

Old Town
Playhouse, Inc.



Years Ended
June 30, 2020
and 2019

Financial
Statements

OLD TOWN PLAYHOUSE, INC.

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

September 14, 2020

Board of Directors
Old Town Playhouse, Inc.
Traverse City, Michigan

We have reviewed the accompanying financial statements of the *Old Town Playhouse, Inc.* (the "Playhouse") (a Michigan not-for-profit organization) which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Playhouse management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

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

Independent Accountants' Responsibility

Our responsibility is to conduct the review engagements in accordance with *Statements on Standards for Accounting and Review Services* promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to conform with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Independent Accountants' Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to conform with accounting principles generally accepted in the United States of America.



OLD TOWN PLAYHOUSE, INC.

Statements of Financial Position

	June 30	
	2020	2019
ASSETS		
Assets		
Cash and cash equivalents	\$ 470,487	\$ 349,900
Certificates of deposit	-	70,892
Accounts receivable	7,433	28,124
Pledges receivable, net	1,230	690
Prepaid expenses	23,601	19,164
Total current assets	502,751	468,770
Pledges receivable	88,860	88,860
Net property and equipment	800,965	828,289
Total assets	\$ 1,392,576	\$ 1,385,919
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 2,815	\$ 10,142
Deferred revenue	94,560	29,347
Deferred federal grant revenue (Notes 1 and 3)	74,730	-
Current portion of long-term debt	528	-
Total current liabilities	172,633	39,489
Long-term debt, net of current portion	24,472	-
Total liabilities	197,105	39,489
Net assets		
Without donor restrictions	1,195,471	1,346,430
Total liabilities and net assets	\$ 1,392,576	\$ 1,385,919

See accompanying notes, which are an integral part of these financial statements, and independent accountants' review report.

OLD TOWN PLAYHOUSE, INC.

Statements of Activities

	Year Ended June 30, 2020	Year Ended June 30, 2019		
	Without Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support				
Admissions	\$ 260,605	\$ 475,934	\$ -	\$ 475,934
Contributions and grants	217,094	345,947	-	345,947
Corporate sponsorship	20,872	38,372	-	38,372
Classes and workshops	24,388	94,982	-	94,982
Special events	-	159,653	-	159,653
Other	753	4,086	-	4,086
Program advertising	67,608	57,224	-	57,224
Concessions	5,646	9,508	-	9,508
Rental income	11,850	14,085	-	14,085
Interest earnings	6,361	1,228	-	1,228
Donated materials and supplies	3,589	-	22,370	22,370
Net assets released from restrictions	-	32,370	(32,370)	-
Total revenues and support	618,766	1,233,389	(10,000)	1,223,389
Expenses				
Program services - production	633,041	729,667	-	729,667
General and administrative	97,486	101,595	-	101,595
Fundraising	39,198	126,594	-	126,594
Total expenses	769,725	957,856	-	957,856
Change in net assets	(150,959)	275,533	(10,000)	265,533
Net assets, beginning of year	1,346,430	1,070,897	10,000	1,080,897
Net assets, end of year	\$ 1,195,471	\$ 1,346,430	\$ -	\$ 1,346,430

See accompanying notes, which are an integral part of these financial statements, and independent accountants' review report.

OLD TOWN PLAYHOUSE, INC.

