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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
November 27, 2023

Williamston Theatre
Statements of Financial Position
August 31, 2023 and 2022

Assets

	<u>2023</u>	<u>2022</u>
Current assets:		
Cash	\$ 127,846	310,811
Contributions receivable	9,771	30,624
Employee retention credit receivable	16,608	16,608
Prepaid expenses	<u>33,866</u>	<u>28,819</u>
	<u>188,091</u>	<u>386,862</u>
Property and equipment:		
Building and improvements	889,499	638,706
Production equipment	90,803	90,803
Office equipment	21,810	21,810
Furniture and leaseholds	<u>37,391</u>	<u>33,083</u>
	1,039,503	784,402
Less accumulated depreciation	<u>248,700</u>	<u>211,643</u>
Net property and equipment	<u>790,803</u>	<u>572,759</u>
Other assets:		
Construction in progress	<u>-</u>	<u>240,724</u>
	<u>\$ 978,894</u>	<u>1,200,345</u>
Liabilities and Net assets		
Current liabilities:		
Accounts payable	\$ 1,154	141,352
Accrued expenses	3,590	9,424
Deferred revenue	53,946	36,261
Accrued interest	2,342	924
Current portion of long-term debt	<u>586</u>	<u>-</u>
	<u>61,618</u>	<u>187,961</u>
Long-term debt	<u>49,414</u>	<u>50,000</u>
Net assets:		
Without restrictions	864,042	954,884
With restrictions	<u>3,820</u>	<u>7,500</u>
	<u>867,862</u>	<u>962,384</u>
	<u>\$ 978,894</u>	<u>1,200,345</u>

See accompanying notes to the financial statements

Williamston Theatre
Statements of Activities
Years Ended August 31, 2023 and 2022

	2023			2022		
	Without Restrictions	With Restrictions	Total	Without Restrictions	With Restrictions	Total
Revenues:						
Performance income	\$ 231,861	-	231,861	188,982	-	188,982
Member and public support:						
Contributions (including in-kind of \$13,440 and \$9,467, respectively)	305,855	3,820	309,675	452,516	7,500	460,016
Program advertising	925	-	925	-	-	-
Merchandise and concession sales	433	-	433	156	-	156
Other income	34,279	-	34,279	12,527	-	12,527
Net assets released from restrictions	7,500	(7,500)	-	71,411	(71,411)	-
	<u>348,992</u>	<u>(3,680)</u>	<u>345,312</u>	<u>536,610</u>	<u>(63,911)</u>	<u>472,699</u>
	<u>580,853</u>	<u>(3,680)</u>	<u>577,173</u>	<u>725,592</u>	<u>(63,911)</u>	<u>661,681</u>
Expenses:						
Program services	519,499	-	519,499	478,928	-	478,928
Management and general	83,933	-	83,933	85,049	-	85,049
Fundraising	68,263	-	68,263	48,248	-	48,248
	<u>671,695</u>	<u>-</u>	<u>671,695</u>	<u>612,225</u>	<u>-</u>	<u>612,225</u>
Change in net assets	(90,842)	(3,680)	(94,522)	113,367	(63,911)	49,456
Net assets, beginning of year	<u>954,884</u>	<u>7,500</u>	<u>962,384</u>	<u>841,517</u>	<u>71,411</u>	<u>912,928</u>
Net assets, end of year	\$ <u>864,042</u>	<u>3,820</u>	<u>867,862</u>	<u>954,884</u>	<u>7,500</u>	<u>962,384</u>

See accompanying notes to the financial statements

Williamston Theatre
Statements of Functional Expenses
Years Ended August 31, 2023 and 2022

