



PORTLAND PLAYHOUSE

Financial Statements
For the 11 Months Ended June 30, 2022
With Independent Auditor's Report

PORTLAND PLAYHOUSE
11 MONTHS ENDED JUNE 30, 2022
CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1-2
FINANCIAL STATEMENTS:	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-14

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Portland Playhouse
Portland, OR

Opinion

We have audited the accompanying financial statements of Portland Playhouse (a non-profit organization) which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and changes in net assets, functional expenses and cash flows for the 11 months then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Portland Playhouse as of June 30, 2022, and the changes in its net assets and its cash flows for the 11 months then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, 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 the Organization'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 the Organization'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.

Report on Summarized Comparative Information

We have previously audited Portland Playhouse's 2021 financial statements, and our report dated January 11, 2022 expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended July 31, 2021, is consistent in all material respects with the audited financial statements from which it has been derived.

Perkins & Company, P.C.

Portland, OR
December 15, 2022

PORTLAND PLAYHOUSE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022
(With comparative totals for July 31, 2021)

	2022	2021
<u>ASSETS</u>		
Cash and cash equivalents	\$ 1,104,034	\$ 619,665
Accounts and pledges receivable - net	187,977	211,934
Prepaid expenses and other assets	33,585	13,982
Property and equipment - net	1,673,850	1,814,186
Total assets	\$ 2,999,446	\$ 2,659,767
 <u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Notes payable	\$ 149,900	\$ 149,900
Accounts payable	15,999	6,590
Accrued payroll liabilities	38,603	24,736
Deferred revenue	30,128	124,916
Total liabilities	234,630	306,142
 NET ASSETS:		
Net assets without donor restrictions		
Board designated reserve	45,000	45,000
Available for programs and operations	1,868,664	2,036,865
Total net assets without donor restrictions	1,913,664	2,081,865
Net assets with donor restrictions	851,152	271,760
Total net assets	2,764,816	2,353,625
	\$ 2,999,446	\$ 2,659,767

See notes to financial statements.

PORTLAND PLAYHOUSE
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE 11 MONTHS ENDED JUNE 30, 2022
(With comparative totals for the year ended July 31, 2021)

	Net Assets		Total	
	Without Donor Restrictions	Net Assets With Donor Restrictions	2022	2021
OPERATING SUPPORT AND REVENUE:				
Support:				
Corporations	\$ 9,930	\$ -	\$ 9,930	\$ 41,519
Foundations	187,050	219,500	406,550	307,000
Government grants	198,783	56,786	255,569	463,868
Individuals	232,490	5,000	237,490	270,334
In-kind support	-	-	-	17,177
Special projects	10,725	-	10,725	-
Total operating support	<u>638,978</u>	<u>281,286</u>	<u>920,264</u>	<u>1,148,264</u>
Revenue:				
Educational services	439,800	-	439,800	158,236
Season subscriptions	74,011	-	74,011	-
Single tickets	205,195	-	205,195	9,304
Other income	23,044	-	23,044	16,116
Total operating revenues	<u>742,050</u>	<u>-</u>	<u>742,050</u>	<u>183,656</u>
Net assets released from restrictions	<u>223,394</u>	<u>(223,394)</u>	<u>-</u>	<u>-</u>
Total operating support and revenues	<u>1,604,422</u>	<u>57,892</u>	<u>1,662,314</u>	<u>1,331,920</u>
OPERATING EXPENSES:				
Artistic expenses	961,161	-	961,161	286,515
Education expenses	380,190	-	380,190	295,806
Management and general expenses	160,168	-	160,168	137,477
Fundraising expenses	130,768	-	130,768	70,422
Total operating expenses before depreciation	<u>1,632,287</u>	<u>-</u>	<u>1,632,287</u>	<u>790,220</u>
Net operating income before depreciation	<u>(27,865)</u>	<u>57,892</u>	<u>30,027</u>	<u>541,700</u>
Depreciation of property and equipment	140,336	-	140,336	153,094
Net operating (loss) income	<u>(168,201)</u>	<u>57,892</u>	<u>(110,309)</u>	<u>388,606</u>
NON-OPERATING INCOME:				
Capital campaign contributions	-	521,500	521,500	48,366
Total non-operating income	-	521,500	521,500	-
(DECREASE) INCREASE IN NET ASSETS	<u>(168,201)</u>	<u>579,392</u>	<u>411,191</u>	<u>388,606</u>
NET ASSETS AT BEGINNING OF YEAR	<u>2,081,865</u>	<u>271,760</u>	<u>2,353,625</u>	<u>1,965,019</u>
NET ASSETS AT END OF YEAR	<u>\$ 1,913,664</u>	<u>\$ 851,152</u>	<u>\$ 2,764,816</u>	<u>\$ 2,353,625</u>

See notes to financial statements.