Statement of Functional Expenses

For the Year Ended June 30, 2020

	Program Services	Supporting Services		Total Supporting Services	Total Functional Expenses
	Production	General and Administrative	Fundraising		
Salaries and fringe benefits					
Salaries and wages	\$ 239,899	\$ 26,706	\$ 26,500	\$ 53,206	\$ 293,105
Payroll taxes	17,648	3,684	1,092	4,776	22,424
Benefits	26,020	2,573	33	2,606	28,626
Total salaries and fringe benefits	283,567	32,963	27,625	60,588	344,155
Depreciation	58,122	18,475	-	18,475	76,597
Advertising	71,637	35	543	578	72,215
Program, performance, and education	65,832	-	-	-	65,832
Supplies	19,973	3,567	826	4,393	24,366
Facility and maintenance	18,721	4,742	-	4,742	23,463
Ticket fees	22,452	-	38	38	22,490
Independent contractors	12,562	1,767	7,231	8,998	21,560
Insurance	11,400	8,081	-	8,081	19,481
Subsidizing	19,409	-	-	-	19,409
Printing and copying	16,467	50	2,172	2,222	18,689
Utilities	13,808	3,949	-	3,949	17,757
Rent, parking and other occupancy	11,750	-	-	-	11,750
Professional fees	-	7,900	-	7,900	7,900
Fees and service charges	11	7,132	220	7,352	7,363
Telephone and internet	5,223	1,875	-	1,875	7,098
Membership dues	-	2,902	-	2,902	2,902
Postage and shipping	1,109	652	110	762	1,871
Website design	784	818	-	818	1,602
Travel and entertainment	179	770	333	1,103	1,282
Meetings and receptions	-	815	-	815	815
Staff development	-	650	-	650	650
Miscellaneous	-	146	-	146	146
Vehicle expenses	-	130	-	130	130
Fundraising fees	-	-	100	100	100
Interest expense	-	67	-	67	67
Donated materials and supplies	35	-	-	-	35
Total expenses	\$ 633,041	\$ 97,486	\$ 39,198	\$ 136,684	\$ 769,725

See accompanying notes, which are an integral part of these financial statements, and independent accountants' review report.

OLD TOWN PLAYHOUSE, INC.

Statement of Functional Expenses

For the Year Ended June 30, 2019

	Program Services	Supporting Services		Total Supporting Services	Total Functional Expenses
	Production	General and Administrative	Fundraising		
Salaries and fringe benefits					
Salaries and wages	\$ 227,056	\$ 28,157	\$ 33,058	\$ 61,215	\$ 288,271
Payroll taxes	17,296	2,973	1,764	4,737	22,033
Benefits	22,109	3,561	2,999	6,560	28,669
Total salaries and fringe benefits	266,461	34,691	37,821	72,512	338,973
Program, performance, and education	111,795	-	-	-	111,795
Advertising	91,474	-	5,245	5,245	96,719
Depreciation	55,628	17,400	-	17,400	73,028
Supplies	16,733	4,131	39,976	44,107	60,840
Ticket fees	34,558	-	-	-	34,558
Subsidizing	32,961	-	-	-	32,961
Printing and copying	27,742	-	3,470	3,470	31,212
Utilities	17,871	4,705	-	4,705	22,576
Facility and maintenance	15,224	7,172	-	7,172	22,396
Donated materials and supplies	-	-	21,075	21,075	21,075
Rent, parking and other occupancy	16,860	-	3,680	3,680	20,540
Independent contractors	11,986	659	7,135	7,794	19,780
Professional fees	-	17,760	-	17,760	17,760
Insurance	12,857	4,660	-	4,660	17,517
Fees and service charges	9,023	5,142	375	5,517	14,540
Telephone and internet	5,160	1,590	-	1,590	6,750
Musicians and costumes	-	-	5,944	5,944	5,944
Membership dues	825	2,689	350	3,039	3,864
Postage and shipping	1,076	574	1,330	1,904	2,980
Uncollectible income	770	-	-	-	770
Travel and entertainment	465	120	-	120	585
Miscellaneous	-	207	-	207	207
Vehicle expenses	198	-	-	-	198
Fundraising fees	-	-	100	100	100
Website design	-	95	-	95	95
Sales tax	-	-	93	93	93
Total expenses	\$ 729,667	\$ 101,595	\$ 126,594	\$ 228,189	\$ 957,856

See accompanying notes, which are an integral part of these financial statements, and independent accountants' review report.

OLD TOWN PLAYHOUSE, INC.

