



PORTLAND PLAYHOUSE

Financial Statements
For the Year Ended July 31, 2015
With Independent Auditor's Report



PORTLAND PLAYHOUSE
YEAR ENDED JULY 31, 2015
CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS:	
Statement of Financial Position	2
Statement of Activities and Changes in Net Assets	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6-10

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Portland Playhouse
Portland, OR

We have audited the accompanying financial statements of Portland Playhouse (a non-profit organization) which comprise the statement of financial position as of July 31, 2015, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Portland Playhouse as of July 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Perkins & Company, P.C.

December 14, 2015

PORTLAND PLAYHOUSE
STATEMENT OF FINANCIAL POSITION
JULY 31, 2015

ASSETS

Cash and cash equivalents	\$	21,755
Pledges Receivable - net		48,603
Prepaid expenses and other assets		53,315
Property and equipment - net		57,254
Total assets	\$	<u><u>180,927</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES:

Deferred revenue	\$	43,569
Total liabilities		<u>43,569</u>

COMMITMENTS AND CONTINGENCIES

NET ASSETS:

Unrestricted:		
Board designated reserve		10,000
Available for programs and operations		<u>16,436</u>
Total unrestricted net assets		26,436
Temporarily restricted		<u>110,922</u>
Total net assets		<u><u>137,358</u></u>
	\$	<u><u>180,927</u></u>

See notes to financial statements.

PORTLAND PLAYHOUSE
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JULY 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE:			
Support:			
Corporations	\$ 47,284	\$ -	\$ 47,284
Foundations	126,360	18,000	144,360
Government grants	52,799	-	52,799
Individuals	233,464	40,000	273,464
In-kind support	35,850	-	35,850
Special projects	37,601	-	37,601
Total support	<u>533,358</u>	<u>58,000</u>	<u>591,358</u>
Revenue:			
Educational services	31,512	-	31,512
Season subscriptions	82,921	-	82,921
Single tickets	285,985	-	285,985
Other income	28,837	-	28,837
Total revenues	<u>429,255</u>	<u>-</u>	<u>429,255</u>
Net assets released from restrictions	<u>42,300</u>	<u>(42,300)</u>	<u>-</u>
Total support and revenues	<u>1,004,913</u>	<u>15,700</u>	<u>1,020,613</u>
EXPENSES:			
Artistic expenses	698,581	-	698,581
Education expenses	70,636	-	70,636
Management and general expenses	147,188	-	147,188
Fundraising expenses	104,176	-	104,176
Total expenses	<u>1,020,581</u>	<u>-</u>	<u>1,020,581</u>
INCREASE (DECREASE) IN NET ASSETS	<u>(15,668)</u>	<u>15,700</u>	<u>32</u>
NET ASSETS AT BEGINNING OF YEAR	<u>42,104</u>	<u>95,222</u>	<u>137,326</u>
NET ASSETS AT END OF YEAR	<u>\$ 26,436</u>	<u>\$ 110,922</u>	<u>\$ 137,358</u>

See notes to financial statements.

PORTLAND PLAYHOUSE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JULY 31, 2015

	Program Services		Total Program Services	Supporting Services		Total Supporting Services	Total Expenses
	Artistic Services	Education Services		Management and General	Fundraising		
Salaries	\$ 95,795	\$ 35,050	\$ 130,845	\$ 76,073	\$ 52,157	\$ 128,230	\$ 259,075
Prospecting	-	-	-	-	10,006	10,006	10,006
Professional fees	-	-	-	17,236	-	17,236	17,236
Supplies	-	-	-	2,589	-	2,589	2,589
Gifts in kind	10,615	-	10,615	10,473	15,307	25,780	36,395
Postage and shipping	-	-	-	1,839	-	1,839	1,839
Occupancy	38,082	-	38,082	9,520	-	9,520	47,602
Education programs	-	35,586	35,586	-	-	-	35,586
Production sets and costumes	47,830	-	47,830	-	-	-	47,830
Advertising and marketing	110,852	-	110,852	-	-	-	110,852
Casting	525	-	525	-	-	-	525
Royalties	46,368	-	46,368	-	-	-	46,368
Artistic costs	15,636	-	15,636	-	-	-	15,636
Printing and publications	-	-	-	410	-	410	410
Travel	-	-	-	451	-	451	451
Conferences and meetings	-	-	-	5,846	-	5,846	5,846
Director and actor fees	332,878	-	332,878	-	-	-	332,878
Recognition awards	-	-	-	5,214	-	5,214	5,214
Insurance	-	-	-	4,983	-	4,983	4,983
Special events	-	-	-	-	25,746	25,746	25,746
Other expenses	-	-	-	4,238	960	5,198	5,198
Total other expenses	698,581	70,636	769,217	138,872	104,176	243,048	1,012,265
Expenses before depreciation	698,581	70,636	769,217	138,872	104,176	243,048	1,012,265
Depreciation of property and equipment	-	-	-	8,316	-	8,316	8,316
TOTAL FUNCTIONAL EXPENSES	\$ 698,581	\$ 70,636	\$ 769,217	\$ 147,188	\$ 104,176	\$ 251,364	\$ 1,020,581

See notes to financial statements.

