

Artists Repertory Theatre

Financial Statements

June 30, 2017 and 2016

TABLE OF CONTENTS

	<u>Page</u>
REPORT OF THE TREASURER	1
INDEPENDENT AUDITOR'S REPORT	2
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	4
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2017	5
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2016	6
STATEMENTS OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	8
SUPPLEMENTALRY INFORMATION	
STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2017	17
STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2016	18
OTHER INFORMATION	
STATEMENT OF FINANCIAL POSITION AS OF JANUARY 31, 2018	19

ARTISTS REPERTORY THEATRE
Report of the Treasurer
For the year ended June 30, 2017

The financial statements and other information contained in this report have been prepared by management, which is responsible for the information's integrity and objectivity. The financial statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis and are deemed to present fairly the financial position of Artists Repertory Theater and the changes in its net assets and cash flows for the fiscal year ended June 30, 2017.

The Board of Directors for Artists Repertory Theater has also included the statement of financial condition for the period ended January 31, 2018. This statement will be included within our audited financial results this fiscal year ending June 30, 2018. The decision to include this most recent interim statement is to reflect the theater's improved financial condition, and our intent to remain transparent with the theater's members, supporters, and benefactors.

As a means of fulfilling its responsibility for the integrity of financial information included in this report, management relies on a system of internal controls established to ensure, within reasonable limits, that assets are safeguarded against loss or unauthorized use, that transactions are properly recorded and executed in accordance with management's authorization, and that the accounting records can be relied upon to prepare financial statements in accordance with generally accepted accounting principles. This system of internal controls was reviewed and modified as needed in conjunction with the preparation of this report.

The Executive Committee of the Board of Trustees meets periodically with management and the independent accountants to review accounting, auditing, internal accounting controls, and financial reporting matters, and to ensure that all responsibilities are fulfilled with regard to the objectivity and integrity of the Theater's financial statements. The Executive Committee of the Board of Trustees also reviews the scope and results of the Theater's audit, and current and emerging accounting and financial requirements and practices affecting the Theater.

Cyrus M. Vafi
Treasurer
Board of Trustees
Artists Repertory Theater

Mike Barr
Board Chairman
Board of Trustees
Artists Repertory Theater

Independent Auditor's Report

**To the Board of Directors
Artists Repertory Theatre
Portland, Oregon**

Report on the Financial Statements

We have audited the accompanying financial statements of Artists Repertory Theatre, which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 statements of financial position of Artists Repertory Theatre as of June 30, 2017 and 2016, 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.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statements of functional support, revenue and expense on pages 16-17 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statement of financial position as of January 31, 2018 on page 18 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Richard Winkel, CPA

March 9, 2018

ARTISTS REPERTORY THEATRE
STATEMENTS OF FINANCIAL POSITION
June 30, 2017 and 2016

	2017	2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 242,436	\$ 71,397
Investments	-	1,213
Contributions and grants receivable	94,252	29,077
Accounts receivable	46,055	57,619
Deferred charges	111,194	62,942
Other assets	64,776	48,049
Total current assets	558,713	270,297
Property and equipment, net	6,202,038	6,352,806
Total assets	\$ 6,760,751	\$ 6,623,103
LIABILITIES		
Current liabilities:		
Line of credit	\$ 195,000	\$ 200,000
Notes payable, related party, current portion	354,299	348,885
Notes payable, current portion	103,546	98,375
Accounts payable	515,896	464,280
Accrued payroll	364,895	75,103
Accrued expenses	14,466	14,748
Deferred income	407,775	452,986
Total current liabilities	1,955,877	1,654,377
Notes payable, related party	50,000	100,000
Notes payable	2,745,089	2,846,724
Total liabilities	4,750,966	4,601,101
NET ASSETS		
Unrestricted	1,525,392	1,988,206
Temporarily restricted	484,393	33,796
Total net assets	2,009,785	2,022,002
Total liabilities and net assets	\$ 6,760,751	\$ 6,623,103