PORTLAND PLAYHOUSE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE 11 MONTHS ENDED JUNE 30, 2022
(With comparative totals for the year ended July 31, 2021)

	Program Services		Total Program Services	Supporting Services		Total Supporting Services	Total	
	Artistic Services	Education Services		Management and General	Fundraising		2022	2021
Salaries	\$ 216,638	\$ 290,574	\$ 507,212	\$ 60,947	\$ 112,142	\$ 173,089	\$ 680,301	\$ 549,411
Prospecting	-	-	-	-	11,765	11,765	11,765	7,877
Professional fees	-	-	-	36,439	-	36,439	36,439	49,605
Supplies	-	-	-	1,375	-	1,375	1,375	568
Gifts in kind	-	-	-	-	183	183	183	1,196
Postage and shipping	-	-	-	3,964	-	3,964	3,964	2,583
Occupancy	34,552	4,936	39,488	9,872	-	9,872	49,360	46,983
Education programs	-	63,929	63,929	-	-	-	63,929	44,406
Production sets and costumes	58,195	-	58,195	30	-	30	58,225	6,565
Advertising and marketing	83,003	20,751	103,754	-	-	-	103,754	20,486
Casting	409	-	409	-	-	-	409	-
Royalties	19,145	-	19,145	-	-	-	19,145	1,854
Artistic costs	70,157	-	70,157	-	-	-	70,157	12,027
Printing and publications	-	-	-	1,310	-	1,310	1,310	1,105
Travel	13,450	-	13,450	150	-	150	13,600	2,360
Conferences and meetings	-	-	-	14,692	-	14,692	14,692	12,913
Director, stage production, and actor fees	465,612	-	465,612	-	-	-	465,612	15,435
Recognition awards	-	-	-	294	-	294	294	45
Insurance	-	-	-	8,613	-	8,613	8,613	9,231
Special events	-	-	-	-	6,678	6,678	6,678	1,721
Other expenses	-	-	-	22,482	-	22,482	22,482	3,849
Total other expenses	961,161	380,190	1,341,351	160,168	130,768	290,936	1,632,287	790,220
Expenses before depreciation	961,161	380,190	1,341,351	160,168	130,768	290,936	1,632,287	790,220
Depreciation of property and equipment	-	-	-	140,336	-	140,336	140,336	153,094
TOTAL FUNCTIONAL EXPENSES	\$ 961,161	\$ 380,190	\$ 1,341,351	\$ 300,504	\$ 130,768	\$ 431,272	\$ 1,772,623	\$ 943,314

See notes to financial statements.

PORTLAND PLAYHOUSE
STATEMENT OF CASH FLOWS
FOR THE 11 MONTHS ENDED JUNE 30, 2022
(With comparative totals for July 31, 2021)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 411,191	\$ 388,606
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	140,336	153,094
Contribution of investments	-	(4,273)
Amortization of discount on multi-year pledge	-	(2,727)
PPP loan recognized as a conditional grant	-	(10,000)
Net changes in:		
Accounts and pledges receivable	23,957	(106,077)
Prepaid expenses and other assets	(19,603)	17,951
Accounts payable	9,409	(18,339)
Accrued payroll liabilities	13,867	22,050
Deferred revenue	(94,788)	122,490
Net cash provided by operating activities	484,369	562,775
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	-	(299)
Proceeds from sale of investments	-	4,273
Net cash provided by investing activities	-	3,974
 CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments on related party note payable	-	(100,000)
Net cash used in financing activities	-	(100,000)
 NET INCREASE IN CASH AND CASH EQUIVALENTS	484,369	466,749
 CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	619,665	152,916
 CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,104,034	\$ 619,665
 NON-CASH FINANCING ACTIVITIES		
PPP loan recognized as a conditional grant	\$ -	\$ 10,000
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	\$ -	\$ 641

See notes to financial statements.

PORTLAND PLAYHOUSE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022
(With comparative totals for July 31, 2021)

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - 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. The Organization holds 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. The Organization also provides educational services to the community.

The significant accounting policies are described below to enhance the usefulness of the financial statements.

During fiscal 2022, the Organization changed their year end from July 31 to June 30.