	2023				2022			
	Program Services	Management and General	Fundraising	Total Expenses	Program Services	Management and General	Fundraising	Total Expenses
Expenses:								
Salaries and wages	\$ 230,481	44,221	39,308	314,010	222,622	40,728	31,678	295,028
Payroll taxes and benefits	50,566	3,658	3,252	57,476	41,522	3,564	2,815	47,901
Production costs	41,935	-	-	41,935	25,661	75	-	25,736
Designer fees	40,313	-	-	40,313	37,980	-	-	37,980
Actors - non-union	12,900	-	-	12,900	11,190	-	-	11,190
Royalties, AEA Dues	18,857	-	-	18,857	19,333	-	-	19,333
Production equipment	3,142	-	-	3,142	808	-	-	808
Travel	8,916	-	-	8,916	9,869	-	-	9,869
Advertising	41,471	-	610	42,081	38,659	-	1,462	40,121
Concession, merchandise, printing	5,910	-	-	5,910	8,226	-	-	8,226
Office	4,686	9,559	3,455	17,700	14,570	10,401	-	24,971
Accounting and legal	-	15,178	-	15,178	-	11,338	-	11,338
Credit card and bank fees	4,474	513	4,474	9,461	4,528	174	4,527	9,229
Meetings and seminars	-	770	-	770	4,766	3,900	-	8,666
Utilities	9,087	1,998	707	11,792	6,017	1,892	573	8,482
Insurance	7,609	1,271	900	9,780	2,539	299	149	2,987
Interest	-	1,418	-	1,418	-	924	-	924
Depreciation	31,498	4,447	1,112	37,057	26,390	3,724	921	31,035
Repairs and maintenance	7,654	900	450	9,004	4,248	8,030	234	12,512
Printing, postage, launch party and donor recognition	-	-	13,995	13,995	-	-	5,889	5,889
	\$ 519,499	83,933	68,263	671,695	478,928	85,049	48,248	612,225

See accompanying notes to the financial statements

Williamston Theatre
Statements of Cash Flows
Years Ended August 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ (94,522)	49,456
Reconciliation of change in net assets to net cash provided by operating activities:		
Contributions and grants with donor restrictions	(35,950)	(104,956)
Depreciation	37,057	31,035
Change in cash flows from:		
Accounts receivable	20,853	(19,581)
Prepaid expenses	(5,047)	12,748
Accounts payable	(140,198)	80,602
Accrued expenses	(5,834)	4,433
Deferred revenue	17,685	27,013
Accrued interest	<u>1,418</u>	<u>924</u>
Net cash provided by (used in) operating activities	<u>(204,538)</u>	<u>81,674</u>
Cash flows from investing activities:		
Purchase of property, equipment and construction in progress	<u>(14,377)</u>	<u>(266,133)</u>
Cash flows from financing activities:		
Proceeds from contributions and grants restricted by donors for investment in long-lived assets	35,950	104,956
Proceeds from issuances of notes payable	<u>-</u>	<u>50,000</u>
Net cash provided by financing activities	<u>35,950</u>	<u>154,956</u>
Net change in cash	(182,965)	(29,503)
Cash, beginning of year	<u>310,811</u>	<u>340,314</u>
Cash, end of year	\$ <u><u>127,846</u></u>	<u><u>310,811</u></u>

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; and 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, contributions, 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 (U.S. GAAP).

Financial statement 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, 2023 and 2022.

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, 2023 and 2022 conditional contributions amounted to \$3,286 and \$2,780, respectively.

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.

Revenue recognition – exchange transaction

Revenue from ticket sales is based on the satisfaction of performance obligations at a point in time. The performance obligation is the delivery of the event. The event fee is set by the Theatre and payment is required before the event occurs. Therefore, after the event occurs, no performance obligations remain. The cost to the Theatre of running the performances is considered to be the exchange component and the excess profits are considered contributions.

Ticket sales for the years ended August 31, 2023 and 2022 was \$231,861 and \$188,982, respectively.

Contract liabilities are as follows:

	August 31, 2023	August 31, 2022	September 1, 2021
Deferred revenue	\$ 53,946	36,261	-

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.