See the accompanying notes to these financial statements

ARTISTS REPERTORY THEATRE
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
Operating revenues and other support			
Production income	\$ 898,550	\$ -	\$ 898,550
Contributions and grants	1,681,203	475,291	2,156,494
In-kind contributions	34,001	-	34,001
Special event revenue	110,538	-	110,538
Rental income	211,958	-	211,958
Other income	78,505	-	78,505
Net assets released from restrictions	<u>24,694</u>	<u>(24,694)</u>	<u>-</u>
 Total support and revenue	 <u>3,039,449</u>	 <u>(24,694)</u>	 <u>3,490,046</u>
Operating expenses			
Program services	2,124,887	-	2,124,887
Marketing	465,787	-	465,787
Fundraising	310,684	-	310,684
Management and general	<u>600,905</u>	<u>-</u>	<u>600,905</u>
 Total operating expenses	 <u>3,502,263</u>	 <u>-</u>	 <u>3,502,263</u>
 Change in net assets	 (462,814)	 450,597	 (12,217)
 Net assets, beginning of year	 <u>1,988,206</u>	 <u>33,376</u>	 <u>2,022,002</u>
 Net assets, end of year	 <u>\$ 1,525,392</u>	 <u>\$ 484,393</u>	 <u>\$ 2,009,785</u>

See the accompanying notes to these financial statements

ARTISTS REPERTORY THEATRE
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
Operating revenues and other support			
Production income	\$ 1,539,614	\$ -	\$ 1,539,614
Contributions and grants	1,212,498	-	1,212,498
In-kind contributions	106,866	-	106,866
Special event revenue	596,531	-	596,531
Rental income	225,438	-	225,438
Other income	82,188	-	82,188
Net assets released from restrictions	<u>163,523</u>	<u>(163,523)</u>	<u>-</u>
Total support and revenue	<u>3,926,658</u>	<u>(163,523)</u>	<u>3,763,135</u>
Operating expenses			
Program services	2,720,878	-	2,720,878
Marketing	610,848	-	610,848
Fundraising	351,619	-	351,619
Management and general	<u>455,960</u>	<u>-</u>	<u>455,960</u>
Total operating expenses	<u>4,139,305</u>	<u>-</u>	<u>4,139,305</u>
Change in net assets	(212,647)	(163,523)	(376,170)
Net assets, beginning of year	<u>2,200,853</u>	<u>197,319</u>	<u>2,398,172</u>
Net assets, end of year	<u>\$ 1,988,206</u>	<u>\$ 33,796</u>	<u>\$ 2,022,002</u>

See the accompanying notes to these financial statements

ARTISTS REPERTORY THEATRE
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Change in net assets	\$ (12,217)	\$ (376,170)
Adjustment to reconcile increase in net assets to net cash provided by (used in) operating activities		
Depreciation	182,815	179,269
Loss (gain) on investments	1,213	(1,213)
In-kind contribution of office equipment	-	(15,664)
Forgiveness of loan payable	(50,000)	(50,000)
Change in:		
Contributions and grants receivable	(65,175)	93,025
Accounts receivable	11,564	(17,087)
Deferred charges	(48,252)	24,167
Other assets	(16,727)	4,857
Accounts payable	51,616	200,734
Accrued payroll	289,597	58,443
Accrued expenses	(87)	12,962
Deferred income	(45,211)	(147,368)
	299,136	(34,045)
Net cash provided by (used in) operating activities		
Cash flows from investing activities		
Purchase of property and equipment	(32,047)	(117,160)
	(32,047)	(117,160)
Net cash used in investing activities		
Cash flows from financing activities		
Payments on line of credit	(5,000)	-
Borrowings on notes payable	-	300,000
Repayment of notes payable	(91,050)	(96,499)
	(96,050)	203,501
Net cash (used in) provided by financing activities		
Net decrease in cash and cash equivalents	171,039	52,296
Cash and cash equivalents, beginning of year	71,397	19,101
Cash and equivalents, end of year	\$ 242,436	\$ 71,397
Cash paid during the year for interest	\$ 231,846	\$ 210,561