Basis of Accounting - The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America.

Basis of Presentation - Net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. The Organization reports information regarding its financial position and activities to two classes of net assets: net assets without donor restriction and net assets with donor restriction.

- *Net Assets Without Donor Restriction* – Net assets that are not subject to or are no longer subject to donor-imposed stipulations.
- *Net Assets With Donor Restriction* – Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Revenue Recognition - Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions received with donor-imposed restrictions and related gains and investment income that are met in the same year as received are reported as net assets without donor restrictions.

The Organization recognizes revenue under the guidance of Accounting Standards Codification (“ASC”) 606, *Revenue from Contracts with Customers*, with the exception of contributions which are outside the scope of the standard. The standard outlines a five-step model whereby revenue is recognized as performance obligations within a contract are satisfied to achieve the core principle that a company should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services.

Ticket revenue is earned through individual tickets or season subscriptions. Individual ticket revenue is recognized upon completion of each show performance at a point in time. Season subscription revenue is recognized proportionally upon completion of each individual show over time through the course of the season. Educational services revenue is recognized at a point in time upon completion of the services.

The timing of revenue recognition was as follows for the 11 months ended June 30, 2022 and the year ended July 31, 2021:

	June 30 2022	July 31 2021
Revenue recognized at a point in time	\$ 228,404	\$ 25,872
Revenue recognized over time	513,649	157,784
Revenue not subject to ASC 606	1,263,550	1,148,264
Total	<u>\$ 2,183,814</u>	<u>\$ 1,331,920</u>

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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. Estimates are used in accounting for, among other things, depreciation and amortization, allowance for doubtful accounts, present value of unconditional promises to give, and in-kind contributions. Actual results could differ from those estimates.

Cash and Cash Equivalents - The Organization considers all short-term investments with an original maturity of three months or less to be cash equivalents.

Credit Risk - Financial instruments that potentially subject the Organization to credit risk consist principally of cash at financial institutions and investments. At times, the balances in cash accounts may be in excess of FDIC insurance limits. Management continuously monitors the Organization’s balances at financial institutions and invests excess operating cash in short-term investments.

Investments - Investments are accounted for in accordance with ASC 958-320, *Not-For-Profit Entities: Investments – Debt and Equity Securities*. Marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair value in the statement of financial position.

Net appreciation (depreciation) in fair value of investments, which consists of both the realized gains or losses and the unrealized appreciation (depreciation) of those investments, is reported in the statement of activities. Interest income is accrued as earned and reported net of investment advisory and transaction fees.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible the changes in the values of investment securities will occur in the near term and that such changes could materially affect account balances and the amounts reported in the statement of financial position. The Organization typically does not hold investments received from donors.

Accounts and Pledges Receivable - Accounts and pledges receivable are comprised of amounts due from various contributors. Accounts receivable are recognized as revenue in the period services are provided. Pledges to give are recognized as revenue or gains in the period the promises are received and as assets and contributed revenue. 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 to net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. No allowance has been recorded for uncollectible accounts or pledges receivable.

One donor accounted for approximately 98% of accounts and pledges receivable as of June 30, 2022. Two donors accounted for approximately 98% of accounts and pledges receivable as of July 31, 2021. One donor accounted for approximately 13% of revenue for the 11 months ended June 30, 2022. One donor accounted for approximately 15% of revenue for the year ended July 31, 2021.

Property and Equipment - Property and equipment is stated at cost or, if acquired by gift, at the estimated fair value at the date of the gift. The Organization's policy is to capitalize property and equipment greater than \$500. Maintenance and repairs are charged to expense as incurred while significant replacements and betterments are capitalized. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any gain or loss on disposition is reflected in other income.

Depreciation is computed using the straight-line method based upon the estimated useful lives of the assets from the date when the assets were placed in service. The useful lives for property and equipment are as follows:

<u>Property/Equipment</u>	<u>Years</u>
Equipment and furniture	4-10 years
Leasehold improvements	15 years, or the remaining life of the lease
Buildings	30 years

Deferred Revenue - Deferred revenue represents monies received in advance for performance and season ticket purchases. The amount will be recognized as revenue in accordance with the Organization's revenue recognition policy. Beginning balances of deferred revenue were \$124,916 and \$2,426 as of August 1, 2021 and 2020.

Income Taxes - The Organization has been recognized by the Internal Revenue Service as exempt from income tax in accordance with Section 501(c)(3) of the Internal Revenue Code and is therefore generally exempt from federal and state income taxes.