Contribution 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 property and equipment. Expenditures made with donations that are received in response to a Capital Campaign or Grant were capitalized regardless of amount. Repair and maintenance costs are expensed as incurred.

New Accounting Standards

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, Leases (Topic 842), which supersedes existing guidance for accounting for leases under Topic 840, Leases. The FASB also subsequently issued the following additional ASUs, which amend and clarify Topic 842. The most significant change in the new leasing guidance is the requirement to recognize right-to-use (ROU) assets and lease liabilities for operating leases on the balance sheet.

The Theatre elected to adopt this ASU effective July 1, 2022. The Theatre also elected multiple practical expedients. These included transition elections that permitted the Theatre to not reassess prior conclusions about lease identification, lease classification, and initial direct costs for existing or expired leases, as well as not assessing existing land easements under the new standard. In addition, the Theatre adopted ongoing accounting policies to not recognize ROU assets and lease liabilities for leasing arrangements with terms of less than one year and to not separate lease and non-lease components for all classes of underlying assets. The adoption did not have a material impact on the Theatre's statements of financial position, the statements of activities, or on the statements of functional expenses.

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, 2023 and 2022 was \$42,081 and \$25,499 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, 2023 and 2022. The Theatre’s policy is to classify income tax related interest and penalties as interest expense and other expenses, respectively. At August 31, 2023, 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

In preparing these financial statements, the Theatre has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to August 31, 2023, the most recent balance sheet presented herein, through November 27, 2023, these financial statements were available to be issued. No significant such events or transactions were identified, other than the risks and economic uncertainties matter described above.

2. IN-KIND CONTRIBUTIONS:

The Theatre received printed materials, professional services, and other donated items totaling \$13,440 and \$9,467 for the years ended August 31, 2023 and 2022, respectively.

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

	2023		2022	
	Support	Expenses	Support	Expenses
Printed materials	\$ 7,913	7,913	5,673	5,673
Professional services	5,527	5,527	3,794	3,794
	\$ 13,440	13,440	9,467	9,467

Printed materials are used for performances and are valued at the published costs of the materials. Professional services are used for general and administrative activities and are valued at a discounted price of comparable market wages.

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 July 2024 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 the remaining payment amount to the loan principal.

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

2024	\$	586
2025		1,249
2026		1,283
2027		1,319
2028		1,356
Thereafter		<u>44,207</u>
	\$	<u>50,000</u>

4. NET ASSETS WITH DONOR RESTRICTIONS:

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

	2023	2022
Program restriction:		
Arts Council of Greater Lansing Promotion	\$ <u>3,820</u>	<u>7,500</u>

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

	2023	2022
Program restriction:		
Capital campaign	\$ -	71,411
Arts Council of Greater Lansing Promotion	<u>7,500</u>	<u>-</u>
	\$ <u>7,500</u>	<u>71,411</u>

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, 2023 and 2022, 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, 2023 and 2022 there was \$0 borrowed against this line of credit.

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 \$31,598 and \$29,701, of which \$5,507 and \$4,895 represent pension expense for 2023 and 2022, 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, 2023 and 2022. 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 2023 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 2023	Contribution 2022	Surcharge Imposed	Expiration Date of Collective Bargaining Agreement
The Equity League Pension Plan	13-669817/001	Green	Not Required	\$ <u>4,958</u>	<u>4,895</u>	No	Automatically Renewed Annually

9. 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, 2023 and 2022, 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:

	<u>2023</u>	<u>2022</u>
Cash	\$ 127,846	310,811
Contributions receivable	9,771	30,624
Employer retention tax credit receivable	<u>16,608</u>	<u>16,608</u>
 Total financial assets at year end	 154,225	 358,043
Donor restricted net assets	<u>(3,820)</u>	<u>(7,500)</u>
 Financial assets available to meet cash needs for general expenses within one year	 \$ <u>150,405</u>	 <u>350,543</u>