TRINITY REPERTORY COMPANY
Financial Statements
June 30, 2022 and 2021
With Independent Auditor's Report

withum
ADVISORY TAX AUDIT

Trinity Repertory Company
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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees,
Trinity Repertory Company:

Opinion

We have audited the financial statements of Trinity Repertory Company (the "Organization"), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

WithumSmith+Brown, PC

January 30, 2023

Trinity Repertory Company
Statements of Financial Position
June 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Assets						
Current assets						
Cash and cash equivalents	$ 7,330,056	$ 897,907	$ 8,227,963	$ 6,169,422	$ 823,736	$ 6,993,158
Investments	1,123,121	-	1,123,121	1,176,931	-	1,176,931
Unconditional promises to give, net	10,750	294,342	305,092	18,499	154,166	172,665
Prepaid expenses and other current assets	104,154	-	104,154	104,249	-	104,249
Employee retention tax credit receivable	-	-	-	294,098	-	294,098
Total current assets	8,568,081	1,192,249	9,760,330	7,763,199	977,902	8,741,101
Unconditional promises to give, net	-	441,540	441,540	-	410,621	410,621
Property and equipment, at cost, net of accumulated depreciation and amortization	5,244,542	-	5,244,542	5,581,965	-	5,581,965
Assets held at The Rhode Island Community Foundation	438,452	3,829,010	4,267,462	332,196	4,224,154	4,556,350
Deposits	3,950	-	3,950	4,050	-	4,050
Total assets	$ 14,255,025	$ 5,462,799	$ 19,717,824	$ 13,681,410	$ 5,612,677	$ 19,294,087
Liabilities and Net Assets						
Liabilities						
Current liabilities						
Loan payable	$ 87,504	$ -	$ 87,504	$ 87,504	$ -	$ 87,504
Accounts payable and accrued expenses	39,358	-	39,358	183,058	-	183,058
Deferred revenue	796,552	-	796,552	2,029,138	-	2,029,138
Capital lease obligation, current portion	51,722	-	51,722	45,184	-	45,184
PPP2 loan payable	-	-	-	1,226,572	-	1,226,572
Total current liabilities	975,136	-	975,136	3,571,456	-	3,571,456
Deferred rent credit	19,605	-	19,605	19,026	-	19,026
Capital lease obligation, net of current portion	1,380,202	-	1,380,202	1,431,924	-	1,431,924
Loan payable, net of current portion	881,224	-	881,224	968,728	-	968,728
Total liabilities	3,256,167	-	3,256,167	5,991,134	-	5,991,134
Net assets						
Without donor restrictions						
Property and equipment, net of capital lease obligation	3,812,618	-	3,812,618	4,104,857	-	4,104,857
Board-designated	1,600,952	-	1,600,952	1,494,696	-	1,494,696
Undesignated	5,585,288	-	5,585,288	2,090,723	-	2,090,723
Total without donor restrictions	10,998,858	-	10,998,858	7,690,276	-	7,690,276
With donor restrictions	-	5,462,799	5,462,799	-	5,612,677	5,612,677
Total net assets	10,998,858	5,462,799	16,461,657	7,690,276	5,612,677	13,302,953
Total liabilities and net assets	$ 14,255,025	$ 5,462,799	$ 19,717,824	$ 13,681,410	$ 5,612,677	$ 19,294,087

The Notes to Financial Statements are an integral part of these statements.

Trinity Repertory Company
Statements of Activities
Years Ended June 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating activities						
Public support and other revenue						
Public support - contributions of financial assets						
Shuttered Venue Operators Grant income	$ 3,760,528	$ -	$ 3,760,528	$ -	$ -	$ -
Government	110,592	-	110,592	399,002	50,000	449,002
Foundations	330,458	3,482	333,940	230,226	5,204	235,430
Corporations	84,519	14,600	99,119	66,296	51,700	117,996
Individuals and family foundations	879,605	238,704	1,118,309	1,546,248	147,666	1,693,914
Fundraising benefits	-	-	-	172,584	-	172,584
Less: direct costs of fundraising benefits	-	-	-	(1,205)	-	(1,205)
PPP2/PPP1 loan forgiveness	-	-	-	361,618	-	361,618
Spending policy distribution	165,265	-	165,265	127,250	-	127,250
Net assets released from time and purpose restrictions						
Individuals and family foundations	181,568	(181,568)	-	256,514	(256,514)	-
Government	50,000	(50,000)	-	4,743	(4,743)	-
Corporations	42,000	(42,000)	-	14,700	(14,700)	-
Foundations	23,344	(23,344)	-	18,018	(18,018)	-
Contributions of non-financial assets	698,400	-	698,400	698,088	-	698,088
Total public support	6,326,279	(40,126)	6,286,153	3,894,082	(39,405)	3,854,677
MFA Program income	2,833,778	-	2,833,778	2,575,007	-	2,575,007
Ticket sales	1,835,005	-	1,835,005	2,251	-	2,251
Service charge and facility income	251,405	-	251,405	2,781	-	2,781
Education and engagement income	146,633	-	146,633	100,836	-	100,836
Employee retention tax credit income	84,147	-	84,147	623,340	-	623,340
Program advertising	78,172	-	78,172	16,554	-	16,554
Rental income	50,540	-	50,540	44,732	-	44,732
Miscellaneous income	17,927	-	17,927	4,603	-	4,603
Investment (loss) income	(7,694)	-	(7,694)	28,732	-	28,732
Total public support and other revenue	11,616,192	(40,126)	11,576,066	7,292,918	(39,405)	7,253,513
Expenses						
Program services	8,115,397	-	8,115,397	4,615,084	-	4,615,084
Supporting services						
Management and general	704,042	-	704,042	617,749	-	617,749
Fundraising	594,542	-	594,542	473,604	-	473,604
Total supporting services	1,298,584	-	1,298,584	1,091,353	-	1,091,353
Total expenses	9,413,981	-	9,413,981	5,706,437	-	5,706,437
Changes in net assets before non-operating activities (carried forward)	2,202,211	(40,126)	2,162,085	1,586,481	(39,405)	1,547,076

