

PORTLAND PLAYHOUSE

Consolidated Financial Statements
For the Year Ended June 30, 2023
With Independent Auditor's Report

Perkins & Co

PORTLAND PLAYHOUSE
FOR THE YEAR ENDED JUNE 30, 2023
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Portland Playhouse
Portland, OR

Opinion

We have audited the accompanying consolidated financial statements of Portland Playhouse (a non-profit organization) which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Portland Playhouse as of June 30, 2023, 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.

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 Consolidated 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.

Emphasis of Matter

As disclosed in Note 1 to the consolidated financial statements, during 2023 the Organization has changed its method for accounting for leases due to the adoption of Accounting Standards Codification ("ASC") Topic 842, Leases. Our opinion is not modified with respect to this matter.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 consolidated financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 2022 financial statements, and our report dated December 15, 2022 expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the 11 months ended June 30, 2022, is consistent in all material respects with the audited financial statements from which it has been derived.

Perkins & Company, P.C.

Portland, OR
January 30, 2024

PORTLAND PLAYHOUSE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2023

(With comparative totals for June 30, 2022)

	2023	2022
ASSETS		
Cash and cash equivalents	$ 696,837	$ 1,104,034
Accounts and pledges receivable - net	80,751	187,977
Prepaid expenses and other assets	25,015	33,585
Property and equipment - net	1,899,822	1,673,850
Finance right of use asset - net	428,487	-
Total assets	$ 3,130,912	$ 2,999,446
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Note payable	$ 149,900	$ 149,900
Finance lease liability	434,796	-
Accounts payable	22,678	15,999
Accrued payroll liabilities	38,287	38,603
Deferred revenue	35,670	30,128
Total liabilities	681,331	234,630
NET ASSETS:		
Net assets without donor restrictions		
Board designated reserve	45,000	45,000
Available for programs and operations	1,379,374	1,868,664
Total net assets without donor restrictions	1,424,374	1,913,664
Net assets with donor restrictions	1,025,207	851,152
Total net assets	2,449,581	2,764,816
	$ 3,130,912	$ 2,999,446

See notes to consolidated financial statements.

PORTLAND PLAYHOUSE

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2023

(With comparative totals for the 11 months ended June 30, 2022)

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total 2023	Total 2022
OPERATING SUPPORT AND REVENUE:				
Support:				
Corporations	$ 12,527	$ -	$ 12,527	$ 9,930
Foundations	139,127	215,000	354,127	406,550
Government grants	373,210	220,641	593,851	255,569
Individuals	317,030	19,700	336,730	237,490
In-kind support	9,653	-	9,653	-
Special projects	4,600	-	4,600	10,725
Total operating support	856,147	455,341	1,311,488	920,264
Revenue:				
Educational services	349,773	-	349,773	439,800
Season subscriptions	74,375	-	74,375	74,011
Single tickets	230,323	-	230,323	205,195
Other income	134,097	-	134,097	23,044
Total operating revenues	788,568	-	788,568	742,050
Net assets released from restrictions	281,286	(281,286)	-	-
Total operating support and revenues	1,926,001	174,055	2,100,056	1,662,314
OPERATING EXPENSES:				
Artistic expenses	1,414,894	-	1,414,894	961,161
Education expenses	483,519	-	483,519	380,190
Management and general expenses	177,678	-	177,678	160,168
Fundraising expenses	154,585	-	154,585	130,768
Total operating expenses before depreciation and amortization	2,230,676	-	2,230,676	1,632,287
Net operating income before depreciation and amortization	(304,675)	174,055	(130,620)	30,027
Depreciation of property and equipment	165,429	-	165,429	140,336
Amortization of right of use asset	19,186	-	19,186	-
Net operating (loss) income	(489,290)	174,055	(315,235)	(110,309)
NON-OPERATING INCOME:				
Capital campaign contributions	-	-	-	521,500
Total non-operating income	-	-	-	521,500
(DECREASE) INCREASE IN NET ASSETS	(489,290)	174,055	(315,235)	411,191
NET ASSETS AT BEGINNING OF YEAR	1,913,664	851,152	2,764,816	2,353,625
NET ASSETS AT END OF YEAR	$ 1,424,374	$ 1,025,207	$ 2,449,581	$ 2,764,816

See notes to consolidated financial statements.