See the accompanying notes to these financial statements

ARTISTS REPERTORY THEATRE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

1. ORGANIZATION

Artists Repertory Theatre, Inc. (the “Theatre”) is a nonprofit organization, incorporated in the State of Oregon in 1982. The Theatre is a professional theater company dedicated to challenging artists and audiences with plays of depth and vibrancy in an intimate environment. The Theatre's support comes primarily from the sale of tickets for performances and from donor contributions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Theatre maintains its books and prepares its financial statements on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared to focus on the Theatre as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of the Theatre's transactions into three classes of net assets – unrestricted, temporarily restricted and permanently restricted, as follows:

- Unrestricted net assets represent net assets not subject to donor-imposed stipulations.
- Temporarily restricted net assets represent net assets subject to donor-imposed stipulations that may or will be met by actions of the Theatre and/or the passage of time.
- Permanently restricted net assets represent net assets subject to donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Theatre.

Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets (where the donor-stipulated purpose has been fulfilled) are reported as net assets released from restrictions. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by donor stipulation or law. As of June 30, 2017 and 2016, the Theatre has unrestricted and temporarily restricted net assets.

Program Services

Program services consist of the following:

Theatre productions

Perform theatre productions of adult and children plays to challenge audiences.

Educational outreach

Educational outreach provides outreach programs oriented towards the educational and creative opportunities for children and youth.

ARTISTS REPERTORY THEATRE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

The Theatre considers all liquid investments with maturities of three months or less at the time of purchase to be cash equivalents.

Investments

The Foundation follows guidance in Accounting Standards Codification (ASC) 820 and 958. Investments are reflected on the statement of financial position at fair value with changes in unrealized gains and losses resulting from changes in fair value reflected in the statement of activities. Interest income is reported as earned.

Accounts, Contributions and Grants Receivable

Accounts, contributions and grants receivable which are expected to be received within one year are reported at net realizable value. Contributions and grants receivable that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contributions and grants revenue.

The allowance for uncollectible receivables is the Theatre's best estimate of the amount of probable losses in existing receivables. The Theatre determines the allowance based on historical write-off experience and current information. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Theatre determined that no allowance is necessary for the year ended June 30, 2017 and 2016.

Deferred Charges

Deferred charges represent costs incurred in advance related to program services that will be delivered in the following year. These costs are recognized as expenses in the fiscal year when the productions are performed or other programs are delivered, and consist of royalties, marketing costs, event expenses, education program expenses, and the cost of labor and materials for sets and costumes.

Property and Equipment

Purchased property and equipment are recorded at cost. Donated property and equipment are recorded at fair market value at the date of the donation. When assets are disposed of, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is recorded in the statements of activities.

Depreciation is computed using the straight-line method over the following estimated useful lives:

Works of art	0 years
Land	0 years
Building	40 years
Building improvements	20 years
Furniture and equipment	5-10 years

ARTISTS REPERTORY THEATRE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Income

Deferred income represents subscriptions received for the subsequent year's Theatre productions. Revenue is recognized as the related productions are performed.

Revenue Recognition

Production income is derived from ticket sales which are recognized when the performance has been completed. Ticket sales collected for the next fiscal year's productions and sponsorship revenues relating to a specific production are deferred and recognized as income in the period in which the related productions are performed.

The Theatre has entered into an agreement with a third party authorizing the use of a portion of the Theatre's land to provide parking services to the public. Parking rental income is based upon a percentage of monthly gross parking revenue and is recognized as earned.

Contributions, Grants and Promises to Give

Contributions and grants are recognized in the period pledged as unrestricted contributions and grants if specified for the current period and there are no donor-imposed restrictions. Contributions and grants specified for future periods or with donor-imposed restrictions are recognized in the period pledged as temporarily restricted contributions. When a restriction expires (either 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 statements of activities as net assets released from restrictions. If a donor-imposed restriction has been met in the same reporting period in which the contribution was received, the contribution is reported as unrestricted support.

