



Gary McGee & Co. LLP
CERTIFIED PUBLIC ACCOUNTANTS

Artists Repertory Theatre

Financial Statements and Other Information
as of and for the Year Ended June 30, 2021
and Report of Independent Accountants

ARTISTS REPERTORY THEATRE

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REPORT OF INDEPENDENT ACCOUNTANTS

*The Board of Directors
Artists Repertory Theatre:*

We have audited the accompanying financial statements of Artists Repertory Theatre, which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, 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; 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. 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 Company'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 Company'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 Artists Repertory Theatre as of June 30, 2021, 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.

Summarized Comparative Information

The financial statements of Artists Repertory Theatre as of June 30, 2020 were audited by other auditors whose report dated March 1, 2021 expressed an unmodified opinion on those statements. As described in note 3, during the year ended June 30, 2021, the Company identified a material error in the 2020 financial statements, and restated the financial statements to correct for the misstatement of a conditional grant receivable.

As part of our audit of the 2021 financial statements, we also audited the adjustment described in note 3 that was applied to restate the comparative 2020 financial statement totals. In our opinion, the adjustment is appropriate and has been properly applied. We were not engaged to audit, review, or apply any procedures to the 2020 financial statements of Artists Repertory Theatre other than with respect to this adjustment and, accordingly, we do not express an opinion or any other form of assurance on the 2020 comparative financial statement totals.

Ernst & Young LLP

September 24, 2021

ARTISTS REPERTORY THEATRE

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2021

(WITH COMPARATIVE AMOUNTS FOR 2020)

	2021	2020 (as restated)
Assets:		
Cash and cash equivalents	\$ 1,047,828	720,066
Contributions and grants receivable (note 4)	160,750	297,217
Deferred charges, prepaid expenses, and other assets	62,929	261,231
Investments (note 5)	6,497,422	5,173,236
Property and equipment (note 6)	7,167,392	7,170,291
Total assets	\$ 14,936,321	13,622,041
Liabilities:		
Accounts payable and accrued expenses	47,481	304,504
Deferred revenues – advance ticket sales	45,585	135,975
Notes payable – Paycheck Protection Program (note 7)	280,897	343,000
Total liabilities	373,963	783,479
Net assets:		
Without donor restrictions:		
Available for programs, general operations, and future capital investment	5,051,376	5,193,191
Net investment in capital assets	7,167,392	7,170,291
Total without donor restrictions	12,218,768	12,363,482
With donor restrictions (note 9)	2,343,590	475,080
Total net assets	14,562,358	12,838,562
Commitments (notes 13 and 14)		
Total liabilities and net assets	\$ 14,936,321	13,622,041

See accompanying notes to financial statements.

ARTISTS REPERTORY THEATRE

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021
(WITH COMPARATIVE TOTALS FOR 2020)

	2021			2020 (as restated)
	Without donor restrictions	With donor restrictions	Total	
Operating revenues, gains, and other support:				
Production revenues (note 10)	\$ 58,610	–	58,610	553,888
Contributions and grants	1,114,304	727,290	1,841,594	987,529
In-kind contributions	65,732	–	65,732	50,388
Special event revenues	76,078	–	76,078	166,730
Total investment return (note 5)	7,618	35	7,653	77,929
Rental income	31,427	–	31,427	59,950
Other	33,840	–	33,840	126,061
Total operating revenues and gains	1,387,609	727,325	2,114,934	2,022,475
Net assets released from restrictions for operating purposes (note 11)	201,327	(201,327)	–	–
Total operating revenues, gains, and other support	1,588,936	525,998	2,114,934	2,022,475
Expenses (note 12):				
Program services:				
Artistic and production	1,352,984	–	1,352,984	2,195,960
Audience development and services	387,552	–	387,552	392,137
Total program services	1,740,536	–	1,740,536	2,588,097
Supporting services:				
Management and general	358,944	–	358,944	299,476
Financial development	30,370	–	30,370	611,013
Total supporting services	389,314	–	389,314	910,489
Total expenses	2,129,850	–	2,129,850	3,498,586
Increase (decrease) in net assets before non-operating activities	\$ (540,914)	525,998	(14,916)	(1,476,111)

Continued

ARTISTS REPERTORY THEATRE

STATEMENT OF ACTIVITIES (CONTINUED)

