PORTLAND PLAYHOUSE

FINANCIAL STATEMENTS

JULY 31, 2014

PORTLAND PLAYHOUSE

TABLE OF CONTENTS

Page No.

zinner&co.
Certified Public Accountants and Management Consultants

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Trustees of
Portland Playhouse

We have reviewed the accompanying statement of financial position of **Portland Playhouse** (a nonprofit organization) as of July 31, 2014 and the related statements of changes in net assets and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Zinner & Co. LLP

November 25, 2014

3201 Enterprise Parkway, Suite 410 • Beachwood, OH 44122
P: 216.831.0733 • F: 216.765.7118 • zinnerco.com

PORTLAND PLAYHOUSE

STATEMENT OF FINANCIAL POSITION

JULY 31, 2014

Assets		
Cash and cash equivalents	$	78,777
Unconditional promises to give		
Unrestricted		17,070
Temporarily restricted		43,861
Other current assets		57,015
Leasehold improvements		3,511
Equipment and furniture		53,137
Accumulated depreciation		(6,781)
Total Assets	$	246,590
Liabilities		
Accounts payable	$	36,399
Deferred revenue		67,527
Other current liabilities		5,338
Total Liabilities		109,264
Net Assets		
Unrestricted		
Available for programs and services		32,104
Board designated reserve		10,000
		42,104
Temorarily restricted		95,222
Total Net Assets		137,326
Total Liabilities and Net Assets	$	246,590

See accompanying notes and independent accountants' review report.

PORTLAND PLAYHOUSE

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED JULY 31, 2014

Support and Revenues	Unrestricted	Temporarily Restricted	Total
Support			
Corporations	$ 2,651	$ 0	$ 2,651
Foundations	106,621	15,000	121,621
Government grants	10,000	0	10,000
Individuals	197,323	71,361	268,684
Special projects	19,436	0	19,436
Donated goods and services	1,875	0	1,875
Total Support	337,906	86,361	424,267
Revenues			
Educational services	27,251	0	27,251
Season subscriptions	95,954	0	95,954
Single tickets	213,081	0	213,081
Other income	50,651	0	50,651
Total Revenues	386,937	0	386,937
Net assets released from restrictions:			
Satisfaction of program restrictions	64,900	(64,900)	0
Total Reclassifications	64,900	(64,900)	0
Total Support and Revenues	789,743	21,461	811,204
Expenses			
Administration	166,224	0	166,224
Artistic	241,767	0	241,767
Development	53,559	1,139	54,698
Education	65,639	0	65,639
Marketing and Communications	104,507	0	104,507
Production	151,582	0	151,582
Total Expenses	783,278	1,139	784,417
Change in Net Assets	6,465	20,322	26,787
Net Assets at Beginning of Year	35,639	74,900	110,539
Net Assets at End of Year	$ 42,104	$ 95,222	$ 137,326

See accompanying notes and independent accountants' review report.

PORTLAND PLAYHOUSE

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JULY 31, 2014

Cash Flows from Operating Activities		
Change in net assets	$	26,787
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		5,308
Amortization of discount on multi-year pledges		1,138
Changes in assets and liabilities:		
Unconditional promises to give		(49,670)
Other currrent assets		(11,345)
Accounts payable		36,399
Deferred revenue		4,449
Other current liabilities		5,338
Net Cash Provided by Operating Activities		18,404
Cash Flows from Investing Activities		
Purchase of leasehold improvements		(3,510)
Purchase of equipment and furniture		(41,788)
Net Cash Used by Investing Activities		(45,298)
Net Decrease in Cash and Cash Equivalents		(26,894)
Cash and Cash Equivalents, Beginning of Year		105,671
Cash and Cash Equivalents, End of Year	$	78,777

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

Nature of Operations

The Portland Playhouse (the Organization) is a professional theatre that serves the Portland, Oregon community. It was founded in 2008 with the mission of producing quality, intimate, performances in which the interaction between artists and audience is paramount. They hold theatre to be in a space in which people of all social, economic, racial, sexual and political backgrounds can come together to celebrate the complexity of shared human experience.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958-205. Under ASC 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. ASC 958-205 requires board designated funds to be reported as part of unrestricted net assets; accordingly, the Organization reports designations of voluntary board-approved segregations of unrestricted net assets for specific purposes as a classification of unrestricted net assets.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Unconditional promises to give are recognized as revenue or gains in the period the promises are received and as assets, decreases of liabilities, or expenses depending on the form of the benefit received. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

The Organization uses the allowance method to determine uncollectible unconditional promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made. No allowance is deemed necessary as of July 31, 2014

Deferred Revenue

Advance season subscriptions and pre-paid single tickets fees received and costs incurred during the current fiscal year related to the next program season are deferred and included in operations for the next season.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (CONTINUED)

Cash and Cash Equivalents
For purposes of the financial statements, the Organization considers all unrestricted highly liquid financial instruments purchased with a maturity of three months or less to be cash equivalents.