Statements of Cash Flows

	Years Ended June 30	
	2020	2019
Cash flows from operating activities		
Cash received from admissions	\$ 346,509	\$ 413,020
Cash received from contributions and grants	291,284	352,557
Other cash receipts	141,067	306,848
Cash paid to employees	(344,155)	(338,994)
Cash paid to suppliers	(360,622)	(542,720)
	<u>74,083</u>	<u>190,711</u>
Cash flows from investing activities		
Redemption (purchase) of certificates of deposit	70,892	(15,447)
Purchase of property and equipment	(49,388)	(99,111)
	<u>21,504</u>	<u>(114,558)</u>
Cash flows from financing activities		
Issuance of long-term debt	25,000	-
	<u>25,000</u>	<u>-</u>
Net increase in cash and cash equivalents	120,587	76,153
Cash and cash equivalents, beginning of year	349,900	273,747
Cash and cash equivalents, end of year	<u>\$ 470,487</u>	<u>\$ 349,900</u>

See accompanying notes, which are an integral part of these financial statements, and independent accountants' review report.

OLD TOWN PLAYHOUSE, INC.

Notes to Financial Statements

1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization and Concentration Risk

Old Town Playhouse, Inc. (the "Playhouse") is a nonprofit Playhouse established to receive and administer funds for the organization, construction, and maintenance of theatrical production. The mission of the Playhouse is to assist, encourage, promote and improve the cultural and literary development of the community by providing a means through which individuals in the Grand Traverse area may participate and obtain instruction in all aspects of the dramatic arts.

Approximately 100% and 50% of accounts receivables were due from one donor at June 30, 2020 and 2019, respectively. Approximately 13% and 10% of total revenues were from one donor during 2020 and 2019.

Risks and Economic Uncertainties

The outbreak of a novel coronavirus ("COVID-19"), which the World Health Organization declared in March 2020 to be a pandemic, continues to spread throughout the United States of America and the globe. Many State Governors issued temporary Executive Orders that, among other stipulations, effectively prohibit in-person work activities for most businesses and industries including nonprofit entities, having the effect of suspending or severely curtailing operations. As a result, the COVID-19 outbreak is disrupting and affecting the Playhouse's normal activities. The extent of the ultimate impact of the pandemic on the Playhouse's operational and financial performance will depend on various developments, including the duration and spread of the outbreak and its impact on funders, program recipients, employees, vendors, and other constituents, all of which cannot be reasonably predicted at this time. As a result, the Playhouse has made operational changes, including canceling events, eliminating certain services and changing other services in order to comply with state and local legal requirements. The Playhouse has also secured borrowings in the amount of \$74,730 and \$25,000 through the Paycheck Protection Program ("PPP") and Economic Injury Disaster Loan ("EIDL"), respectively, obtained through the federal Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), which was enacted into law on March 28, 2020. See Notes 3 and 6. While management reasonably expects the COVID-19 outbreak to negatively impact the Playhouse's financial position, changes in net assets, and, where applicable, the timing and amounts of cash flows, the related financial consequences and duration are highly uncertain.

OLD TOWN PLAYHOUSE, INC.

Notes to Financial Statements

Basis of Reporting and Classification of Net Assets

To ensure observance of limitations and restrictions placed on the use of available resources, for internal accounting and stewardship purposes the accounts of the Playhouse are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and internal reporting into funds established according to their nature and purpose. Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets 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 (or certain grantor) restrictions.
- *Net Assets With Donor Restrictions* - Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both, and are reported as net assets released from restrictions. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. There were no net assets with donor restrictions as of June 30, 2020 and 2019.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the year. Actual amounts could differ from those estimates. Significant estimates include but are not limited to the useful lives of depreciable property and equipment.

Contributions and Grants

Contributions, including unconditional promises to give in the future, are reported as revenue without donor restrictions when received unless use of the related assets is limited by donor-imposed restrictions. Unconditional promises to give in the future are recorded at the present value of estimated future cash flows using a risk-adjusted discount rate. When a restriction expires (e.g., the donor-stipulated purpose has been fulfilled), net assets with donor restrictions are reclassified to net assets without donor restrictions. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until they become unconditional, that is when the conditions on which they depend have been met. A portion of the Playhouse's revenue is derived from a federal grant, which is recognized when the Playhouse has incurred the qualifying expenditures and met certain other performance requirements, as applicable.

OLD TOWN PLAYHOUSE, INC.

