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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 Williamston Theatre's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Williamston Theatre's ability to continue as a going concern for a reasonable period of time.

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

Clark Schaefer Hackett & Co.

East Lansing, Michigan
January 26, 2023

Assets

		2022	2021
Current assets:			
Cash	$	310,811	340,314
Accounts receivable		30,624	11,043
Employee retention credit receivable		16,608	16,608
Prepaid expenses		28,819	41,567
		386,862	409,532
Property and equipment:			
Building and improvements		638,706	530,242
Production equipment		90,803	90,803
Office equipment		21,810	19,205
Furniture and leaseholds		33,083	24,751
		784,402	665,001
Less accumulated depreciation		211,643	180,608
Net property and equipment		572,759	484,393
Other assets:			
Construction in progress		240,724	93,992
	$	1,200,345	987,917

Liabilities and net assets

		2022	2021
Current liabilities:			
Accounts payable	$	141,352	60,750
Accrued expenses		9,424	4,991
Deferred revenue		36,261	9,248
Accrued interest		924	-
		187,961	74,989
Long-term debt		50,000	-
Net assets:			
Without restrictions		954,884	841,517
With restrictions		7,500	71,411
		962,384	912,928
	$	1,200,345	987,917

	2022			2021		
	Without Restrictions	With Restrictions	Total	Without Restrictions	With Restrictions	Total
Revenues:						
Performance income	$ 188,982	-	188,982	2,080	-	2,080
Member and public support:						
Contributions (including in-kind of $9,467 and $15,000, respectively)	452,516	7,500	460,016	341,545	71,411	412,956
Paycheck Protection Program loan forgiveness	-	-	-	43,825	-	43,825
Employee retention credit	-	-	-	37,608	-	37,608
Merchandise and concession sales	156	-	156	101	-	101
Other income	12,527	-	12,527	1,549	-	1,549
Net assets released from restrictions	71,411	(71,411)	-	66,378	(66,378)	-
	536,610	(63,911)	472,699	491,006	5,033	496,039
	725,592	(63,911)	661,681	493,086	5,033	498,119
Expenses:						
Program services	478,928	-	478,928	98,242	-	98,242
Management and general	85,049	-	85,049	73,642	-	73,642
Fundraising	48,248	-	48,248	32,045	-	32,045
	612,225	-	612,225	203,929	-	203,929
Change in net assets	113,367	(63,911)	49,456	289,157	5,033	294,190
Net assets, beginning of year	841,517	71,411	912,928	552,360	66,378	618,738
Net assets, end of year	$ 954,884	7,500	962,384	841,517	71,411	912,928

	2022				2021			
	Program Services	Management and General	Fundraising	Total Expenses	Program Services	Management and General	Fundraising	Total Expenses
Expenses:								
Salaries and wages	$ 187,249	40,728	31,678	259,655	39,898	21,992	21,462	83,352
Payroll taxes and benefits	41,522	3,564	2,815	47,901	3,330	2,117	1,791	7,238
Production costs	25,661	75	-	25,736	8,705	-	-	8,705
Designer fees	37,980	-	-	37,980	-	-	-	-
Professional fees	11,190	-	-	11,190	-	-	-	-
Royalties, AEA Dues	19,333	-	-	19,333	-	-	-	-
Production equipment	808	-	-	808	-	-	-	-
Front of House	35,373	-	-	35,373	1,691	-	-	1,691
Travel	9,869	-	-	9,869	-	-	-	-
Advertising	25,499	-	-	25,499	4,149	-	-	4,149
Concession, merchandise, printing	12,754	-	4,527	17,281	190	-	3,330	3,520
Office	14,570	10,401	-	24,971	-	3,246	-	3,246
Accounting and legal	-	11,338	-	11,338	-	11,836	-	11,836
Bank fees	-	174	-	174	-	-	-	-
Meetings and seminars	4,766	3,900	-	8,666	5,054	20,000	-	25,054
Utilities	6,017	1,892	573	8,482	4,772	2,041	555	7,368
Insurance	2,539	299	149	2,987	3,370	397	199	3,966
Interest	-	924	-	924	-	-	-	-
Depreciation	26,390	3,724	921	31,035	21,313	3,152	814	25,279
Repairs and maintenance	4,248	8,030	234	12,512	2,152	8,861	127	11,140
Publicity	13,160	-	1,462	14,622	3,618	-	402	4,020
Printing, postage, launch party and donor recognition	-	-	5,889	5,889	-	-	3,365	3,365
	$ 478,928	85,049	48,248	612,225	98,242	73,642	32,045	203,929

