



CLARK SCHAEFER HACKETT
BUSINESS ADVISORS

Williamston Theatre

Financial Statements

August 31, 2021 and 2020

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 Theatre), which comprise the statements of financial position as of August 31, 2021 and 2020 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.

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, 2021 and 2020, 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 23, 2021

Williamston Theatre
Statements of Financial Position
August 31, 2021 and 2020

Assets

	<u>2021</u>	<u>2020</u>
Current assets:		
Cash	\$ 340,314	156,353
Accounts receivable	11,043	12,084
Employee retention credit receivable	16,608	-
Prepaid expenses	<u>41,567</u>	<u>7,402</u>
	<u>409,532</u>	<u>175,839</u>
Property and equipment:		
Building and improvements	530,242	468,358
Production equipment	90,803	88,529
Office equipment	19,205	16,770
Furniture and leaseholds	<u>24,751</u>	<u>3,432</u>
	665,001	577,089
Less accumulated depreciation	<u>180,608</u>	<u>155,329</u>
Net property and equipment	<u>484,393</u>	<u>421,760</u>
Other assets:		
Construction in progress	<u>93,992</u>	<u>61,883</u>
	<u>\$ 987,917</u>	<u>659,482</u>
Liabilities and Net assets		
Current liabilities:		
Accounts payable	\$ 60,750	31,805
Accrued expenses	4,991	-
Deferred revenue	<u>9,248</u>	<u>8,939</u>
	<u>74,989</u>	<u>40,744</u>
Net assets:		
Without restrictions	841,517	552,360
With restrictions	<u>71,411</u>	<u>66,378</u>
	<u>912,928</u>	<u>618,738</u>
	<u>\$ 987,917</u>	<u>659,482</u>

See accompanying notes to the financial statements

Williamston Theatre
Statements of Activities
Years Ended August 31, 2021 and 2020

	2021			2020		
	Without Restrictions	With Restrictions	Total	Without Restrictions	With Restrictions	Total
Revenues:						
Performance income	\$ 2,080	-	2,080	142,020	-	142,020
Member and public support:						
Contributions (including in-kind of \$15,000 and \$9,619, respectively)	341,545	71,411	412,956	222,812	85,116	307,928
Paycheck protection program loan forgiveness	43,825	-	43,825	30,065	-	30,065
Employee retention credit	37,608	-	37,608	-	-	-
Program advertising	-	-	-	1,270	-	1,270
Merchandise and concession sales	101	-	101	687	-	687
Other income	1,549	-	1,549	252	-	252
Net assets released from restrictions	66,378	(66,378)	-	102,441	(102,441)	-
	<u>491,006</u>	<u>5,033</u>	<u>496,039</u>	<u>357,527</u>	<u>(17,325)</u>	<u>340,202</u>
	<u>493,086</u>	<u>5,033</u>	<u>498,119</u>	<u>499,547</u>	<u>(17,325)</u>	<u>482,222</u>
Expenses:						
Program services	98,242	-	98,242	293,791	-	293,791
Management and general	73,642	-	73,642	51,037	-	51,037
Fundraising	32,045	-	32,045	36,702	-	36,702
	<u>203,929</u>	<u>-</u>	<u>203,929</u>	<u>381,530</u>	<u>-</u>	<u>381,530</u>
Change in net assets	289,157	5,033	294,190	118,017	(17,325)	100,692
Net assets, beginning 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>
Net assets, end of year	\$ <u>841,517</u>	<u>71,411</u>	<u>912,928</u>	<u>552,360</u>	<u>66,378</u>	<u>618,738</u>

See accompanying notes to the financial statements

Williamston Theatre
Statements of Functional Expenses
Years Ended August 31, 2021 and 2020