YEAR ENDED JUNE 30, 2021
(WITH COMPARATIVE TOTALS FOR 2020)

	2021			2020 (as restated)
	Without donor restrictions	With donor restrictions	Total	
Non-operating activities:				
Paycheck Protection Program loan forgiveness (<i>note 7</i>)	\$ 343,000	–	343,000	–
Capital campaign gifts restricted for long-term investment in property and equipment	–	1,395,712	1,395,712	1,765,688
Net assets released from restrictions for capital purposes (<i>note 11</i>)	53,200	(53,200)	–	–
Gain on sale of property (<i>note 6</i>)	–	–	–	5,323,862
Total non-operating activities	396,200	1,342,512	1,738,712	7,089,550
Increase (decrease) in net assets	(144,714)	1,868,510	1,723,796	5,613,439
Net assets at beginning of year, as restated (<i>note 3</i>)	12,363,482	475,080	12,838,562	7,225,123
Net assets at end of year	\$ 12,218,768	2,343,590	14,562,358	12,838,562

See accompanying notes to financial statements.

ARTISTS REPERTORY THEATRE

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30 , 2021

(WITH COMPARATIVE TOTALS FOR 2020)

	2021									2020 Total
	Program services			Supporting services					2021 Total	
	Artistic and production	Audience development and services	Total	Management and general	Financial development	Facilities	Total			
Salaries and related costs	\$ 822,066	219,273	1,041,339	191,708	–	53,374	245,082	1,286,421	1,846,067	
Contracted services	74,832	15,120	89,952	3,200	–	–	3,200	93,152	239,831	
Professional fees and dues	85,197	17,600	102,797	29,963	–	–	29,963	132,760	41,320	
Materials and supplies	28,026	11,703	39,729	3,778	11	4,406	8,195	47,924	204,031	
Occupancy	–	–	–	–	–	222,544	222,544	222,544	473,553	
Royalties	5,500	–	5,500	–	–	–	–	5,500	37,080	
Office expenses	–	–	–	23,256	2,743	–	25,999	25,999	44,602	
Technology	–	1,532	1,532	115,836	–	17,506	133,342	134,874	135,795	
Advertising	–	20,292	20,292	798	–	–	798	21,090	146,346	
Travel	8,151	–	8,151	103	–	–	103	8,254	21,994	
Special event expenses	–	–	–	–	19,049	–	19,049	19,049	45,949	
Insurance	8,652	–	8,652	21,834	–	–	21,834	30,486	22,455	
Depreciation	–	–	–	–	–	67,397	67,397	67,397	62,142	
Other expenses	500	10,353	10,853	22,163	1,384	–	23,547	34,400	177,421	
	1,032,924	295,873	1,328,797	412,639	23,187	365,227	801,053	2,129,850	3,498,586	
Allocation of management and general expenses	106,273	30,441	136,714	(139,099)	2,385	–	(136,714)	–	–	
Allocation of facilities expenses	213,787	61,238	275,025	85,404	4,798	(365,227)	(275,025)	–	–	
Total expenses	\$ 1,352,984	387,552	1,740,536	358,944	30,370	–	389,314	2,129,850	3,498,586	

See accompanying notes to financial statements.

ARTISTS REPERTORY THEATRE

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2021
(WITH COMPARATIVE TOTALS FOR 2020)

	2021	2020
Cash flows from operating activities:		
Cash received from contributors and grantors	\$ 2,204,139	1,370,245
Cash received from admissions and other service fees	33,487	131,439
Investment income	2,767	9,897
Cash paid to employees and suppliers	(2,055,442)	(3,319,208)
Net cash provided by (used in) operating activities	184,951	(1,807,627)
Cash flows from investing activities:		
Proceeds from the sale of investments	363,130	3,377,425
Purchase of investments	(1,679,632)	(7,266,744)
Reinvestment of earnings	(2,798)	–
Capital expenditures	(64,498)	(3,367,686)
Proceeds received upon the sale of capital assets	–	8,847,168
Payments received on note receivable	–	8,000
Net cash provided by (used in) investing activities	(1,383,798)	1,598,163
Cash flows from financing activities:		
Proceeds from contributions restricted for Future long-term capital investment	1,245,712	–
Proceeds received from the issuance of notes payable – Paycheck Protection Program (<i>note 7</i>)	280,897	343,000
Net cash provided by financing activities	1,526,609	343,000
Increase in cash and cash equivalents	327,762	133,536
Cash and cash equivalents at beginning of year	720,066	586,530
Cash and cash equivalents at end of year	\$ 1,047,828	720,066
Supplemental schedule of noncash financing activities:		
Paycheck Protection Program loan forgiveness (<i>note 7</i>)	\$ 343,000	–