The Notes to Financial Statements are an integral part of these statements.

Trinity Repertory Company
Statements of Activities
Years Ended June 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Changes in net assets before non-operating activities (brought forward)	$ 2,202,211	$ (40,126)	$ 2,162,085	$ 1,586,481	$ (39,405)	$ 1,547,076
Non-operating activities						
Individuals and family foundations	-	-	-	-	30,861	30,861
Investment (loss) income	-	(282,807)	(282,807)	-	1,141,400	1,141,400
Spending policy distribution	-	(165,265)	(165,265)	-	(127,250)	(127,250)
PPP2/PPP1 loan forgiveness	1,106,371	-	1,106,371	868,582	-	868,582
Capital contributions						
Government	-	-	-	329,536	-	329,536
Individuals and family foundations	-	338,320	338,320	-	691,448	691,448
Total capital contributions	-	338,320	338,320	329,536	691,448	1,020,984
Net assets released from time and purpose restrictions						
Foundations	-	-	-	54,884	(54,884)	-
Total non-operating activities	1,106,371	(109,752)	996,619	1,253,002	1,681,575	2,934,577
Changes in net assets	3,308,582	(149,878)	3,158,704	2,839,483	1,642,170	4,481,653
Net assets						
Beginning of year	7,690,276	5,612,677	13,302,953	4,850,793	3,970,507	8,821,300
End of year	$ 10,998,858	$ 5,462,799	$ 16,461,657	$ 7,690,276	$ 5,612,677	$ 13,302,953

The Notes to Financial Statements are an integral part of these statements.

Trinity Repertory Company
Statement of Functional Expenses
Year Ended June 30, 2022

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Supporting Services: Total	Total Expenses
Salaries, payroll taxes and benefits	$ 4,973,002	$ 420,740	$ 428,670	$ 849,410	$ 5,822,412
Production costs	415,636	-	-	-	415,636
Rent, utilities and maintenance	716,294	60,602	61,744	122,346	838,640
Donated services and materials	698,400	-	-	-	698,400
Advertising and marketing	290,054	-	7,353	7,353	297,407
Office expenses	242,233	20,494	20,880	41,374	283,607
Interest expense	110,783	22,438	-	22,438	133,221
Consulting fees and development	65,547	45,208	3,342	48,550	114,097
Miscellaneous	30,496	2,577	2,629	5,206	35,702
Insurance	59,654	5,047	5,142	10,189	69,843
Concession cost of goods sold	3,848	-	-	-	3,848
Artistic expenses	33,985	-	-	-	33,985
Dues and memberships	984	23,054	15,600	38,654	39,638
Travel and entertainment	76,679	9,900	13,090	22,990	99,669
Professional fees	-	60,000	-	60,000	60,000
Bad debt expense	-	-	1,470	1,470	1,470
Depreciation and amortization	401,650	33,982	34,622	68,604	470,254
Total expenses	8,119,245	704,042	594,542	1,298,584	9,417,829
Less: Expenses included with revenues on the statement of activities					
Concession cost of goods sold	(3,848)	-	-	-	(3,848)
	$ 8,115,397	$ 704,042	$ 594,542	$ 1,298,584	$ 9,413,981

The Notes to Financial Statements are an integral part of this statement.

Trinity Repertory Company
Statement of Functional Expenses
Year Ended June 30, 2021

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Supporting Services: Total	Total Expenses
Salaries, payroll taxes and benefits	$ 2,254,762	$ 351,598	$ 290,816	$ 642,414	$ 2,897,176
Production costs	97,478	-	-	-	97,478
Cancelled performance costs	24,879	-	-	-	24,879
Rent, utilities and maintenance	462,010	72,044	59,589	131,633	593,643
Donated services and materials	698,088	-	-	-	698,088
Advertising and marketing	38,135	-	-	-	38,135
Office expenses	204,012	31,813	26,313	58,126	262,138
Interest expense	113,724	28,280	-	28,280	142,004
Fundraising benefit expense	-	-	1,205	1,205	1,205
Consulting fees and development	130,249	-	9,200	9,200	139,449
Miscellaneous	28,918	4,507	3,730	8,237	37,155
Insurance	50,281	7,841	6,485	14,326	64,607
Concession cost of goods sold	1,711	-	-	-	1,711
Artistic expenses	50,562	-	-	-	50,562
Artist relief payments	40,000	-	-		40,000
Dues and memberships	1,139	19,120	14,300	33,420	34,559
Travel and entertainment	8,331	720	865	1,585	9,916
Professional fees	-	37,500	-	37,500	37,500
Bad debt expense	-	-	9,100	9,100	9,100
Depreciation and amortization	412,516	64,326	53,206	117,532	530,048
Total expenses	4,616,795	617,749	474,809	1,092,558	5,709,353
Less: Expenses included with revenues on the statement of activities					
Concession cost of goods sold	(1,711)	-	-	-	(1,711)
Direct costs of special events	-	-	(1,205)	(1,205)	(1,205)
	$ 4,615,084	$ 617,749	$ 473,604	$ 1,091,353	$ 5,706,437

The Notes to Financial Statements are an integral part of this statement.