Concentrations of Credit Risk
Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of cash and equivalents and promises to give. The Organization maintains its cash and equivalents with financial institutions and limits its exposure to any one financial institution. Concentrations with respect to promises to give are limited due to the large number of donors comprising the Organization's donor base and the variety of the Organization's funding sources. As of July 31, 2014, the Organization had no other significant concentrations of credit risk.

Property and Equipment
Property and equipment are carried at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the depreciable assets. Maintenance, repairs and minor renewals are charged to expense as incurred.

Donated Equipment
Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. It is the Organization's policy to imply a time restriction, based on the assets' estimated useful lives, on donations of property and equipment that are not restricted as to their use by the donor. Accordingly, those donations are recorded as support increasing temporarily restricted net assets. The Organization reclassifies temporarily restricted net assets to unrestricted net assets each year for the amount of the donated property and equipment's depreciation expense.

Donated services are recorded as support at their estimated fair value at the date of donation.

Restricted and Unrestricted Revenue and Support
Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor- restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (CONTINUED)

Pervasiveness of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Income Taxes

The Organization qualifies as a charitable organization under Section 501(c)(3) of the Internal Revenue Code and accordingly, is exempt from income taxes.

Advertising

Advertising costs are expensed when incurred.

NOTE B – PROMISES TO GIVE

The Organization's promises to give are comprised primarily of private donors and foundations. Unconditional promises to give at July 31, 2014 consist of:

Unrestricted promises	$	17,070
Restricted for funding in future fiscal years		45,000
Total unconditional promises to give		62,070
Less: Unamortized discount		1,139
Net Unconditional Promises to Give	$	60,931
Amounts due in:		
Less than one year	$	42,070
One to five years		20,000
Total Amounts Due	$	62,070

NOTE C – RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets as of July 31, 2014 are available for the following purposes or periods:

For subsequent years' activities	$	85,222
Restricted for education		10,000
Total	$	95,222

NOTE D - OPERATING LEASES

The following is a schedule by years of future minimum lease payments required under operating leases that have initial or remaining non-cancellable lease terms in excess of one year as of July 31, 2014:

2015	$ 24,000
2016	10,000
2017	0
2018	0
2019	0
Thereafter	0
Total Minimum Payments Required	$ 34,000

NOTE E – RELATED PARTY TRANSACTIONS

The Organization leases the facility located at 602 NE Prescott Street from an LLC owned by the board chairman and father of the artistic director of the Organization. Rent expense for the facility amounted to $2,000 per month and totaled $18,000 for the year ended July 31, 2014. The current agreement obligates the Organization through 2015.

NOTE F – DONATED GOODS AND SERVICES

The value of the in-kind goods and services included in the financial statements for the year ended July 31, 2014 amounted to $1,875 for facility repairs and maintenance.

NOTE G – INCOME TAX STATUS

The Organization qualifies as a charitable organization under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is exempt from income taxes. The Organization has not been classified as a private foundation within the meaning of Section 509(a) and does qualify for deductible contributions as provided in Section 170(b)(1)(A)(vi).

As of August 1, 2013 and for the year ended July 31, 2014 the Organization had not engaged in any activity which management considers to be activity that could result in a loss of its 501(c)(3) IRS designation.

As well, management does not consider any of the activity of the Organization to be considered unrelated business income that could result in income tax. For the years ended July 31, 2014, there was no tax interest or penalties reflected in the statement of activities or in the statement of financial position. The Organization is no longer subject to U.S. federal, state, and local income tax examinations by taxing authorities for years before 2010.

NOTE H – CONTINGENCIES AND COMMITMENTS

The Organization entered into an employee contract with its Managing Director on June 20, 2013, the term of which is through July 31, 2016. Subsequent to the fiscal year ended July 31, 2014, the Organization and the Managing Director entered into a separation agreement effective December 31, 2014.

NOTE I - SUBSEQUENT EVENTS

Management has evaluated the subsequent events through November 25, 2014, the date on which the financial statements were available to be issued, and has determined that there were no subsequent events through that date that have not been reflected in the financial statements and/or disclosed in the notes.