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 11 months ended June 30, 2022 and the year ended July 31, 2021, there were no tax interest or penalties reflected in the statements of activities or in the statements of financial position.

In-Kind Contributions - Contributions of services and other expenses are recognized if they directly benefit the Organization. The Organization evaluates and determines the value of in-kind contributions by comparing them to the purchase price of the same or similar goods or services contributed.

In-kind contributions consist of the following for the 11 months ended June 30, 2022 and the year ended July 31, 2021:

	June 30, 2022	July 31, 2021
Housing for artist	\$ -	\$ 15,898
Donations for fundraising efforts	-	1,279
Total	<u>\$ -</u>	<u>\$ 17,177</u>

Allocation of Expenses - The costs of providing the various program and supporting services of the Organization have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the program and supporting services benefited. Expenses that can be identified with a specific program are allocated directly according to their natural expenditure classification.

Summarized Financial Information for 2021 - The financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization’s financial statements for the year ended July 31, 2021, from which the summarized information was derived.

Recently Adopted Accounting Standards - In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02, *Leases*. The new standard establishes a right-of-use (“ROU”) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2021, with early adoption permitted. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Organization is currently evaluating the impact of adopting this standard.

In September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new standard updates financial statement disclosures for nonfinancial donated assets, both on the face of the Statement of Activities as well as in the notes to the financial statements to provide some clarity regarding the amount of in-kind donations as well as how management determined the value of the donations. The new standard is effective for fiscal years beginning after June 15, 2021. The Organization adopted the standard as of August 1, 2021 and included additional disclosures regarding in-kind contributions in the footnote above.

Reclassification – Certain reclassifications have been made to the 2021 financial statements to conform to the 2022 presentation.

Subsequent Events - The Organization has performed an evaluation of subsequent events in accordance with ASC Topic 855, *Subsequent Events*, through December 15, 2022, which is the date these financial statements were available to be issued.

NOTE 2 – ACCOUNTS AND PLEDGES RECEIVABLE - NET

The Organization’s accounts and pledges receivable are comprised primarily of contributions from private donors and foundations. Accounts and pledges receivable consist of the following as of:

	June 30, 2022	July 31, 2021
Unconditional pledges receivable	\$ 2,960	\$ 54,150
Accounts receivable	185,017	157,784
Net accounts and pledges receivable	<u>\$ 187,977</u>	<u>\$ 211,934</u>
The accounts and pledges receivable are due as follows:		
Less than one year	\$ 187,977	\$ 211,934
Total accounts and pledges receivable	<u>\$ 187,977</u>	<u>\$ 211,934</u>

Pledges promised over multiple years are assessed a discount for the present value discount for the time value of the pledge. No discount was recorded on pledges as of June 30, 2022 or July 31, 2021.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of:

	June 30, 2022	July 31, 2021
Office furniture and equipment	\$ 64,329	\$ 64,329
Leasehold improvements	2,223,630	2,223,630
	2,287,959	2,287,959
Less accumulated depreciation	(614,109)	(473,773)
	<u>\$ 1,673,850</u>	<u>\$ 1,814,186</u>

Depreciation expense was \$140,336 for the 11 months ended June 30, 2022 and \$153,094 for the year ended July 31, 2021.

NOTE 4 – NOTES PAYABLE

Effective January 1, 2019, the Organization entered into a loan agreement with related parties for \$200,000. The agreement requires quarterly interest payments at a fixed rate of 3.00% and matured on January 15, 2021. There was no outstanding balance as of June 30, 2022.

Effective May 25, 2020, the Organization entered into a loan agreement with the U.S. Small Business Administration for \$149,900. The loan has an annual interest rate of 2.75% and matures on May 25, 2050. The loan requires monthly payments of interest of \$641 beginning in November 2022 and interest and principal beginning in 2026. The outstanding balance on the loan was \$149,900 as of June 30, 2022.

Effective April 20, 2020, the Organization entered into a Paycheck Protection Program loan with Live Oak Banking Company for \$81,000. The loan had an annual interest rate of 1% and matured on April 20, 2022. There was no outstanding balance as of June 30, 2022, as the Organization received full forgiveness on the loan in February 2021. During the 11 months ended June 30, 2022 and the year ended July 31, 2021, \$0 and \$10,000, respectively, were recognized as contribution revenue based on the Organization's calculation of loan forgiveness and actual forgiveness received.