Trinity Repertory Company
Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	2022	2021
Operating and non-operating activities		
Changes in net assets	$ 3,158,704	$ 4,481,653
Adjustments to reconcile changes in net assets to net cash provided by operating and non-operating activities		
Depreciation and amortization	470,254	530,048
Donated securities	(109,071)	(394,338)
Change in present value and reserve for uncollectible pledges	(211,095)	20,205
Realized loss (gain) on sale of donated securities	(139)	387
Unrealized loss on investments	64,487	1,720
Bad debt expense	1,470	9,100
PPP1/PPP2 loan forgiveness	(1,106,371)	(1,230,200)
Fund activities		
Unrealized gain on investments	(275,302)	(981,447)
Realized (loss) gain on sale of investments	575,652	(151,043)
Reinvested interest and dividends	(53,577)	(39,432)
Investment management fees and expenses	36,034	31,287
Change in assets and liabilities		
Employee retention tax credit receivable	294,098	(294,098)
Unconditional promises to give	46,279	(67,988)
Prepaid expenses and other current assets	95	(44,733)
Deposits	100	3,650
Accounts payable and accrued expenses	(143,700)	31,982
Deferred revenue	(1,232,586)	54,561
Deferred rent credit	579	579
Net cash provided by operating and non-operating activities	1,515,911	1,961,893
Investing activities		
Proceeds from sale of donated securities	109,210	393,951
Fund activities		
Transfer of endowment contributions	(159,184)	(338,996)
Receipt of spending policy distribution	165,265	145,200
Capital expenditures	-	(18,919)
Payments towards construction in progress	(132,831)	(500,598)
Payment for purchase of investments	(10,677)	(1,006,717)
Net cash used in investing activities	(28,217)	(1,326,079)
Financing activities		
PPP2 loan repaid	(120,201)	-
PPP2 loan proceeds	-	1,226,572
Principal payments towards loan payable	(87,504)	(87,504)
Principal payments towards mortgage	-	(166,487)
Principal payments towards capital lease obligation	(45,184)	(39,214)
Net cash (used in) provided by financing activities	(252,889)	933,367
Net change in cash and cash equivalents	1,234,805	1,569,181
Cash and cash equivalents		
Beginning of year	6,993,158	5,423,977
End of year	$ 8,227,963	$ 6,993,158
Supplemental disclosure of cash flow information		
Interest paid (loans)	$ 22,438	$ 28,211
Interest paid (capital lease)	$ 110,783	$ 113,724

The Notes to Financial Statements are an integral part of these statements.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Trinity Repertory Company (the “Organization”) is a not-for-profit corporation located in Providence, Rhode Island. Founded in 1963, the Organization was established to promote the appreciation of theater through theatrical productions, provide and support facilities for education and instruction in the art of theater, and to offer seminars, workshops and other programs relating to the art of theater.

Due to the impacts of the SARS-CoV-2 virus, the Organization temporarily ceased in-person theatrical performances on March 12, 2020. The Organization resumed in-person performances in the theatre on November 4, 2021. A typical live performance season would have started in September.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and conform to the accounting principles generally accepted in the United States of America (“GAAP”).

The Organization’s resources are classified and reported as separate classes of net assets based on the existence or absence of donor-imposed restrictions as follows:

Net assets without donor restrictions: net assets that include expendable resources that are used to carry out the Organization’s operations and are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by the Organization or may be limited by contractual agreements with side parties. In addition, net assets without donor restrictions include board designated funds and property and equipment used in operations.

Net assets with donor restrictions: net assets subject to donor-imposed restrictions that will be met either by the actions of the Organization or through the passage of time. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been met in the year of receipt. Expirations of restrictions on net assets with donor restrictions are reported as net assets released from restrictions. Also included in this category are net assets subject to donor-imposed restrictions to be maintained permanently by the Organization, including gifts and pledges wherein donors stipulate that the corpus of the gift to be held in perpetuity and that only the income may be made available for operations, subject to the Organization’s spending policy.

The Organization includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities. This measure of operations provides a presentation that depicts the matter in which Organization manages its financial activities. Capital contributions and grants, Payroll Protection Program forgiveness, employee retention tax credit income, and other nonrecurring charges and expenses not chargeable to grants and contracts are recognized as non-operating activities.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, cash and cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less.