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

1. Organization

Artists Repertory Theatre is a nonprofit corporation established in the state of Oregon in 1982. The Company is the longest-running professional theatre company in Portland, Oregon.

The Company's mission is to engage diverse audiences in fresh, thought-provoking and intimate theatre. Productions feature the work of a core group of accomplished Resident Artists, each with a shared history and a shorthand for collaboration, working alongside guest artists from Portland and beyond. The Company is committed to world-class acting, directing, design and stagecraft that support new playwriting and aspire to embody great literature, moving audiences to feel and experience storytelling in a way that only the best live theater can.

2. Summary of Significant Accounting Policies

The significant accounting policies followed by the Company are described below to enhance the usefulness of the financial statements to the reader.

Basis of Accounting – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles and the principles of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors.

Basis of Presentation – Net assets, revenues, gains and losses are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Company and changes therein are classified and reported as follows:

- *Net assets without donor restrictions* – Net assets available for use in general operations and not subject to donor-imposed stipulations. From time to time, the Board of Directors may designate a portion of these net assets for particular purposes and objectives.
- *Net assets with donor restrictions* – Net assets subject to donor-imposed stipulations that will be met either by actions of the Company and/or the passage of time. These balances represent the unexpended portion of donor-restricted contributions, grants and investment return to be used for specific programs and activities as directed by the donor.

Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are also 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-imposed 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 generally accepted accounting principles 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. Actual results could differ from those estimates. In the opinion of management, such differences, if any, would not be significant.

Cash Equivalents – For purposes of the financial statements, the Company considers all liquid investments having initial maturities of three months or less to be cash equivalents. Cash and cash equivalents held as part of the Company’s investment portfolio, and where management’s intention is to use the cash to acquire investments to be held long-term, are classified as investments.

Investments – Investments in marketable securities with readily determinable fair values and all investments in debt securities are carried at their fair value in the statement of financial position. Whenever available, quotations from organized securities exchanges are used as the basis for fair value. For investments not traded on organized exchanges, fair value estimates are provided by investment managers. Valuations provided by fund managers consider variables such as the financial performance and sales of underlying investments and other pertinent information. The Company reviews valuations and assumptions provided by fund managers for reasonableness and believes that the carrying amounts of these financial instruments are reasonable estimates of fair value.

Net investment return, which includes both current yield (interest and dividend income) and net change in the fair value of investments, is reported in the statement of activities, net of investment expenses. Interest income is accrued as earned. All security transactions are recorded on a trade date basis.

The Company has some exposure to investment risks, including interest rate, market, and credit risks, for both marketable and non-marketable securities. Due to the level of risk exposure, it is possible that near-term valuation changes for investment securities may occur to an extent that could materially affect the amounts reported in the accompanying financial statements.

Capital Assets and Depreciation – Property and equipment are carried at cost, and initially measured at fair value when acquired by gift. Depreciation is provided on a straight-line basis over the

estimated useful lives of the respective assets, which is generally 40 years for buildings and building improvements, and five to ten years for furniture and equipment.

Revenue Recognition – With regard to revenues from grants and contracts, the Company evaluates whether each transfer of assets is (1) an exchange (reciprocal) transaction in which a resource provider receives commensurate value in return for the assets transferred, or (2) a nonreciprocal transfer (a contribution or a grant), where no value is exchanged.

- *Exchange Transactions* – If the transfer of assets is determined to be an exchange transaction, the Company recognizes revenue when or as it satisfies the required performance obligations and transfers the promised good or service to a customer, and when the customer obtains control of that good or service.

Cash received related to performances or special events that have not occurred as of the end of the fiscal year are deferred. Such deferred revenue is subsequently recognized upon occurrence of the related production or special event.