Unconditional promises to give are recognized as revenues and contributions and grants receivable in the period the promise is made. Promises to give without donor-imposed restrictions are recorded as unrestricted if specified for the current period. Promises to give with donor-imposed restrictions or specified for future periods are recorded as temporarily restricted. Conditional promises to give are only recognized when the conditions upon which they depend are substantially met and the promises become unconditional.

In-Kind Contributions and Expenses

Donations of property, equipment, materials and other assets are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Donated equipment, materials, and other assets were \$16,915 and \$21,370 for the years ended June 30, 2017 and 2016, respectively.

The Theatre recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donated services are recorded as unrestricted support at their estimated fair value at the date of service. Donated services were \$17,086 and \$85,496 for the years ended June 30, 2017 and 2016, respectively, and consisted of professional services and travel services.

ARTISTS REPERTORY THEATRE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Theatre is organized as a nonprofit corporation exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. In any year in which the Theatre has unrelated business income of \$1,000 or more, before related expenses, the Theatre must file Form 990-T with the Internal Revenue Service and may have to pay tax on such income. The Theatre is not a private foundation.

The Theatre follows accounting standards generally accepted in the United States of America related to the recognition of uncertain tax positions. These standards provide detailed guidance for financial statement recognition, measurement, and disclosure of uncertain tax positions. It requires an entity to recognize the financial statement impact of tax position when it is more likely than not that the position would not be sustained if examined by a taxing authority. Management has determined that the Theatre has no uncertain tax positions as of June 30, 2017 and 2016. The Theatre's federal and state income tax returns are subject to possible examination by the taxing authorities until the expiration of the related statutes of limitations on those tax returns. In general, the federal and state income tax returns have a three year statute of limitations.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of support and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Expense Allocations

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising Costs

Marketing and advertising costs, except for costs associated with promotion of future productions, are recognized as expense when incurred.

Concentrations of Credit Risk

The Theatre maintains its cash in bank accounts that, at times, may exceed federally insured limits. The Theatre has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to cash.

Fair Value Instruments

The carrying value of the Theatre's cash and cash equivalents, accounts receivable, contributions and grants receivable, accounts payable, and accrued expenses approximate market value as of June 30, 2017 and 2016 due to the short-term nature of the instruments.

Prior Period Reclassifications

Certain financial statement amounts from the year ended June 30, 2016 have been reclassified to conform to current year presentation.

ARTISTS REPERTORY THEATRE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

3. LIQUIDITY

As of June 30, 2017, the Theatre had a net asset balance of \$2,009,785, of which \$3,456,949 is from fixed assets net of related debt, leaving a deficit for operations of \$1,447,164. The Theatre also had current assets of \$558,713 compared to current liabilities of \$1,955,877.

Subsequent to year end, the Theatre entered into a Purchase and Sale Agreement on a portion of the building and land. In addition, and in concert, the organization executed a new short-term lending agreement, which paid off the building mortgage and term note payable, and is expected to be paid back with the proceeds from the building sale. Finally, the organization received an extraordinary contribution of \$7.1M from anonymous donors, which allowed the organization to pay off the short-term note in full.

Management believes that these events subsequent to year end should allow the Theatre to continue as a going concern by paying off the debt and other obligations and providing cash reserves.

4. INVESTMENTS

ASC 820, *Fair Value Measurements and Disclosures*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value, maximizes the use of observable inputs, and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. The classification of assets and liabilities within the hierarchy is based on whether the inputs to the valuation methodology used for measurement are observable or unobservable. Observable inputs reflect market-derived or market-based information obtained from independent resources while unobservable inputs reflect estimates about market data.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level I: Observable inputs such as quoted prices in active markets for identical assets or liabilities.
- Level II: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; these include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.
- Level III: Unobservable inputs in which there is little or no market data available, which require the reporting entity to develop its own assumptions.

There are no investments held at June 30, 2017. The Theatre receives stock contributions which are immediately sold and distributed, net of expenses.