Fair Value Measurements

The majority of the Organization's investments are held at The Rhode Island Community Foundation, a Rhode Island not-for-profit corporation (the "Foundation"). The total of the Foundation's net assets are valued at approximately $1.456 billion stated at fair value (per the December 31, 2021 audited financial statements) and the Organization's allocated share of the net assets as of June 30, 2022 and 2021 is approximately $4.3 million and $4.5 million or .3% and .4%, respectively. Since the majority of the Organization's investments are invested in the Foundation, the Foundation's investment policy is included within these disclosures in order to provide further detail on how fair value has been determined by the Foundation.

The fair values of the financial instruments as of December 31, 2021 and 2020, represent management's best estimates of the amounts that would be received to sell those assets or that would be paid to transfer those liabilities in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects the Foundation's own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by the Foundation based on the best information available in the circumstances.

The Foundation treats transactions in which the Foundation accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets, or both to another entity that is specified by the donor. If a Not-for-Profit Organization ("NPO") establishes a fund at a community foundation with its own funds and specifies itself as the beneficiary of that fund, the community foundation must account for the transfer of such assets as a liability. The Foundation refers to such funds as agency endowments. The Foundation maintains variance power and legal ownership of agency endowment funds and, as such, continues to report the funds as assets of the Foundation. However, a liability has been established for the fair value of the funds, which is generally equivalent to the present value of future payments expected to be made to the NPOs.

All investments are reported at fair value. Fair value represents the price that would be received upon the sale of an asset or paid upon the transfer of a liability in an orderly transaction between market participants as of the measurement date. Financial instruments that are measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 - Quoted prices of identical instruments in active markets.

Level 2 - Quoted prices of similar instruments in active markets; quoted prices of identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 - Significant inputs to the valuation model are unobservable.

The financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The valuation levels are not necessarily an indication of the risk or liquidity associated with the underlying assets and liabilities.

Fair values of assets measured on a recurring basis at June 30, 2022 consist of bonds and exchange traded funds. Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

Investments
Investments include those held by the Organization as well as the funds invested in the Foundation. The Foundation's portfolio is managed by outside investment managers who invest according to the investment guidelines established by the Investment Committee of the Board. The investment portfolio is allocated approximately 55% equity investments, 40% alternative investments, and 5% fixed income investments. The equity investments are further diversified into domestic, international, and emerging markets. The alternative investments are further diversified into private equity, real assets, and hedge/absolute return strategies. Additionally, the entire portfolio is diversified across economic sectors, geographic locations, and industries.

Investments held by the Organization in marketable securities are reported at fair value in the accompanying statements of financial position. All investments are stated at their fair value. Investments received by gift are initially recorded at fair value at the date of receipt. Fair values for exchange-traded funds are based on quoted market prices. The fair values assigned to these assets do not necessarily represent amounts that might be realized upon their ultimate disposition.

Realized and unrealized investment gains or losses are determined by comparison of the asset cost basis to net proceeds received at the time of disposition on a first in first out basis (realized) and comparison of the difference between market values and the cost basis (unrealized), respectively. Dividend and interest income are recognized when earned.

Property and Equipment
Property and equipment acquired are recorded at cost per project. It is the Organization’s policy to capitalize expenditures for these items in excess of $5,000 (per project). Lesser amounts are expensed. Building, equipment, and furniture are being depreciated over the useful life of the related asset using the straight-line method, with a half of a year’s depreciation recognized in the years of acquisition and disposal. Leasehold improvements are amortized over the shorter of useful life or periods, including options, if any, specified in the related lease agreements.

Advertising Costs
Advertising costs are charged to operations at the time the advertising occurs, except for direct response marketing and other expenses incurred related to the subsequent season’s performances that are deferred and recognized in the season when the related revenue is recognized. Advertising expense, including amounts included in cancelled performance costs, for the years ended June 30, 2022 and 2021 was $889,407 and $618,535, respectively, which includes $592,000 and $580,400, respectively, of donated advertising.

Production Costs
Production costs are capitalized at cost and are amortized over the estimated life of the theatrical production. Since all productions closed prior to the issuance of the financial statements, all production costs have been expensed. The Organization maintains certain scenery and costume inventories of past productions. The Organization is unable to determine future use of the scenery and costumes and therefore they are expensed over the run of the public performances of the original show.

Estimates
The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Significant estimates used in the preparation of these financial statements include depreciation and amortization, fair market value of investments, and present value of unconditional promises to give. Actual results could differ from those estimates.

Tax Status and Uncertain Tax Positions

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation. The Organization is obligated for unrelated business income tax on net income from program advertising. The Organization has incurred net losses from this activity; therefore, there is no tax liability on this unrelated business activity. As of June 30, 2022, the Organization had approximately $569,000 in net operating loss carryforwards, which begin to expire in the year 2034. The carried forward losses have been fully reserved for since management is unable to determine the actual utilization of these losses.

The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. There are no income tax related penalties and interest included in these financial statements.

Revenue and Support Recognition

Contributions and Unconditional Promises to Give - Grants and contributions are recognized when cash is received or when the donor makes a promise to give to the Organization that is, in substance, unconditional. Grants and contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions and grants are recognized. All other donor-restricted grants and contributions are reported as increases in net assets with donor restrictions. When a restriction expires, donor restricted net assets are reclassified to net assets without donor restrictions. The Organization uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Revenue from Contracts with Customers - The Organization accounts for income from ticket sales, MFA Program, service charge and facility, education and engagement, concessions, and program advertising as exchange transactions in the statements of activities. Revenue from contracts with customers are treated as revenues without donor restrictions. Funds received in advance from customers for services that have not been performed have been recorded as contract liabilities and recorded as deferred income in the statement of financial position.