- *Contributions and Grants* – If the transfer of assets is determined to be a contribution, the Company evaluates whether the contribution is conditional based upon whether the agreement includes both (1) a barrier that must be overcome to be entitled to the funds and (2) either a right of return of assets transferred or a right of release of a promisor’s obligation to transfer assets.
- *Governmental Support* – Activities funded by governments are often carried out for the benefit of the general public, rather than to obtain goods or services for the government’s own use or proprietary benefit. Accordingly, if the primary beneficiary of the activity is the general public, rather than the government itself, the transaction is treated as nonreciprocal (i.e., a contribution).

Contributions – Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period the donor’s commitment is 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 of assets other than cash are recorded at their estimated fair value.

Contributions and grants received with donor stipulations that limit the use of the donated assets are reported as net assets with donor restrictions.

Unconditional promises to give with payments due in future periods, are recorded as increases in net assets with donor restrictions at the estimated present value of future cash flows using credit adjusted discount rates which articulate to the collection period of the respective pledge. Such discount rates are not subsequently revised. Amortization of the discount is recorded as additional contribution revenue in subsequent years in the appropriate net asset class.

Unconditional contributions and grants receivable are reported net of an allowance for estimated uncollectible promises. Promises to give are written off when deemed uncollectible.

When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributions of capital assets without donor stipulations concerning the use of such long-lived assets are reported as revenues of the net assets without donor restrictions class. Contributions of cash or other assets to be used to acquire capital assets with such donor stipulations are reported as net assets with donor restrictions; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

Benefits Provided to Donors at Special Events – The Company conducts special fundraising events in which a portion of the gross proceeds paid by the participants represents payment for the direct cost of the benefits received by participants at the event. Unless a verifiable, objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the Company.

In-Kind Contributions – A number of unpaid volunteers have made significant contributions of their time to develop and implement the Company’s programs. Under generally accepted accounting principles, significant services received which create or enhance a non-financial asset or require specialized skills that the Company would have purchased if not donated are recognized in the statement of activities. During the year ended June 30, 2021, \$54,497 of contributed services were recorded.

In-kind contributions of land, buildings, equipment, and other materials are recorded where there is an objective basis upon which to value these contributions and where the contributions are an essential part of the Company’s activities. During the year ended June 30, 2021, \$11,235 of contributed materials and supplies were recorded.

Advertising and Promotion – Advertising and promotion costs are charged to expense as they are incurred or the first time the advertising takes place. Advertising costs for the year ended June 30, 2021 totaled \$21,090.

Operating Results – Operating results reported in the statement of activities reflect all transactions that change net assets without donor restrictions, except for gains on the sale of capital assets, the forgiveness of Paycheck Protection Program notes, and net assets released from restrictions for capital purposes.

Depreciation of capital assets is allocated to operating programs and supporting activities based on benefit estimates prepared by management.

Concentrations of Credit Risk – The Company’s financial instruments consist primarily of cash and cash equivalents, equity and fixed income securities, which may subject the Company to concentrations of credit risk as, from time to time, for example, cash balances may exceed amounts insured by the Federal Deposit Insurance Corporation (“FDIC”). In addition, the market value of securities is dependent on the ability of the issuer to honor its contractual commitments, and the investments are subject to changes in market values.

All checking and savings accounts, and certificates of deposit are insured by the FDIC for up to \$250,000 for each depositor, for each insured bank, for each account ownership category. At June 30, 2021, the Company held \$760,453 in excess of FDIC insurance.

Finally, certain receivables may also, from time to time, subject the Company to concentrations of credit risk. To minimize its exposure to significant losses from customer or donor insolvencies, the Company’s management evaluates the financial condition of its customers and donors, and monitors concentrations of credit risk arising from similar geographic regions, activities, or economic characteristics. When necessary, receivables are reported net of an allowance for uncollectible accounts.

Income Taxes – The Company is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law, and derives its public charity status as an organization described in Sections 170(b)(1)(A)(vi) and 509(a)(1) of the Internal Revenue Code.

Union Agreements – The Company participates in collective bargaining agreements with the Actors’ Equity Association (for performing artists), Stage Directors and Choreographers Society (for directors and choreographers), and United Scenic Artists (for stage and production designers). The Company contributes to each union’s pension and welfare plan on behalf of applicable union members employed by the Company, with contribution amounts determined based on a set percentage of the union member’s salary.