PORTLAND PLAYHOUSE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2023

(With comparative totals for the 11 months ended June 30, 2022)

	Program Services		Total	Supporting Services		Total		
	Artistic Services	Education Services	Program Services	Management and General	Fundraising	Supporting Services	Total 2023	Total 2022
Salaries	$ 367,746	$ 387,345	$ 755,091	$ 74,500	$ 127,468	$ 201,968	$ 957,059	$ 680,301
Prospecting	-	-	-	-	8,083	8,083	8,083	11,765
Professional fees	-	-	-	21,123	-	21,123	21,123	36,439
Supplies	-	-	-	2,447	-	2,447	2,447	1,375
Gifts in kind	-	-	-	-	1,991	1,991	1,991	183
Postage and shipping	-	-	-	3,438	-	3,438	3,438	3,964
Occupancy	54,756	7,822	62,578	15,645	-	15,645	78,223	49,360
Education programs	-	68,586	68,586	-	-	-	68,586	63,929
Production sets and costumes	44,756	-	44,756	80	-	80	44,836	58,225
Advertising and marketing	79,065	19,766	98,831	-	-	-	98,831	103,754
Casting	12,110	-	12,110	-	-	-	12,110	409
Royalties	25,747	-	25,747	-	-	-	25,747	19,145
Artistic costs	111,294	-	111,294	-	-	-	111,294	70,157
Printing and publications	-	-	-	270	-	270	270	1,310
Travel	14,375	-	14,375	13	-	13	14,388	13,600
Conferences and meetings	-	-	-	10,934	-	10,934	10,934	14,692
Director, stage production, and actor fees	702,106	-	702,106	-	-	-	702,106	465,612
Recognition awards	-	-	-	459	-	459	459	294
Insurance	-	-	-	12,375	-	12,375	12,375	8,613
Special events	2,939	-	2,939	-	17,043	17,043	19,982	6,678
Other expenses	-	-	-	36,394	-	36,394	36,394	22,482
Total other expenses	1,414,894	483,519	1,898,413	177,678	154,585	332,263	2,230,676	1,632,287
Expenses before depreciation	1,414,894	483,519	1,898,413	177,678	154,585	332,263	2,230,676	1,632,287
Depreciation of property and equipment	-	-	-	165,429	-	165,429	165,429	140,336
Amortization of right of use asset	-	-	-	19,186	-	19,186	19,186	-
TOTAL FUNCTIONAL EXPENSES	$ 1,414,894	$ 483,519	$ 1,898,413	$ 362,293	$ 154,585	$ 516,878	$ 2,415,291	$ 1,772,623

See notes to consolidated financial statements.

PORTLAND PLAYHOUSE

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2023

(With comparative totals for June 30, 2022)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
(Decrease) increase in net assets	$ (315,235)	$ 411,191
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities:		
Depreciation	165,429	140,336
Amortization of finance right of use asset	19,186	-
Net changes in:		
Accounts and pledges receivable	107,226	23,957
Prepaid expenses and other assets	8,570	(19,603)
Accounts payable	6,679	9,409
Accrued payroll liabilities	(316)	13,867
Deferred revenue	5,542	(94,788)
Net cash (used in) provided by operating activities	(2,919)	484,369
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(391,401)	-
Net cash used in investing activities	(391,401)	-
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on finance lease liability	(12,877)	-
Net cash used in financing activities	(12,877)	-
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(407,197)	484,369
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,104,034	619,665
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 696,837	$ 1,104,034
NON-CASH FINANCING ACTIVITIES		
Finance right of use asset recorded through finance lease liability	$ 447,673	$ -
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	$ 4,487	$ -

See notes to consolidated financial statements.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - The Portland Playhouse 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 Portland Playhouse 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 Portland Playhouse also provides educational services to the community.