ARTISTS REPERTORY THEATRE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

4. INVESTMENTS (Continued)

The following table summarizes the change in investments for the years ended June 30, 2017 and 2016:

		2017		2016
Balance, beginning of year	\$	1,213	\$	-
Stock contribution		577,292		199,550
Change in value		(894)		1,247
Fees		(7,750)		(3,778)
Distribution		(569,536)		(195,806)
Balance, end of year	\$	-	\$	1,213

5. PROPERTY AND EQUIPMENT

Property and equipment at June 30th consist of the following:

		2017		2016
Land	\$	2,537,000	\$	2,537,000
Building and improvements		5,373,072		5,357,449
Furniture and equipment		1,051,185		1,034,760
Works of art		6,750		6,750
		8,968,007		8,935,959
Less accumulated depreciation		(2,765,969)		(2,583,154)
	\$	6,202,038	\$	6,352,806

Depreciation expense was \$182,815 and \$179,269 for the years ended June 30, 2017 and 2016, respectively.

ARTISTS REPERTORY THEATRE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

6. NOTES PAYABLE

The Theatre has notes payable as follows at June 30,

	2017	2016
Note payable to the Scottish Rite requiring monthly payments including interest at 5.50%, collateralized by land, building, and building improvements, due March, 2034.	\$ 2,848,635	\$ 2,945,099
Term note payable to a board member, due May 1, 2017, including interest at 10%.	304,299	298,885
Note payable to a board member, due December, 2018. No interest charged to the organization.	100,000	150,000
	3,252,934	3,393,984
Less current portion	(457,845)	(447,260)
Notes payable, net of current portion	\$ 2,795,089	\$ 2,946,724

Future maturities are as follows for fiscal years ending June 30th:

2018	\$	457,845
2019		159,241
2020		115,249
2021		121,588
2022		128,275
2023-2027		755,291
2028-2032		987,135
2033-2034		528,310
		\$ 3,252,934

Subsequent to year end these notes have been paid off, see Note 9.

7. LINE OF CREDIT

The Theatre has a \$200,000 line of credit available with U.S. Bank that is secured by the Theatre's assets. Interest is payable monthly at prime plus 1.00% (4.50% as of June 30, 2017). Outstanding borrowings on the line of credit were \$195,000 and \$200,000 as of June 30, 2017 and 2016, respectively.

ARTISTS REPERTORY THEATRE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

8. LEASES

The Theatre leases office equipment under operating lease agreements that will expire in July 2022. Rental expense paid in connection with the operating lease was \$17,887 and \$12,879 for the years ended June 30, 2017 and 2016, respectively. Future minimum payments under the leases are as follows for the years ending June 30:

2018	\$ 7,176
2019	5,088
2020	3,000
2012	2,750
2021	<u>125</u>
	<u>\$ 18,139</u>

9. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets consist of the following at June 30,:

	<u>2017</u>	<u>2016</u>
Contributions and grants subject to use restrictions	<u>\$ 484,393</u>	<u>\$ 3,796</u>
	<u>\$ 484,393</u>	<u>\$ 33,796</u>

10. INCOME TAXES

Income related to the commercial parking has been determined to be unrelated business income. Related to this activity, the Theatre has net operating loss carryforwards totaling approximately \$53,600 and \$43,700 as of June 30, 2017 and 2016, respectively, which expire through 2035 and 2034, respectively. A deferred tax asset of approximately \$17,800 and \$14,500 as of June 30, 2017 and 2016, respectively, relating to this loss carryforward has been completely offset by a valuation allowance of the same amount and is therefore not presented in the accompanying financial statements.

The Theatre adopted the provisions of ASC 740 on September 1, 2009. As part of the ASC 740 implementation, the Theatre adopted a policy to record accrued interest and penalties associated with uncertain tax positions in income tax expense in the statements of activities. On initial adoption of ASC 740 and through June 30, 2017, the Theatre recognized no uncertain tax positions nor accrued interest and penalties associated with uncertain tax positions.

ARTISTS REPERTORY THEATRE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

11. SUBSEQUENT EVENTS

The Theatre has evaluated for subsequent events through March 9, 2018, which is the date the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements for the year ended June 30, 2017.