Notes to Financial Statements

Cash and cash equivalents

Cash and cash equivalents consist of demand deposits in banks, cash on hand, and deposits in money market funds with original maturities of less than three months. The Playhouse maintains its cash in bank deposit accounts at various financial institutions, which at times may exceed the federally insured limits. Management does not believe the Playhouse is exposed to any significant interest rate or other financial risks as a result of these deposits.

Certificates of Deposits and Fair Value Measurements

Certificates of deposit, comprised of readily marketable debt securities with original maturities of more than 90 days at the time of purchase, are carried at cost which approximates market. The Playhouse utilizes fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Fair value refers to the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date.

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Playhouse has the ability to access.

Level 2: Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability; and
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

OLD TOWN PLAYHOUSE, INC.

Notes to Financial Statements

The fair value measurement level within the fair value hierarchy of each of the Playhouse's assets and liabilities is based on the lowest level of any input that is significant to the fair value measurements. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

All certificates of deposits are considered Level 1.

Recognition of Revenue Upon Satisfaction of Performance Obligations

The Playhouse generally satisfies its performance obligations at the time performance of services are transferred. Revenues derived from admissions and concessions are generally recognized at the point of sale. Program advertising revenues are reported in the fiscal year the advertising is completed. Special events and classes and workshops related revenues are reported in the fiscal year the event or class is conducted.

Accounts and Pledges Receivable

Accounts receivable is stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts as a charge to earnings and a credit to an allowance for doubtful accounts based on its assessment of the current status of individual accounts receivable. Balances that are still outstanding after management has used reasonable collection efforts are written off as a charge to the allowance and a credit to accounts receivable. Management estimates that all receivables are collectible at June 30, 2020 and 2019 and thus no valuation allowances have been recorded.

Pledges receivable are recorded at the amount that is expected to be collected within one year at net realizable value. Pledges receivable expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset.

Net Property and Equipment

Property and equipment is stated at cost. Major improvements and renewals are capitalized while ordinary maintenance and repairs are expensed. Management reviews these assets for impairment whenever events or changes in circumstances indicate the related carrying amount may not be recoverable.

Depreciation is computed using the straight-line basis over the estimated useful lives of the assets, which range from 5 to 40 years.

OLD TOWN PLAYHOUSE, INC.

Notes to Financial Statements

Deferred Revenues

Deferred revenues result from the timing of private grants received for next year's operations and advanced advertising revenues. Advanced payments for camps and shows are also recorded as deferred revenue until the time of the camp or the show.

Donated Materials and Supplies

Donations of materials and supplies for use in operations are recorded as support at the fair market value at the date of donation. Such donations are reported as without donor restriction support unless the donor has restricted the donated goods to a specific purpose.

Income Taxes

The Playhouse is a not-for-profit organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and is exempt from similar state and local taxes. Although the Playhouse was granted income tax exemption by the Internal Revenue Service, such exemption does not apply to "unrelated business taxable income." The Playhouse has been classified as not a private foundation.

The Playhouse considers whether it has engaged in activities that jeopardize its current tax-exempt status with the Internal Revenue Service. Furthermore, the Playhouse determines whether it has any unrelated business income, which may be subject to federal and state income taxes.

The Playhouse has evaluated fiscal years 2017 through 2020, the years which remain subject to examination by major tax jurisdictions as of June 30, 2020, for uncertain tax positions. The Playhouse concluded that there are no significant uncertain tax positions requiring recognition in the Playhouse's financial statements. The Playhouse does not expect the total amount of unrecognized tax benefits ("UTB") (e.g. tax deductions, exclusions, or credits claimed or expected to be claimed) to significantly change in the next twelve months. The Playhouse does not have any amounts accrued for interest and penalties related to UTBs at June 30, 2020 or 2019, and it is not aware of any claims for such amounts by federal or state income tax authorities.

Advertising

The costs of advertising and promotion are expensed as they are incurred. Advertising and promotional material costs were \$72,215 and \$96,719 for the years ended June 30, 2020 and 2019, respectively.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are generally allocated between program services and supporting services based on specific identification or space utilized, whichever is more appropriate.