The 6th Street Artist House, LLC, an Oregon limited liability company wholly owned by the Portland Playhouse, was formed in March 2023 for the purpose of acquiring, holding and managing an investment property.

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

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

Principles of Consolidation - The accompanying consolidated financial statements include the accounts of the Portland Playhouse and 6th Street Artist House, LLC (together, "the Organization"). All significant intercompany accounts and transactions have been eliminated in consolidation.

Basis of Accounting - The consolidated 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 year ended June 30, 2023 and the 11 months ended June 30, 2022:

	2023	2022
Revenue recognized at a point in time	$ 424,148	$ 228,404
Revenue recognized over time	364,420	513,649
Revenue not subject to ASC 606	1,311,488	1,441,761
Total	$ 2,100,056	$ 2,183,814

Use of Estimates - The preparation of consolidated 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 consolidated 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.

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, 2023 and 2022. One donor accounted for approximately 11% and 13% of revenue for the years ended June 30, 2023 and 2022, respectively.

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:

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

Leases - In February 2016, the FASB issued 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: ASU 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*; ASU 2018-10, *Codification Improvements to Topic 842, Leases*; ASU 2018-11, *Leases (Topic 842): Targeted Improvements*; and ASU 2019-01, *Leases (Topic 842): Codification Improvements*. 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.

The Company adopted ASC 842, *Leases*, effective July 1, 2022 and elected the optional transitional method to apply the transition provisions from the date of adoption, which requires the Company to report the cumulative effect of the adoption of the standard on the date of adoption with no changes to the prior period balances. Pursuant to the practical expedients, the Company elected not to reassess: (i) whether expired or existing contracts are or contain leases, (ii) the lease classification for any expired or existing leases, or (iii) initial direct cost for any existing leases.

The Company has elected the short-term lease recognition exemption for all applicable classes of underlying assets. Leases with an initial term of 12 months or less, that do not include an option to purchase the underlying asset that we are reasonably certain to exercise, are not recorded on the balance sheet. The Company's lease agreements generally contain lease and non-lease components. Non-lease components, which primarily include maintenance and utilities, are combined with lease payments and accounted for as a single lease component. The Company elected the practical expedient allowing use of the risk-free discount rate for determining the present value of the future lease payments.

For finance leases, the Company records the amortization of the ROU asset as a component of depreciation and amortization, and the accretion of the lease liability as a component of interest expense on the statement of activities and changes in net assets.

The adoption had a material impact on the Company's balance sheet but did not have a material impact on the income statement. The most significant impact was the recognition of ROU assets and lease liabilities, as the Company decided to exercise the lease purchase option at the beginning of the period.

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 $30,128 and $124,916 as of July 1, 2022 and August 1, 2021, respectively.

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 June 30, 2023 and 2022, 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 housing for artist and donations for fundraising efforts. For the year ended June 30, 2023, there were $9,653 in in-kind contributions. No in-kind contributions were received during the 11 months ended June 30, 2022.

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 2022 - The consolidated financial statements include certain prior-period 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 11 months ended June 30, 2022, from which the summarized information was derived.

Recently Adopted Accounting Standards - In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 is intended to provide consolidated financial statement users with more useful information about expected credit losses on financial assets held by a reporting entity at each reporting date. The new standard replaces the existing incurred loss impairment methodology with a methodology that requires consideration of a broader range of reasonable and supportable forward-looking information to estimate all expected credit losses. This ASU is effective for fiscal years beginning after December 15, 2022. The Company is currently evaluating the impact of adopting the standard.