	2021				2020			
	Program Services	Management and General	Fundraising	Total Expenses	Program Services	Management and General	Fundraising	Total Expenses
Expenses:								
Salaries and wages	\$ 39,898	21,992	21,462	83,352	108,172	29,391	22,744	160,307
Payroll taxes and benefits	3,330	2,117	1,791	7,238	27,215	3,287	2,544	33,046
Production costs	8,705	-	-	8,705	19,201	19	-	19,220
Designer fees	-	-	-	-	31,230	-	-	31,230
Professional fees	-	-	-	-	4,500	-	-	4,500
Royalties, AEA Dues	-	-	-	-	15,341	-	-	15,341
Production equipment	-	-	-	-	1,083	-	-	1,083
Front of House	1,691	-	-	1,691	19,730	-	-	19,730
Travel	-	-	-	-	2,530	-	-	2,530
Advertising	4,149	-	-	4,149	20,526	-	-	20,526
Concession, merchandise, printing	190	-	3,330	3,520	5,291	-	-	5,291
Office	-	3,246	-	3,246	-	3,621	-	3,621
Accounting and legal	-	11,836	-	11,836	-	8,858	-	8,858
Meetings and seminars	5,054	20,000	-	25,054	750	-	-	750
Utilities	4,772	2,041	555	7,368	5,961	1,829	559	8,349
Insurance	3,370	397	199	3,966	2,814	331	165	3,310
Depreciation	21,313	3,152	814	25,279	19,381	3,010	662	23,053
Repairs and maintenance	2,152	8,861	127	11,140	5,668	691	148	6,507
Publicity	3,618	-	402	4,020	4,398	-	489	4,887
Printing, postage, launch party and donor recognition	-	-	3,365	3,365	-	-	9,391	9,391
	<u>\$ 98,242</u>	<u>73,642</u>	<u>32,045</u>	<u>203,929</u>	<u>293,791</u>	<u>51,037</u>	<u>36,702</u>	<u>381,530</u>

See accompanying notes to the financial statements

Williamston Theatre
Statements of Cash Flows
Years Ended August 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 294,190	100,692
Reconciliation of change in net assets to net cash provided by operating activities:		
Contributions and grants with donor restrictions	(105,129)	(77,421)
Depreciation	25,279	23,053
Payroll protection program loan forgiveness	(43,825)	-
In-kind contribution of property	(10,000)	-
Change in cash flows from:		
Accounts receivable	1,041	(1,141)
Employee retention credit receivable	(16,608)	-
Prepaid expenses	(34,165)	11,717
Accounts payable	28,945	448
Accrued expenses	4,991	(5,466)
Deferred revenue	<u>309</u>	<u>(52,630)</u>
Net cash provided by operating activities	<u>145,028</u>	<u>(748)</u>
Cash flows from investing activities:		
Purchase of property, equipment and construction in progress	<u>(110,021)</u>	<u>(104,922)</u>
Cash flows from financing activities:		
Proceeds from contributions and grants restricted by donors for investment in long-lived assets	105,129	77,421
Payroll protection program loan proceeds	<u>43,825</u>	<u>-</u>
Net cash provided by financing activities	<u>148,954</u>	<u>77,421</u>
Net change in cash	183,961	(28,249)
Cash at beginning of year	<u>156,353</u>	<u>184,602</u>
Cash at end of year	\$ <u><u>340,314</u></u>	<u><u>156,353</u></u>
Non cash investing activities		
In-kind contribution for property	\$ <u><u>10,000</u></u>	<u><u>-</u></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

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. There were no net assets with donor restrictions that were perpetual in nature as of August 31, 2021 and 2020.

Revenue Recognition

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, 2021 and 2020 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. Amounts received in advance are deferred to the applicable period in which the related services are performed.

Revenue with and without donor restrictions

Donor-restricted support is reported as an increase in net assets with donor restrictions, 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 related 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.

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, 2021 and 2020 was \$4,149 and \$20,526 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 Theatres 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, 2021 and 2020. The Theatre's policy is to classify income tax related interest and penalties as interest expense and other expenses, respectively. At August 31, 2021, the Theatre's federal tax returns generally remain open for the last three years.