OLD TOWN PLAYHOUSE, INC.

Notes to Financial Statements

Reclassification

Certain amounts as reported in the 2019 financial statements have been reclassified to conform with the 2020 presentation.

Change in Accounting Principles

The Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958), in June 2018, which was effective for the Playhouse for the year ended June 30, 2020. The amendments in ASU 2018-08 provide additional guidance for entities to use to evaluate whether transactions should be accounted for as contributions (nonreciprocal transactions) or exchange (reciprocal) transactions and to determine whether the transaction is conditional. On July 1, 2019, the Playhouse adopted the standard on its contributions received using the modified prospective basis and elected to apply the standard only to agreements that were not completed as of that date. There was no impact to the timing or amount of revenue recognized as a result of this adoption.

The FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), in May 2014. The standard, as amended, requires revenue to be recognized when promised goods and services are transferred to customers in amounts that reflect the consideration to which the Playhouse expects to be entitled in exchange for those goods or services. On July 1, 2019, the Playhouse adopted the standard using the modified retrospective method and applied the standard only to contracts that were not completed as of that date. There was no impact to the timing or amount of revenue recognized as a result of this adoption.

Subsequent Events

In preparing these financial statements, management has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to June 30, 2020, the most recent statement of financial position presented herein, through September 14, 2020, the date these financial statements were available to be issued. No significant such events or transactions were identified.

OLD TOWN PLAYHOUSE, INC.

Notes to Financial Statements

2. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at June 30:

	2020	2019
Cash and cash equivalents	\$ 470,487	\$ 349,900
Certificate of deposit	-	70,892
Accounts receivable	7,433	28,124
Pledges receivable	1,230	690
Total	\$ 479,150	\$ 449,606

As part of the Playhouse's liquidity management plan, the Playhouse invests cash in excess of daily requirements in certificates of deposit and money market funds. Additionally, the Playhouse receives contributions and admissions revenue throughout the year, which is available for general expenditures.

3. PLEDGES RECEIVABLE

Pledges receivable consists of unconditional promises to give toward operating activities and are discounted using a 3% rate. Pledges receivable are expected to be collected as follows at June 30:

	2020	2019
Less than one year	\$ 1,230	\$ 690
One to five years	100,000	100,000
Less present value discount	(11,140)	(11,140)
	<u>\$ 90,090</u>	<u>\$ 89,550</u>

OLD TOWN PLAYHOUSE, INC.

Notes to Financial Statements

In April 2020, the Playhouse received \$74,730 as a loan under the Payroll Protection Program ("PPP") of the Coronavirus Aid, Relief, and Economic Securities Act ("CARES Act"), which was enacted into law on March 28, 2020. The loan has a two year maturity and is subject to a 1.00% interest rate, which will accrue from the date of the loan. There was no reduction of full-time equivalents as of June 30, 2020. As of June 30, 2020, \$70,347 of this loan had been spent on eligible expenses and \$4,383 is expected to be spent in fiscal 2021 on eligible expenses. As such, management anticipates the loan to be fully forgiven in accordance with the CARES Act during fiscal 2021. As of June 30, 2020, because the Playhouse had not met all the criteria to apply for loan forgiveness, management determined that all barriers to entitlement had not been met and therefore recorded the full amount as deferred federal grant revenue at June 30, 2020.

4. NET PROPERTY AND EQUIPMENT

Net property and equipment consists of the following at June 30:

	2020	2019
Property and equipment		
Land	\$ 20,000	\$ 20,000
Buildings and building improvements	1,385,701	1,380,035
Theatrical equipment	256,798	225,040
Office equipment	45,508	47,549
Parking lot	24,120	24,120
Vehicle	13,900	13,900
Total	1,746,027	1,710,644
Less accumulated depreciation	945,062	882,355
Net property and equipment	\$ 800,965	\$ 828,289

Depreciation expense was \$76,597 and \$73,007 for 2020 and 2019, respectively.