**PORTLAND PLAYHOUSE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JULY 31, 2015**

CASH FLOWS FROM OPERATING ACTIVITIES:	
Increase in net assets	\$ 32
Adjustments to reconcile increase in net assets to net cash used in operating activities:	
Depreciation and amortization	8,316
Amortization of discount on multi-year pledge	822
Net changes in:	
Receivables	11,506
Prepaid expenses and other assets	3,700
Accounts payable	(36,399)
Other liabilities	(5,338)
Deferred revenue	(23,958)
Net cash used in operating activities	<u>(41,319)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of property and equipment	<u>(15,703)</u>
Net cash used in investing activities	(15,703)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(57,022)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>78,777</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 21,755</u></u>

See notes to financial statements.

PORTLAND PLAYHOUSE
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2015

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.

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. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

- *Unrestricted net assets* – Net assets not subject to donor-imposed stipulations. Unrestricted net assets include net assets for which the Board of Directors has imposed various internal stipulations as to usage.
- *Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time.
- *Permanently restricted net assets* – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. The Portland Playhouse has no permanently restricted net assets for the year ended July 31, 2015.

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

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.

Prepaid Expenses and Other Assets - Prepaid expenses and other assets include a prepaid bond which is required to be held by the Actors Equity Association. This is required for Organizations who hire professional theatre actors from the union maintained with the Association. The prepaid bond was \$18,568 at July 31, 2015. The remaining balance in prepaid expenses and other assets is comprised of general prepaid expenses.

Pledges Receivable - Pledges receivable are comprised of amounts due from various contributors. 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 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. The Organization had no permanently restricted contributions during the year.

Pledges promised over multiple years are assessed a discount for the present value discount for the time value of the pledge. The multi-year discount as of July 31, 2015 was \$822.

Three donors accounted for approximately 83% of pledges receivable as of July 31, 2015.

Property and Equipment - Property and equipment are stated at cost or, if acquired by gift, at the estimated fair value at the date of the gift. Depreciation for equipment and furniture is computed using the straight-line method over the estimated useful lives of seven years. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in the statement of activities and changes in net assets for the period. The cost of maintenance and repairs is charged to expense as incurred while significant renewals and betterments are capitalized.

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.

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 years ended July 31, 2015, there was no tax interest or penalties reflected in the statement of activities or in the statement of financial position.

Revenue Recognition - Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., donor stipulated purpose has been fulfilled and/or

the stipulated time period has elapsed) would be reported in the statements of activities and changes in net assets as net assets released from restrictions.

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 unrestricted revenues.

Educational services revenue is recognized when earned. Season subscription revenue is recognized proportionally upon completion of each individual show and single ticket revenue is recognized upon completion of each show performance.

In-Kind Contributions - Contributions of services and other expenses are recognized if they directly benefit the Organization. In-kind contributions amounted to approximately \$36,000 during the year ended July 31, 2015.

Allocation of Expenses - The costs of providing the various program services and supporting services of the Company 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.

Recently Adopted Accounting Standards - In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, “*Revenue from Contracts with Customer*,” which supersedes nearly all existing revenue recognition guidance under accounting principles generally accepted in the United States of America (“U.S. GAAP”). The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP. The standard is effective for annual periods beginning after December 15, 2018. The Organization has not yet evaluated the impact of adopting this standard.

Subsequent Events - The Company has performed an evaluation of subsequent events in accordance with ASC Topic 855, *Subsequent Events*, through December 14, 2015, which is the date these financial statements were available to be issued.

NOTE 2 – PLEDGES RECEIVABLE

The Organization’s pledges receivable are comprised primarily of private donors and foundations. Pledges receivable at July 31, 2015 consist of:

Unconditional pledges receivable	49,425
Less: Unamortized discount	822
Net pledges receivable	<u>48,603</u>

The pledges receivable are due as follows:

Less than one year	38,603
One to five years	10,000
Total pledges receivable	<u>\$ 48,603</u>

Pledges receivable with due dates extending beyond one year are discounted using prime rates. The applicable rate at July 31, 2015 was 3.25%.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at July 31:

Office furniture and equipment	\$ 72,352
Accumulated depreciation	(15,098)
	<u>\$ 57,254</u>

Depreciation expense was \$8,316 for the year ended July 31, 2015.

NOTE 4 – RESTRICTIONS ON NET ASSETS

Prior to the year ended July 31, 2015, the board designated net assets of \$10,000 to fund projects specifically for board approval.

Temporarily restricted net assets are restricted for the following purposes or periods as follows:

Restricted for education	\$ 10,000
Restricted for subsequent years’ activities	100,922
Total temporarily restricted net assets	<u>\$ 110,922</u>

Net assets were released from restrictions by meeting contribution time requirements from prior years, restricted for 2015 activities. Total net assets released from restrictions for the year ended July 31, 2015 was \$42,300.

NOTE 5 – 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 \$2,000 per month and totaled \$24,000 for the year ended July 31, 2015. The current agreement obligates the Organization through December 2015. The lease contains a renewal option for an additional nine-year period, escalating at 4% each year. Future minimum rental payments due under the lease are \$10,000 for the year ending July 31, 2016. The lease contains an option for the Organization to purchase Playhouse on Prescott, LLC for fair value upon the expiration of the original term of the lease. The Organization estimates that the rent expense is at fair market value.