Fundraising Benefit - Fundraising benefit revenue comprises an exchange element, based on the benefits received, and a contribution element for the difference and is treated as revenue without donor restrictions. The Organization does not have any significant financing components as payment is received at or shortly after the point of sale. The contribution portion is recognized as a conditional contribution when received and reported as a refundable advance on the statement of financial position, and is recognized as revenue when the condition is met, which is when the event takes place. For the exchange portion, funds received in advance of the event date are recorded as contract liabilities in the statement of financial position. Revenue from the exchange portion is recognized at a point in time, at the date the event is held. The Fundraising Benefit revenue from this year only includes small, virtual events. The annual in-person gala was not held due to Covid safety precautions.

Other revenues are obtained from rental income, miscellaneous, and investment income. These revenues are used to offset program, management and general, and fundraising expenses. Revenue from these sources are recognized when earned. Certain investment income has been classified as with donor restrictions based on donor stipulations.

In determining the appropriate amount of revenue to be recognized as it fulfills its obligations under its agreements, the Organization performs the following steps (i) identify contracts with customers; (ii) Identify performance obligations; (iii) determine the transaction price; (iv) allocation of the transaction price to the performance obligations; and (v) recognition of revenue when (or as) the Organization satisfies each performance obligation.

The following summarizes the Organization's performance obligations:

Ticket Sales
Ticket sales represent the sums actually paid for individual tickets of admission to a production of the Organization including handling and other fees. Tickets are non-refundable at the time of receipt unless a performance is cancelled. The Organization estimates the number of cancellations and records a reserve if deemed material. Fees are non-refundable at the time of receipt. The Organization allows for exchanges under certain circumstances for tickets of equal or lesser value. The total yearly adjustment for exchanged tickets is immaterial to the Organization. Tickets purchased in advance are recorded as deferred revenue by the Organization. Advanced ticket sales are recorded as revenue when the performance related to the ticket sale is complete. Admission is recognized at a specific point in time, which is when the performance related to the ticket is complete.

Service Charge and Facility Income
Service charges and facility fees represent the income received as an additional charge at the time of sale when purchasing a ticket. These charges are used for facility upkeep, processing and/or printing the individual ticket of admission to a production of the Organization. These fees are non-refundable at the time of receipt. Service charge and facility income is recognized at a specific point in time, which is the sale of the ticket.

MFA Program Income
MFA Program income represents income received from an agreement with Brown University to put on the educational program related to acting and directing at the University. Income is calculated as the budgeted amount to establish and execute the education program on a yearly basis. MFA Program income is recognized at a specific point in time, which is the first day of the quarter that the income is related to.

Other Exchange Transactions
Royalties are recognized when the performance is complete. Education income is recognized over the length of the program. Concession income is recognized when the sale occurs. Theater tour event is recognized when the event is complete. Enhancement income is recognized over the length of the production.

The timing of revenue recognition, billings and cash collections results in deferred revenue which are shown as deferred revenue on the statements of financial position. Deferred revenue as of June 30, 2022 and 2021 were $796,552 and $2,029,138, respectively. The opening balances of deferred revenue at July 1, 2020 was $2,205,646.

New Accounting Pronouncements Adopted in Current Year
In 2022, the Organization adopted the provisions of Accounting Standards Update ("ASU") 2021-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958), is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, along with expanded disclosure requirements. The adoption of this ASU had no material impact on the financial statements with exception of increased disclosures.

2. RESTRICTIONS AND DESIGNATIONS ON NET ASSETS

Net Assets Without Donor Restrictions – Board Designated Net Assets

As of June 30, 2022 and 2021, total Board-designated net assets were $1,600,952 and $1,494,696, respectively. The Board-designated net assets consist of The National Endowment for the Arts ("NEA") cash reserve which totaled $260,375 as of June 30, 2022 and 2021, respectively. During the year ended June 30, 2022 and 2021, the Organization designated $106,256 and $234,321, respectively, of an unrestricted bequest in accordance with the Organization's investment policy. During the year ended June 30, 2021, the Organization designated an additional $1,000,000 of net assets as Board-designated for building and capital assets. Investment earnings on both funds are undesignated for operations.

Net Assets With Donor Restrictions

The following net assets are restricted for the following as of June 30:

	2022	2021
Grants and contributions		
Future periods and programs		
Future programs and periods	$ 117,547	$ 356,376
Capital campaign (Note 9)	1,575,201	1,300,201
Excess investment earnings - Funds (Note 7)	834,910	1,282,982
	2,527,658	2,939,559
Less: Discount for present value and reserve for uncollectible	(58,959)	(270,054)
	2,468,699	2,669,505
Donor-designated endowments		
Donor directed use of investment income		
Project Discovery Endowment	684,255	684,215
Chace Endowment	500,000	500,000
NEA Challenge Grant Endowment	435,000	435,000
Richard Cumming Endowment Fund	295,751	271,933
NEA Challenge Grant Cash Reserve	262,500	262,500
Duke Endowment	213,194	213,194
General Endowment	161,332	141,862
Robert Clayton Black Fellowship Fund	51,425	51,425
Kavanaugh Fund	51,092	51,092
Heidi Keller Moon Fund for Project Discovery	55,000	50,000
Eustis Endowment	45,650	45,650
John and Yvette Harpootian Fund	45,700	43,200
Claiborne and Nuala Pell Fund	30,100	30,100
Stephen Hamblett Memorial Fund	30,000	30,000
Rakatansky Endowment	30,000	30,000
Victoria Irene Ball Fund	24,572	24,572
Michael and Donna Lee Gennaro Fund	17,700	17,700
Tilles Family Endowment Fund	17,225	17,225
Margo Skinner Memorial Fund	16,400	16,400
Barbara Meek Memorial Fund	14,410	14,310
Ed Hall Fund	12,794	12,794
	2,994,100	2,943,172
	$ 5,462,799	$ 5,612,677

The Organization's endowment consists of donor-restricted endowment funds established for specific purposes. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result, the Organization classifies as Donor-Designated Endowments (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations and decrements to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. The remaining portion of the donor-restricted endowment fund that is not classified as Donor-Designated Endowment is classified as Excess Investment Earnings until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following facts in making a determination to appropriate or accumulate donor-restricted endowment funds:

a. The duration and preservation of the fund;
b. The purposes of the Organization and the donor-restricted endowment fund;
c. General economic conditions;
d. The possible effect of inflation and deflation;
e. The expected total return from income and the appreciation of investments;
f. Other resources of the Organization; and
g. The investment policy of the Organization.

Changes in endowment net assets during the years ended June 30, 2022 and 2021 were as follows:

	2022	2021
Endowment Net Assets, beginning	$ 4,226,154	$ 3,200,761
Contributions	50,928	29,958
Net investment (loss) income	(448,072)	995,435
Endowment Net Assets, ending	$ 3,829,010	$ 4,226,154

Return Objectives and Risk Parameters
The Organization has adopted an investment policy for endowment assets with the primary goal of maintaining the original value of the endowment principal, while providing funding to programs supported by its endowment. Under this policy, the endowment assets are invested in a manner that is intended to produce income and preserve principal while assuming a very low level of investment risk. See Note 7 investment income spending policy.

Strategies Employed for Achieving Objectives
To satisfy its return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

3. FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of June 30, 2022 and 2021, financial assets and liquidity resources available within one year for general expenditures, such as operating expenses, scheduled principal payments on debt, and capital construction costs not financed with debt, were as follows:

	2022	2021
Financial assets		
Cash and cash equivalents	$ 7,330,056	$ 6,169,422
Investments	1,123,121	1,176,931
Employee retention tax credit receivable	-	294,098
Unconditional promises to give	10,750	18,499
	8,463,927	7,658,950
Board-designated net assets (Note 2)	(1,600,952)	(1,494,696)
Liquidity resources		
Unused line of credit	300,000	300,000
Total financial assets and liquidity resources available within one year	$ 7,162,975	$ 6,464,254

The Organization's cash flows are substantially supported by the performances at its theater. The Organization produces and performs at its theater and generates cash flow through ticket sales and concessions. The Organization has an agreement with a local university to provide theater education programs as a part of a degree program at the university. In addition, the Organization has pledge campaigns to fund operations and other projects. The Organization's endowment funds consist of donor-restricted endowments. The Organization's endowment policy provides for an annual distribution for operating purposes.

4. CONCENTRATION OF CREDIT RISK AND RESTRICTED CASH

The Organization maintains cash, cash equivalents and money market balances at several financial institutions, which at times exceed the insured limit. Financial instruments which potentially subject the Organization to concentrations of credit risk include cash and cash equivalents, money market funds, investments, and unconditional promises to give. The Organization has not experienced and do not expect to experience any losses in these accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

The Organization has obtained a letter of credit in the amount of $56,674 as part of an obligation to post a bond under a collective bargaining agreement with the Actor's Equity Association. The bond currently expires in June 2023.

5. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value and unconditional promises to give that are expected to be collected in more than one year are initially recorded at fair value. When estimating fair value of unconditional promises to give, the relationships with the donor, the donor's past history of making timely payments, and the donor's overall creditworthiness are considered by management and incorporated into a fair value measurement computed using present value techniques. The interest element resulting from amortization of the discount for the time value of money, computed using the effective interest rate method, is reported as public support. Unconditional promises to give to be received after one year are discounted at a rate of 5%. Due to the uncertainty of SARS-CoV-2, management created a reserve for uncollectible promises to give as of June 30, 2021.