Subsequent Events – Subsequent events have been evaluated by management through September 24, 2021, which is the date the financial statements were available to be issued.

Summarized Financial Information for 2020– The accompanying financial information as of and for the year ended June 30, 2020 is presented for comparative purposes only and is not intended to represent a complete financial statement presentation.

Other Significant Accounting Policies – Other significant accounting policies are set forth in the financial statements and the following notes.

3. Prior Period Adjustment

During the year ended June 30, 2021, the Company identified an error in its prior period financial statements as of and for the year ended June 30, 2020. In the 2020 financial statements, the Company reported a restricted grant receivable of \$750,000, less an offsetting present value discount of \$8,713, as an unconditional promise receivable. However, after further review, it was determined that the Company's legal claim to the promise was conditioned upon the receipt of matching gifts, a legal condition which had not yet been satisfied as of June 30, 2020.

Under the requirements of FASB Accounting Standards Update 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, conditional contributions and grants cannot be recorded until the associated conditions have been substantially satisfied.

Therefore, the Company has restated previously reported contributions and grants receivable and net assets with donor restrictions, as follows:

Contributions and grants receivable at June 30, 2020, as previously reported	\$ 1,038,504
Prior period adjustment	(741,287)
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Contributions and grants receivable at June 30, 2020, as restated	\$ 297,217
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Total net assets at June 30, 2020, as previously reported	\$ 13,579,849
Prior period adjustment	(741,287)
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Total net assets at June 30, 2020, as restated	\$ 12,838,562
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Similarly, 2020 capital campaign gifts reported in the 2020 comparative totals have been reduced by \$741,287.

4. Contributions and Grants Receivable

Contributions and grants receivable totaled \$160,750 at June 30, 2021, to be collected within one year, as follows:

These receivables carry the following restrictions:

Capital campaign	\$ 150,000
General operations	10,750
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	\$ 160,750
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Conditional Capital Campaign Contribution

At June 30, 2021, the Company held an additional \$750,000 in conditional capital campaign contributions, which are not yet recorded in the financial statements. This promise is conditioned upon raising additional matching funds. See also note 3.

5. Investments and Investment Return

Investments consist of the following at June 30, 2021:

Northern Institutional Government	
Select Money Market fund	\$ 6,428,794
Certificate of deposit ¹	30,063
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	6,458,857
Cash and cash equivalents	38,565
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	\$ 6,497,422
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¹ As a condition of a land use permit from the City of Portland to construct certain improvements to the Company's primary facilities in downtown Portland, the Company has established a certificate of deposit in the amount of \$30,000 with U.S. Bank as trustee.

Continued

The Company's investments at June 30, 2021 are held for the following purposes:

Capital campaign	\$ 1,188,343
Other donor-restricted operating purposes	606,997
General operations	4,702,082
	\$ 6,497,422

Total return on investments and cash and cash equivalents for the year ended June 30, 2021 is as follows:

Interest and dividend income	\$ 2,767
Net appreciation in the fair value of investments	19,665
Less external investment management fees	(14,779)
	\$ 7,653

6. Property and Equipment

A summary of property and equipment at June 30, 2021 is as follows:

Land	\$ 1,265,500
Building and building improvements	6,568,903
Theatre equipment	521,063
Office equipment	73,932
Artwork	6,750
	8,436,148
Less accumulated depreciation	(1,268,756)
	\$ 7,167,392

Property sale in 2020 – During the year ended June 30, 2020, the Company consummated the sale of the north half of its property in downtown Portland, recording a gain of \$5,323,862. Simultaneously, the Company launched an ambitious project to redevelop the remaining south half of the block into a modern multi-use arts center.

During the current period of fundraising and construction, the Company's administrative offices were located offsite, and productions and presentations were held at multiple venues across the city.

7. Notes Payable – Paycheck Protection Program

In April of 2020, the Company was granted an unsecured loan from a commercial bank in the amount of \$343,000, pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

In addition, in April of 2021 the Company was granted a second unsecured loan from a commercial bank in the amount of \$280,897, pursuant to the PPP under the Economic Aid Act, which was enacted December 27, 2020.