Subsequent Events - The Organization has performed an evaluation of subsequent events in accordance with ASC Topic 855, *Subsequent Events*, through January 30, 2024, which is the date these consolidated 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:

	2023	2022
Unconditional pledges receivable	$ 1,400	$ 2,960
Accounts receivable	79,351	185,017
Net accounts and pledges receivable	$ 80,751	$ 187,977
The accounts and pledges receivable are due as follows:		
Less than one year	$ 80,751	$ 187,977
Total accounts and pledges receivable	$ 80,751	$ 187,977

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, 2023 or 2022.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of:

	June 30, 2022	July 31, 2021
Office furniture and equipment	$ 75,730	$ 64,329
Building	380,000	-
Leasehold improvements	2,223,630	2,223,630
	2,679,360	2,287,959
Less accumulated depreciation	(779,538)	(614,109)
	$ 1,899,822	$ 1,673,850

Depreciation expense was $165,429 and $140,336 for the year ended June 30, 2023 and 11 months ended June 30, 2022, respectively.

NOTE 4 – NOTE PAYABLE

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, 2023.

Scheduled future maturities for the loan is as follows:

Years ended June 30,

2024	$ -
2025	-
2026	3,310
2027	3,707
2028	3,811
Thereafter	139,072
	$ 149,900

NOTE 5 - LEASES

The Company leases a building under a finance lease from a related party, Playhouse on Prescott, LLC, (see Note7). The determination of whether an arrangement is a lease is made at the lease's inception. Under ASC 842, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

Additional information about the Company's leases is as follows as of June 30, 2023:

Lease expense:

Finance lease expense:	
Amortization of ROU asset	$ 19,186
Interest on lease liabilities	14,723
	$ 33,909

Cash flow information:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows used for finance lease	$ 14,723
Financing cash flows used for finance lease	$ 12,877
ROU assets recorded through accrual of lease liabilities:	
Finance leases	$ 447,673

Weighted-averages:

Weighted-average remaining lease term:	
Finance lease	22.27 years
Weighted-average discount rate:	
Finance lease	3.35%

Future payments of lease liabilities as of June 30, 2023 are as follows:

Years ending June 30,

	Finance
2024	$ 27,600
2025	27,600
2026	27,600
2027	27,600
2028	27,600
Thereafter	478,400
Total lease payments	616,400
Less: interest	(181,603)
Present value of lease liabilities	$ 434,797

Total rent expense for the 11-months ended June 30, 2022 totaled $25,300.

NOTE 6 – RESTRICTIONS ON NET ASSETS

The board designated net assets of $45,000 to fund projects specifically for board approval as of June 30, 2023 and 2022. These funds are still classified as net assets without donor restrictions within these consolidated financial statements as the restriction is not externally imposed.

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

	2023	2022
Restricted for subsequent years' activities	$ 455,341	$ 281,286
Capital campaign restricted funds	569,866	569,866
Total net assets with donor restrictions	$ 1,025,207	$ 851,152

Net assets released from restrictions by meeting contribution time requirements from prior years were $281,286 and $223,394 for the year ended June 30, 2023 and 11 months ended June 30, 2022, respectively.

NOTE 7 – TRANSACTIONS WITH RELATED PARTIES

The Organization leases the facility located at 602 NE Prescott Street from Playhouse on Prescott, LLC owned by a relative of employees of the Organization (see Note 5). Rent expense for the facility amounted to $2,300 per month. The lease continues through October 31, 2045; however, the Organization may elect to terminate the lease at any time upon six months' notice.

The lease contains an option for the Organization to purchase Playhouse on Prescott, LLC. The Organization intends to exercise that purchase option. 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 $18,527 and $14,213 for the year ended June 30, 2023 and 11 months ended June 30, 2022, respectively.

NOTE 8 – 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.

	2023	2022
Cash and cash equivalents	$ 696,837	$ 1,104,034
Receivables, collected in less than one year	80,751	187,977
Total financial assets	$ 777,588	$ 1,292,011
Other donor restrictions	(1,913,667)	(851,152)
Add back: amounts available for donor-specified expenditures in the following year	1,913,667	851,152
Financial assets available to meet cash needs for expenditures within one year	$ 777,588	$ 1,292,011