Unconditional promises to give consist of the following as of June 30, 2022:

	Less Than One Year	Over One Year	Total
Without donor restrictions	$ 10,750	$ -	$ 10,750
With donor restrictions	294,342	500,500	794,842
	305,092	500,500	805,592
Less: Discount for present value and reserve for uncollectible	-	(58,960)	(58,960)
	$ 305,092	$ 441,540	$ 746,632

Unconditional promises to give consist of the following as of June 30, 2021:

	Less Than One Year	Over One Year	Total
Without donor restrictions	$ 18,499	$ -	$ 18,499
With donor restrictions	279,166	555,676	834,842
	297,665	555,676	853,341
Less: Discount for present value and reserve for uncollectible	(125,000)	(145,055)	(270,055)
	$ 172,665	$ 410,621	$ 583,286

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

Description	Life/Years	2022	2021
Land	n/a	$ 234,100	$ 234,100
Building and improvements	10-50	9,026,894	9,026,894
Leasehold property	Life of lease	1,800,000	1,800,000
Equipment	3-5	1,196,168	1,127,877
Furniture and fixtures	5-7	1,275,909	1,256,994
Leasehold improvements	10-20	601,072	601,072
		14,134,143	14,046,937
Less: Accumulated depreciation and amortization		(9,271,801)	(8,801,547)
Construction in progress	n/a	382,200	336,575
		$ 5,244,542	$ 5,581,965

Depreciation and amortization expense for the years ended June 30, 2022 and 2021 was $470,254 and $530,048, respectively.

Construction in progress consists of costs incurred in relation to multiple renovation projects (see Note 9). Since the projects were not complete at either June 30, 2022 or 2021, the costs have not been depreciated.

7. FAIR VALUE OF INVESTMENTS

The following tables summarize the assets which have been accounted for at fair value on a recurring basis as of June 30, 2022 and 2021, along with the basis for the determination of fair value.

There were no changes in investment leveling methodology for the years ended June 30, 2022 and 2021. There were no transfers, purchases or issuances of level 3 investments during the years ended June 30, 2022 and 2021.

Investments consist of the following as of June 30, 2022:

		Fair Value		
	Total	Level 1	Level 2	Level 3
Investments held by the Organization				
Exchange traded funds	$ 158,621	$ 158,621	$ -	$ -
Mutual funds	964,500	964,500	-	-
	1,123,121	$ 1,123,121	$ -	$ -
Investments held by the Foundation				
Investments measured at net asset value (1)	4,267,462			
Total investments	$ 5,390,583			

Investments consist of the following as of June 30, 2021:

		Fair Value		
	Total	**Level 1**	**Level 2**	**Level 3**
Investments held by the Organization				
Exchange traded funds	$ 172,037	$ 172,037	$ -	$ -
Mutual funds	1,004,894	1,004,894	-	-
	1,176,931	$ 1,176,931	$ -	$ -
Investments held by the Foundation				
Investments measured at net asset value (1)	4,556,350			
Total investments	$ 5,733,281			

(1) In accordance with subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of financial position.

The Organization transfers all endowment monies received that are with donor restriction to The Foundation. The Foundation created The Fund for Trinity Repertory Company (the “Fund”). The Fund also maintains a portion of Board-designated net assets (Note 2) for investment purposes. Any net excess investment earnings earned by the Fund after making an annual distribution to the Organization are further restricted and reflected within net assets with donor restrictions. During the years ended June 30, 2022 and 2021, the Fund’s investments had a net gain (loss) of $(448,072) and $995,435, respectively. The balance in with donor restrictions is $834,910 and $1,282,982 as of June 30, 2022 and 2021, respectively (see Note 2).

The Foundation manages its investment income spending policy by the "total return" method, which utilizes the Board-approved prudent spending rate percentage applied against a sixteen-quarter average investment portfolio market value. This method allows for the investments to be invested over the long term in order to achieve its primary investment objective. The Foundation's spending rate percentage ranges from 5% to 6.53%.

During the years ended June 30, 2022 and 2021, the Fund made a distribution of $165,265 and $145,965, respectively. During the years ended June 30, 2022 and 2021, $18,715 of the amounts distributed remained in with donor restrictions as they were not spent. The assets of the Fund are commingled with other assets of the Foundation for investment purposes.

The Organization is the income beneficiary of permanent endowment funds established with the Foundation. The fair value was approximately $86,544 and $95,728 at June 30, 2022 and 2021, respectively. These funds are considered assets of the Foundation and therefore, are not included in the Organization’s financial statements. Interest earned on these endowment funds is distributed to the Organization by the Foundation on a periodic basis. The investment income is currently reflected in the accompanying statements of activities.

The following table lists investments measured using the practical expedient by class and investment strategy as well as the unfunded commitments, redemption frequency and notice period for investments in entities that calculate fair value using net asset value per share or its equivalent:

Strategies	NAV - 2022	NAV - 2021	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Fund (1)	$ 4,267,462	$ 4,556,350	None	Annually	90 days

Investment income consists of the following for the years ended June 30:

	2022	2021
Realized gain on sale of investments	$ 275,441	$ 150,656
Interest and dividends	110,231	71,036
Unrealized gain (loss) on investments	(640,139)	979,727
Management fees and expenses	(36,034)	(31,287)
Total investment income	(290,501)	1,170,132
Less: Amount earned on operating activities	7,694	(28,732)
Net investment income (loss)	$ (282,807)	$ 1,141,400

8. LOAN AND LINE OF CREDIT

Term Loan

In 2017, the Organization restructured its long-term debt and entered into a 20-year loan agreement with a financial institution in the amount of $1,750,000 ($968,728 and $1,056,232 outstanding at June 30, 2022 and 2021, respectively). Repayment of the loan is in equal monthly installments of $7,292 plus accrued interest. Interest on term loan is due monthly at the thirty-day London Interbank Offered Rate ("LIBOR") plus 2.0% (3.02% and 2.09% of June 30, 2022 and 2021, respectively). The term loan has a first position Open-End Equity Mortgage, Security Agreement, and Assignment of Leases and Rents, with respect to 201 Washington Street and personal property and fixtures. The term loan contains certain administrative and restrictive financial covenants which provide for, among other things, minimum debt service coverage ratio and actual results must be within 105% of the board approved budget. As of June 30, 2022, the Organization was not in compliance with these covenants and has received a waiver. As of June 30, 2021, the Organization was in compliance with these covenants.