These loans are guaranteed by the U.S. Small Business Administration ("SBA"), under PPP, a program designed to provide a direct incentive for small businesses and nonprofits to keep their employees on payroll during the COVID-19 pandemic. The SBA has promised to forgive the loan if all employees are kept on the payroll during the "covered period" (either 8 weeks or 24 weeks from the loan disbursement date) and if the funds are used for payroll, rent, mortgage interest, and/or utilities, and certain other conditions are met.

In accordance with the terms of the loans, the first PPP loan was forgiven by the SBA during the year ended June 30, 2021.

The second PPP loan matures in 2026, and bears interest at a rate of 1.0% per annum. Principal and interest payments are deferred for 10 months after the end of the covered period. If the Company submits a loan forgiveness application within that time, payments are further deferred until the SBA remits forgiveness of the loan or has determined that no forgiveness is allowed. Payments of any remaining principal and interest are due monthly after the deferral period. This note may be prepaid by the Company at any time prior to maturity with no prepayment penalties.

As with the first loan, the Company intends to use the majority of the proceeds from the second loan for the required qualifying expenses and, accordingly, accounts for the loan as debt under Financial Accounting Standards Board Accounting Standards Codification Topic 470.

8. Line of Credit

At June 30, 2021, the Company had an unsecured line of credit available in the amount of \$200,000. There was no outstanding balance for the year ended June 30, 2021. Interest on outstanding borrowings under the line of credit was payable at 4.25%.

9. Net Assets with Donor Restrictions

The following summarizes the Company's net assets with donor-imposed restrictions as of June 30, 2021:

<i>Expendable net assets restricted for the following purposes:</i>	
Productions	\$ 762,790
Programs	213,287
Capital campaign	1,367,513
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Total net assets with donor restrictions	\$ 2,343,590
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10. Production Revenues

Production revenues for the year ended June 30, 2021 were summarized as follows:

Subscriptions and single ticket sales	\$ 17,060
Educational programs	41,550
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	\$ 58,610
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11. Net Assets Released from Restrictions

During the year ended June 30, 2021, the Company incurred \$254,527 in expenses that satisfied restricted purposes specified by donors, or satisfied the restrictions by the occurrence of other events, as follows:

Net assets released from restrictions for operating purposes	\$ 201,327
Net assets released from restrictions for capital investment purposes	53,200
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	\$ 254,527
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12. Expenses

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

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Company, and therefore require allocation on a reasonable basis that is consistently applied. Those expenses include salaries and related costs, which are allocated on the basis of estimates of time and effort, and occupancy, office expenses, insurance, and depreciation which are allocated based on the basis of direct expenses of the various benefiting functions.

13. Retirement Plan

The Company offers its employees an independently-administered, tax-sheltered annuity plan, as described under Section 403(b) of the Internal Revenue Code. All employees may make voluntary contributions to the plan on a pre-tax basis, up to the limits allowed by law, from their date of hire. Contributions to the plan vest immediately. The Company makes no contributions to the plan.

14. Operating Lease

The Company leases certain facilities under non-cancelable operating leases that expire in various years through 2023. Future minimum payments under these agreements for the years subsequent to June 30, 2021 are summarized as follows:

<i>Years ending June 30,</i>	
2022	\$ 102,481
2023	12,606
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	\$ 115,087

Rent expense for the year ended June 30, 2021 totaled \$97,451 for office rent and \$16,000 for certain theatre rents.

15. Fair Value

Included in the accompanying financial statements, the Company's investments are carried at fair value.

The fair value of an asset is the amount at which that asset could be bought or sold in a current transaction between willing parties, that is, other than in a forced or liquidation sale; similarly, the fair value of a liability is the amount at which the liability could be transferred in a current transaction between willing parties. Fair values are based on quoted market prices when available.

When market prices are not available, fair value is generally estimated using discounted cash flow analyses, incorporating current market inputs for similar financial instruments with comparable terms and credit quality.

Investments have been classified for disclosure purposes based on a hierarchy defined under generally accepted accounting principles. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities and the lowest ranking to fair values determined using methodologies and models with unobservable inputs, as follows:

- *Level 1* – Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.
- *Level 2* – Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument.
- *Level 3* – Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Company's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

At June 30, 2021, all of the Company's investments have been classified as level 1 assets.