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 23, 2021, 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 \$15,000 and \$9,619 for the years ended August 31, 2021 and 2020, respectively.

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

	2021		2020	
	Support	Expenses	Support	Expenses
Food	\$ -	-	1,800	1,800
Printed materials	-	-	4,919	4,919
Rehearsal space	-	-	900	900
Professional services	5,000	5,000	2,000	2,000
Property	10,000	10,000	-	-
	\$ 15,000	15,000	9,619	9,619

4. NET ASSETS WITH DONOR RESTRICTIONS:

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

	2021	2020
Program restriction:		
Capital campaign	\$ 71,411	60,378
Arts Council of Greater Lansing Promotion	-	6,000
	71,411	66,378

Net assets with donor restrictions by meeting time and program restrictions specified by donors are as follows as of August 31:

	2021	2020
Program restriction:		
Capital campaign	\$ 66,378	102,441

5. CONCENTRATIONS OF CREDIT RISK:

Balances maintained at local financial institutions are insured by Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At August 31, 2021 and 2020, there were no balances in excess of the \$250,000 insurance limit. The Theatre places its cash deposits at high quality financial institutions. At certain times during the year, the balance of bank deposits may exceed FDIC insured limits.

6. 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.

7. LINE OF CREDIT:

The Theatre has a line of credit with Independent Bank for \$10,000. At August 31, 2021 and 2020 there was \$0 borrowed against this line of credit. Subsequent to the year ended August 31, 2021, on November 1, 2021, the Theatre renewed the Independent Bank line of credit and at an increased available line of credit amount of \$12,500.

8. PAYROLL PROTECTION PROGRAM LOAN:

The Theatre received the Paycheck protection program (PPP) loan of \$30,065 in 2020. This amount was recorded as grant revenue for year ended August 31, 2020. The amount was fully forgiven in 2021. The Theatre received the second round PPP Loan on February 15, 2021 for \$43,825. The full of the loan amount was forgiven on August 31, 2021 and is recorded as grant revenue for the year ended August 31, 2021.

9. RETIREMENT PLAN:

The Theatre contributes to a union benefit plan in accordance with collective bargaining agreement covering some of its employees. The Theatre did not pay any qualifying union actor wages during the year ended August 31, 2021, as all live performances originally scheduled were cancelled due to COVID-19 concerns. Total union benefit expenses, based upon gross compensation, amounted to \$0 and \$19,479, of which \$0 and \$3,121 represent pension expense for 2021 and 2020, 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, 2021 and 2020. 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
				2021	2020		
The Equity League Pension Plan	13-669817/001	Green	Not Required	\$ -	\$ 3,121	No	Automatically Renewed Annually

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, 2021 and 2020, 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>2021</u>	<u>2020</u>
Liquid assets		
Cash	\$ 340,314	156,353
Accounts receivable	11,043	12,084
Employer retention tax credit receivable	<u>16,608</u>	<u>-</u>
Total financial assets at year end	367,965	168,437
Donor restricted net assets	<u>(71,411)</u>	<u>(66,378)</u>
Financial assets available to meet cash needs for general expenditure within one year	\$ <u>296,554</u>	<u>102,059</u>

11. RISKS AND UNCERTAINTIES:

The COVID-19 outbreak in the United States has caused business disruption through mandated postponement (or cancellation) of special events, closing of the Theatre and instability of significant funding sources. 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. Therefore, the impact on the Theatre's operations cannot be reasonably estimated and the extent to which COVID-19 may impact our financial condition or results of operations is uncertain at this time.

12. UPCOMING ACCOUNTING PRONOUNCEMENTS:

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of the lease commencement. Leases will be classified as either financing or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the Theatre's year ending August 31, 2023. The Theatre is currently processing the possible impact of adopting this ASU on the financial statements.

13. SUBSEQUENT EVENTS:

In October 2021, the Theatre was awarded a second Shuttered Venue Grant for \$62,381. This will be used for expenses for the upcoming year.

