Zone Status	FIP/RP Status Pending/Implemented	Contribution		Surcharge Imposed	Expiration Date of Collective Bargaining Agreement
				2020	2019		
Actors' Equity Association (May 31)	13-669817/001	Green	Not Required	<u>\$ 3,121</u>	<u>\$ 5,485</u>	No	Automatically Renewed Annually

9. PLEDGES RECEIVABLE:

Pledges receivable represent unconditional promises to give are reported in accounts receivable and consist of the following:

	<u>2020</u>	<u>2019</u>
Promises with donor restrictions:	\$ -	1,500
Less: unamortized discount	<u>-</u>	<u>-</u>
Net unconditional promises to give	<u>\$ -</u>	<u>1,500</u>
Amounts due in one year or less	<u>\$ -</u>	<u>1,500</u>

10. LIQUIDITY:

The Theatre regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Theatre considers all expenditures related to its ongoing program activities as well as the conduct of services undertaken to support those activities to be general expenditures. The following reflects the Theatre's financial assets as of August 31, 2020 and 2019, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the date of the statement of financial position:

	<u>2020</u>	<u>2019</u>
Liquid assets		
Cash	\$ 156,353	184,602
Accounts receivable	<u>12,084</u>	<u>10,943</u>
 Total financial assets at year end	 168,437	 195,545
Donor restricted net assets	<u>(66,378)</u>	<u>(83,703)</u>
 Financial assets available to meet cash needs for general expenditure within one year	 \$ <u>102,059</u>	 <u>111,842</u>

11. UNCERTAINTIES:

During the year ended August 31, 2020, an outbreak of a novel strain of coronavirus (COVID-19) has disrupted supply chains and affected production and sales across a range of industries. The extent of the impact of COVID-19 on the Theatre's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak. Impact on the Theatre's patrons, employees and vendors cannot be predicted, and the extent to which COVID-19 may impact the financial condition or results of operations is uncertain at this time.