		2022	2021
Cash flows from operating activities:			
Change in net assets	$	49,456	294,190
Reconciliation of change in net assets to net cash provided by operating activities:			
Contributions and grants with donor restrictions		(104,956)	(105,129)
Depreciation		31,035	25,279
Paycheck Protection Program loan forgiveness		-	(43,825)
In-kind contribution of property		-	(10,000)
Change in cash flows from:			
Accounts receivable		(19,581)	1,041
Employee retention credit receivable		-	(16,608)
Prepaid expenses		12,748	(34,165)
Accounts payable		80,602	28,945
Accrued expenses		4,433	4,991
Deferred revenue		27,013	309
Accrued interest		924	-
Net cash provided by operating activities		81,674	145,028
Cash flows from investing activities:			
Purchase of property, equipment and construction in progress		(266,133)	(110,021)
Cash flows from financing activities:			
Proceeds from contributions and grants restricted by donors for investment in long-lived assets		104,956	105,129
Proceeds from issuances of notes payable		50,000	-
Paycheck Protection Program loan forgiveness		-	43,825
Net cash provided by financing activities		154,956	148,954
Net change in cash		(29,503)	183,961
Cash, beginning of year		340,314	156,353
Cash, end of year	$	310,811	340,314
Non cash investing activities			
In-kind contribution for property	$	-	10,000

See accompanying notes to the financial statements

1. BACKGROUND AND SUMMARY OF 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.

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, 2022 and 2021.

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, 2022 and 2021 the Theatre had no conditional contributions.

Revenues from sales of tickets represent 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.

There is a contract liability when customers pay for shows before they have occurred. This occurs when customers purchase tickets before the show performance or purchase a season pass for all shows scheduled for a future fiscal year show season. At August 31, 2022 and 2021, the contract liability was $24,510 and $0, respectively. These amounts are included in deferred revenue on the statements of financial position.

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
Cash consists of checking and savings accounts, and petty cash.

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.

In-kind contributions
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, 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. GAAP 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, 2022 and 2021 was $25,499 and $4,149 respectively.

Income tax status
The Theatre has been classified as another 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, 2022 and 2021. The Theatre's policy is to classify income tax related interest and penalties as interest expense and other expenses, respectively. At August 31, 2022, 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 January 26, 2023, which is the date the financial statements were available to be issued.

2. IN-KIND CONTRIBUTIONS:

The Theatre received donated items, printed materials, office, promotional and production supplies, office and performance space and professional services totaling $9,467 and $15,000 for the years ended August 31, 2022 and 2021, respectively.

In-kind contributions included as support and expenses in the accompanying financial statements are as follows:

	2022		2021	
	Support	Expenses	Support	Expenses
Printed materials	$ 5,673	5,673	-	-
Professional services	3,500	3,500	5,000	5,000
Property	-	-	10,000	10,000
Other	294	294	-	-
	$ 9,467	9,467	15,000	15,000

3. LONG-TERM DEBT:

On December 30, 2021, the Theatre entered into a long-term debt agreement with the U.S. Small Business Administration (SBA) for an Economic Injury Disaster Loan (EIDL) of $50,000, bearing an annual interest rate of 2.75% and maturing on December 30, 2051. The Theatre is required to make monthly principal and interest installment payments of $225. The first installment payment is due in December 2023 and monthly payments are due thereafter through December 2051. The SBA applies each monthly installment payment first to pay interest accrued through the date that each monthly installment payment is made and will then apply any the remaining payment amount to the loan principal.

The minimum amount of future annual principal payments on long term debt obligations are as follows:

2023	$ -
2024	842
2025	1,293
2026	1,329
2027	1,366
Thereafter	45,170
	$ 50,000

4. NET ASSETS WITH DONOR RESTRICTIONS:

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

	2022	2021
Program restriction:		
Capital campaign	$ -	71,411
Arts Council of Greater Lansing Promotion	7,500	-
	$ 7,500	71,411

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

	2022	2021
Program restriction:		
Capital campaign	$ 71,411	66,378

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, 2022 and 2021, 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. COMMITMENTS 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 $12,500 at an interest rate of 6.25%. At August 31, 2022 and 2021 there was $0 borrowed against this line of credit.

8. PAYCHECK PROTECTION PROGRAM LOAN:

The Theatre received the second round Paycheck Protection Program loan on February 15, 2021 for $43,825. The full 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 $29,701 and $0, of which $4,895 and $0 represent pension expense for 2022 and 2021, 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, 2022 and 2021. 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 2022	Contribution 2021	Surcharge Imposed	Expiration Date of Collective Bargaining Agreement
The Equity League Pension Plan	13-669817/ 001	Green	Not Required	$ 4,895	-	No	Automatically Renewed Annually

10. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

The Theatre is substantially supported by grants and donations. 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 expenses over a 12-month period, the Theatre considers all expenses related to its ongoing program activities as well as the conduct of services undertaken to support those activities to be general expenses. The following reflects the Theatre's financial assets as of August 31, 2022 and 2021, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the date of the statements of financial position:

	2022	2021
Cash	$ 310,811	340,314
Accounts receivable	30,624	11,043
Employer retention tax credit receivable	16,608	16,608
Total financial assets at year end	358,043	367,965
Donor restricted net assets	(7,500)	(71,411)
Financial assets available to meet cash needs for general expenses within one year	$ 350,543	296,554

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.