Scheduled future maturities for the loans noted above is as follows for the 11 months ended June 30, 2022:

Years ended June 30,

2023	\$	-
2024		-
2025		-
2026		3,310
2027		3,707
Thereafter		142,883
	<u>\$</u>	<u>149,900</u>

NOTE 5 – RESTRICTIONS ON NET ASSETS

The board designated net assets of \$45,000 to fund projects specifically for board approval as of June 30, 2022 and July 31, 2021. These funds are still classified as net assets without donor restrictions within these financial statements as the restriction is not externally imposed.

Net assets with donor restrictions are restricted for the following purposes and periods as follows:

	<u>June 30, 2022</u>	<u>July 31, 2021</u>
Pledges receivable	\$ -	\$ 448
Restricted for subsequent years' activities	281,286	271,312
Capital campaign restricted funds	569,866	-
Total net assets with donor restrictions	<u>\$ 851,152</u>	<u>\$ 271,760</u>

Net assets released from restrictions by meeting contribution time requirements from prior years were \$223,394 and \$34,000 for the 11 months ended June 30, 2022 and the year ended July 31, 2021, respectively.

NOTE 6 – TRANSACTIONS WITH RELATED PARTIES

The Organization leases the facility located at 602 NE Prescott Street from Playhouse on Prescott, LLC owned by the current board chairman and relative of employees of the Organization. Rent expense for the facility amounted to \$2,300 per month. Total rent expense totaled \$25,300 for the 11 months ended June 30, 2022 and \$27,600 for the year ended July 31, 2021.

The lease continues through October 31, 2045; however, the Organization may elect to terminate the lease at any time upon six months' notice. Rent increases 2% per year for the full term of the lease. Future minimum rental payments as of June 30, 2022 are \$14,076.

The lease contains an option for the Organization to purchase Playhouse on Prescott, LLC. The Organization intends to exercise that purchase option and has begun a capital campaign to raise the necessary funds. The sales price shall be equal to the original purchase price of \$625,000, plus all capital improvements, repairs, expenses, and maintenance paid for by the landlord. If the lease is terminated by the Organization, the building shall be sold and the proceeds shall be paid first to the members of Playhouse on Prescott, LLC to recoup their total investment and Portland Playhouse would receive any remaining proceeds.

Contributions from board members were \$14,213 and \$39,221 for the 11 months ended June 30, 2022 and the year ended July 31, 2021, respectively.

NOTE 7 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization's working capital and cash flows have seasonal variations during the year attributable to a concentration of contributions received near the fiscal year end and the timing and popularity of performances. Monthly cash outflows vary each year based on the timing and number of performances. To manage liquidity, the Organization actively advertises its performances, seeks out new donors, works diligently to collect accounts receivable, and manages its spending activity with the goal of maintaining a balanced budget.

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts, if any, not available for general use within one year of the balance sheet date because of contractual or donor-imposed restrictions or internal designations. Amounts available include donor-restricted amounts that are available for expenditure in the following year.

	June 30, 2022	July 31, 2021
Cash and cash equivalents	\$ 1,104,034	\$ 619,665
Receivables, collected in less than one year	187,977	211,934
Total financial assets	<u>\$ 1,292,011</u>	<u>\$ 831,599</u>
Other donor restrictions	(851,152)	(271,760)
Add back: amounts available for donor-specified expenditures in the following year	<u>851,152</u>	<u>271,312</u>
Financial assets available to meet cash needs for expenditures within one year	<u><u>\$ 1,292,011</u></u>	<u><u>\$ 831,151</u></u>

NOTE 8 - COMMITMENTS AND CONTINGENCIES

In March 2020, the World Health Organization declared the Coronavirus (“COVID-19”) outbreak a pandemic. Citizens and the economies of the United States of America and other countries have been negatively impacted by this pandemic. During and subsequent to the end of fiscal 2021, the Organization has been impacted by the spread of COVID-19. The extent to which COVID-19 impacts the Organization’s business will depend upon numerous evolving factors that the Organization is not able to predict at this time, including results of steps taken, and yet to be taken, by governments and financial institutions and the cancellation of major fundraising events and the final show of the season. During the year ended July 31, 2021, all in-person shows were cancelled indefinitely, resulting in the loss of revenue, but a decrease in corresponding expenses related to these events and programs. The Organization re-opened for in-person shows beginning in the fall of 2021; however, the Organization has put into place measures to reduce exposure, including capacity limitations and vaccination and testing requirements. The significance and the duration of the pandemic’s financial impact are indeterminable.