5. DEFERRED REVENUES

Deferred revenues consist of the following at June 30:

	2020	2019
In-kind trades	\$ 1,140	\$ 3,004
Advanced advertising revenues	-	12,150
Camps and tickets	36,794	-
Grants	56,626	14,193
Total deferred revenues	\$ 94,560	\$ 29,347

OLD TOWN PLAYHOUSE, INC.

Notes to Financial Statements

6. DEBT

The Playhouse obtained an Economic Injury Disaster Loan ("EIDL") in the amount of \$25,000 in May 2020. The loan is unsecured and due in monthly installments of \$641, including interest charged at 2.75%, which will accrue from the date of the loan, beginning in May 2021 through October 2024.

The scheduled principal maturities of long-term debt for each of the five years succeeding June 30, 2020 are summarized as follows:

Year	Amount
2021	\$ 528
2022	7,108
2023	7,306
2024	7,510
2025	<u>2,548</u>
Total	<u><u>\$ 25,000</u></u>

7. SPECIAL EVENT

The Playhouse conducts the Black and White Gala, a fundraising event, each year. Due to the COVID-19 pandemic, the fundraising event was canceled in fiscal year 2020. A summary of the event was as follows for the year ended June 30, 2019:

Gross proceeds	\$ 159,653
In-kind contributions	21,075
Less direct expenses	<u>(80,800)</u>
Black and White Gala, net	<u><u>\$ 99,928</u></u>

8. CONTRIBUTED SERVICES

A number of unpaid volunteers have made significant contributions of their time in the Playhouse's performances and other activities. The value of this contributed time is not reflected in these statements, since it is not susceptible to objective measurement or valuation.

OLD TOWN PLAYHOUSE, INC.

Notes to Financial Statements

9. RELATED PARTY TRANSACTIONS

A board member of the Playhouse has committed to donating funds through the annual fundraising event. There were no receivables from the Board member as of June 30, 2020. Included in receivables at June 30, 2019 is \$5,100, from this Board member. One board member donated \$23,544 and two board members donated \$39,229 during the years ended June 30, 2020, and 2019, respectively.

10. SUBSIDIZING EXPENSES

Each of the Worthington Family Foundation grant awards allows for spending over a three-year period, and requires the related expenses to be recorded as subsidizing. Due to the COVID-19 pandemic during fiscal year 2020, the grantor allowed the Playhouse to apply grant funds typically used for advertising to other production costs, as fewer advertising expenses were needed due to the cancellation of various classes. The subsidizing expenses are further allocated as follows for the years ended June 30:

	2020	2019
Advertising	\$ 4,048	\$ 14,542
Instructors	-	8,570
Scholarships	1,775	2,890
Tickets	3,653	6,014
Other production expenses	9,933	945
	<u>\$ 19,409</u>	<u>\$ 32,961</u>

OLD TOWN PLAYHOUSE, INC.

Notes to Financial Statements

11. ENDOWMENT FUNDS HELD WITH GRAND TRAVERSE REGIONAL COMMUNITY FOUNDATION

Through its fundraising projects, the Playhouse accepts donations directly or encourages donors to contribute to the Old Town Playhouse Endowment Fund, maintained by the Grand Traverse Regional Community Foundation. The Playhouse is named beneficiary of all these endowment funds. Summary financial information of the endowment fund follows:

	Endowment Corpus	Spendable Reserve	Total
Beginning net assets, July 1, 2018	\$ 473,890	\$ (13,186)	\$ 460,704
Contributions	650	-	650
Investment gains, net of fees	-	17,716	17,716
Grants payable reserve	-	(17,906)	(17,906)
Ending net assets, June 30, 2019	474,540	(13,376)	461,164
Contributions	425	-	425
Investment gains, net of fees	-	6,584	6,584
Grants payable reserve	-	(18,420)	(18,420)
Ending net assets, June 30, 2020	<u>\$ 474,965</u>	<u>\$ (25,212)</u>	<u>\$ 449,753</u>

Distributions to the Playhouse from the endowment funds are reported in the Statements of Activities as grants and contributions. These assets are reported exclusively on the books of the Grand Traverse Regional Community Foundation.