Subsequent to year-end, the organization entered into a Purchase and Sale Agreement (PSA) on a portion of the building and land, with an expected close date of February 28, 2019. In addition, and in concert, the organization executed a new short-term lending agreement, which paid off the Note to Scottish Rite and term note payable, and has a maturity date of February 28, 2019. Finally, the organization received an extraordinary contribution of \$7.1M from anonymous donors, which allowed the organization to pay off the short-term Note in full.

SUPPLEMENTARY INFORMATION

ARTISTS REPERTORY THEATRE
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2017

	Program Services	Marketing	Fundraising	Management and General	Total
Salaries, taxes, and benefits	\$ 1,263,923	\$ 218,691	\$ 128,526	\$ 330,287	\$ 1,941,427
Contracted services	192,560	37,130	10,994	93,952	334,636
Fees and dues	52,289	2,610	20,019	22,968	97,886
Materials and supplies	179,058	4,037	12,960	2,583	198,638
Occupancy	60,541	7,228	6,401	13,835	88,005
Royalties	67,773	-	-	-	67,773
Office	-	-	-	29,813	29,813
Technology	610	14,564	25,868	3,872	44,914
Telecommunications	7,647	995	881	1,905	11,428
Advertising	-	145,901	-	-	145,901
Travel	34,362	-	785	4,513	39,660
Special events	-	-	73,580	-	73,580
Interest	133,936	17,429	15,436	64,251	231,052
Insurance	9,860	1,283	1,136	2,456	14,735
Depreciation	122,328	15,919	14,098	30,470	182,815
Total Expense	\$ 2,124,887	\$ 465,787	\$ 310,684	\$ 600,905	\$ 3,502,263

ARTISTS REPERTORY THEATRE
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2016

	Program Services	Marketing	Fundraising	Management and General	Total
Salaries, taxes, and benefits	\$ 1,475,134	\$ 185,023	\$ 101,810	\$ 223,830	\$ 1,985,797
Contracted services	252,952	59,069	29,988	58,280	400,289
Fees and dues	45,624	3,544	12,332	68,762	130,262
Materials and supplies	245,476	2,489	15,726	3,817	267,508
Occupancy	113,614	8,938	5,787	10,869	139,208
Royalties	125,540	-	-	-	125,540
Office	-	-	-	16,736	16,736
Technology	500	21,639	21,670	1,051	44,860
Telecommunications	8,258	1,062	688	1,291	11,299
Advertising	-	291,840	-	-	291,840
Travel	176,595	1,597	370	1,742	180,304
Special events	-	-	140,170	-	140,170
Interest	135,038	17,366	11,243	47,352	210,999
Insurance	11,127	1,431	926	1,740	15,224
Depreciation	131,020	16,850	10,909	20,490	179,269
Total Expense	\$ 2,720,878	\$ 610,848	\$ 351,619	\$ 455,960	\$ 4,139,305

OTHER INFORMATION

ARTISTS REPERTORY THEATRE
STATEMENT OF FINANCIAL POSITION
January 31, 2018
UNAUDITED

ASSETS

Current assets:

Cash and cash equivalents	\$ 894,696
Investments	1,690,445
Contributions and grants receivable	13,511
Accounts receivable	32,846
Deferred charges	85,033
Other assets	<u>58,932</u>

Total current assets 2,775,463

Accounts receivable, long-term	20,625
Property and equipment, net	<u>6,152,409</u>

Total assets \$ 8,948,497

LIABILITIES

Current liabilities:

Accounts payable	\$ 42,736
Notes payable, related party, current portion	50,000
Accrued payroll	1,062
Accrued expenses	27,594
Deferred income	<u>413,187</u>

Total current liabilities 534,579

Notes payable, related party	<u>300,000</u>
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Total liabilities 834,579

NET ASSETS

Unrestricted	7,690,852
Temporarily restricted	<u>423,066</u>

Total net assets 8,113,918

Total liabilities and net assets \$ 8,948,497