16. Liquidity and Availability of Financial Assets

Financial assets available for general expenditure within one year of the statement of financial position date comprise the following at June 30, 2021:

<i>Total financial assets available at June 30, 2021 to fund general operations:</i>	
Cash and cash equivalents	\$ 1,047,828
Contributions and grants receivable	160,750
Investments	6,497,422
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	7,706,000
<i>Less financial assets not available within the year ending June 30, 2022:</i>	
Financial assets restricted by donors to capital investment	(1,367,513)
Certificate of deposit held by trustee for future construction (note 5)	(30,000)
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	\$ 6,308,487
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As part of its liquidity management, the Company has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. Management closely monitors the liquidity of the Company throughout the year and believes the current cash available and projected earnings are sufficient to fund the Company's operations.

17. Statement of Cash Flow Reconciliation

The following presents a reconciliation of the increase in net assets (as reported on the statement of activities) to net cash provided by operating activities (as reported on the statement of cash flows):

Increase in net assets	\$ 1,723,796
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<i>Adjustments to reconcile increase in net assets to net provided by operating activities:</i>	
Depreciation	67,397
Net increase in the fair value of investments	(19,665)
External investment management fees	14,779
Paycheck Protection Program loan forgiveness	(343,000)
Proceeds from contributions restricted for future long-term capital investment	(1,245,712)
<i>Net changes in:</i>	
Contributions and grants receivable	136,467
Deferred charges, prepaid expenses, and other assets	198,302
Accounts payable and accrued expenses	(257,023)
Deferred revenues – advance ticket sales	(90,390)
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Total adjustments	(1,538,845)
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Net cash provided by operating activities	\$ 184,951
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18. Risks and Uncertainties – Coronavirus Pandemic

In March 2020, the World Health Organization characterized COVID-19 as a global pandemic, prompting many national, regional, and local governments to implement preventive measures, such as travel and business restrictions, temporary school closures, and wide-sweeping quarantines and stay-at-home orders.

The impact to the Company's operations included disruptions and restrictions on employees' ability to work. The Company had to shutter its regularly scheduled performances and pivot to alternative programming, including audio dramas, video, and film projects.

While the disruption from COVID-19 is currently expected to be temporary, there is considerable uncertainty and it is possible that the effects of these events could continue for some time, including continuing disruptions to, or restrictions on, employees' ability to work, and on the ability of patrons and other constituents to fully participate in the Company's programs or continue their current level of financial support to the Company.

The Company continues to take measures to adapt the delivery of its programming in order to keep its employees and constituents safe, as well as facilitate ongoing availability of its services, and of its mission.

19. Reclassification of 2020 Comparative Totals

Certain 2020 amounts presented herein have been reclassified to conform to the 2021 presentation.

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GOVERNING BOARD, LEADERSHIP, AND STAFF

Board of Directors

Pancho Savery, *Chair*
Andrea Schmidt, *Vice-Chair*
Jill Lam, *Treasurer*
Justin Peters, *Secretary*
Jeffrey Condit, *Past Chair*
Michael Davidson
Norma Dulin
Paul Koehler
Erik Opsahl
Drea Schmidt
Michael Szporluk
Marcia Darm, MD, *Trustee Emeritus*

Executive Committee

Jeffrey Condit
Michael Davidson
Pancho Savery
Andrea Schmidt

Leadership

Damaso Rodriguez
Executive Artistic Director

J.S. May
Executive Director

Kisha Jarrett
Managing Director

Staff

Shawn Lee
Producing Director

Zi Alikhan
Artistic Directing Fellow
Director of DNA: Oxygen

AnaSofia Villanueva
Director of Creative & Civic Partnerships

Melory Mirashrafi
Associate Director of DNA: Oxygen

Luan Schooler
Director of New Works/Casting

Kayla Hanson
Manager

Leslie Crandell Dawes
Audience Development & Marketing Manager

Barbie Wu
Education Manager

Chidube Egbo
Administrative Assistant

E.M. Lewis
Mellon Foundation
Playwright-in-Residence

Andrea Stolowitz
Lacroute Playwright-in-Residence

Pancho Savery
Dramaturg

ARTISTS REPERTORY THEATRE

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