Line of Credit

In addition, the Organization entered into a line of credit agreement with a bank (expiring December 31, 2023) which provides for maximum borrowings of $300,000 with annual interest of prime plus 1% (4.25% as of June 30, 2022 and 2021). The line of credit has a second position Open-End Equity Mortgage, Security Agreement, and Assignment of Leases and Rents, with respect to 201 Washington Street and personal property and fixtures. No amounts were borrowed during the years ended June 30, 2022 and 2021.

Loan payable is due as follows at June 30:

Due during the year ending June 30, 2023	$	87,504
" " " " " June 30, 2024		87,504
" " " " " June 30, 2025		87,504
" " " " " June 30, 2026		87,504
" " " " " June 30, 2027		87,504
Thereafter through November 30, 2036		531,208
Total amount due		968,728
Less: Long-term portion		(881,224)
Current portion	$	87,504

Interest expense for the years ended June 30, 2022 and 2021 was $22,438 and $24,021, respectively.

9. CAPITAL CAMPAIGN

In fiscal year 2020, the Organization launched the quiet phase of a multi-million capital campaign (the “Campaign”). The campaign was paused during Fiscal Year 2021, due to the need to focus on organizational sustainability during the international COVID pandemic, but it has been reactivated. The vision for the campaign is to transform the Lederer Theater Center with an addition to the building that will make the theater more welcoming and more accessible to all members of the community while beautifying Downtown Providence and Adrian Hallway. It will also include historic restoration and a renovation of the Chace theater to ensure it is up to par with 21st century theater-making. In March 2021, the voters of Rhode Island approved a $2.5 million state bond grant to support the capital campaign. As of June 30, 2022 and 2021, the Organization has received $1,575,201 and $1,300,201, respectively, including pledges of $714,092 and $671,592, respectively, restricted to the Campaign which are reflected within net assets with donor restrictions (Note 2).

10. COMMITMENTS AND CONTINGENCIES

a) Government supported programs are subject to audit by the granting agency.

b) The Organization has employment agreements which terms are through August 31, 2027. The aggregate commitment under these agreements was approximately $1,675,000 at June 30, 2022.

c) The Organization contributes to three multiemployer pension plans under collective bargaining agreements covering union-represented employees, entirely in the entertainment industry. The vast majority of employers participating in these multiemployer plans are primarily engaged in the entertainment industry. These plans generally provide retirement benefits to vested participants based on their service to contributing employers, of which the Organization is one. In general, these plans are managed by a Board of Trustees with the unions appointing certain trustees and contributing employers of the plan appointing certain members. The Organization does not participate in any plan where it considers its contributions to be individually significant to the overall plan.

Based on information available to the Organization, the vast majority of the multiemployer plans to which it contributes are adequately funded under the applicable provisions of the Pension Protection Act (“PPA”) enacted in 2006. Two funds are in either "critical" or "endangered" status as those terms are defined in the PPA. The PPA requires all underfunded pension plans to improve their funding ratios within prescribed intervals based on their level of underfunding.

Until the plan trustees develop the funding improvement plans or rehabilitation plans as required by the PPA, the Organization is unable to determine the amount of assessments the Organization may be subject to, if any. Under applicable law upon its ceasing to make contributions to, or other "withdrawal" from an underfunded multiemployer pension plan, the affected funds could seek contributions from the Organization for the Organization's proportionate share of the plan's unfunded vested liabilities.

The Organization believes that under such circumstances, if a Fund were to seek to assess such contribution obligation upon the Organization's alleged "withdrawal," the Organization would have significant defenses against such assessment under applicable law. The Organization cannot determine at this time the impact that any alleged withdrawal from the affected plans may have on the financial position, results of operations or cash flows.

Approximately 24% (2022) and 15% (2021) of the Organization's employees and contractors are participants in multiemployer plans. Pension and welfare expense for multiemployer plans was $180,261 and $2,504 for the years ended June 30, 2022 and 2021, respectively.

d) In 1989, the Organization entered into an agreement with a key employee for post-employment benefits. Since the benefits are for past services, the estimated present value of the obligation was originally recorded during the year the obligation was entered into, fiscal 1989. The amount payable to the key employee for these post-employment benefits was calculated using a lifetime expectancy of 86 and the key employee reached the age of 86 in 2013. The annual cash obligation is $50,000 per year and will continue until the death of the key employee.

e) The Organization entered into a Memorandum of Agreement ("MOA") with Brown University in September 2013 and addended in October 2016 (renews automatically) to combine the academic resources of Brown University with the professional expertise of the Organization to produce graduate academic programs (The Brown/Trinity MFA in Acting and Directing Program). The MOA provides for two years' advance notice of the intention by either party to terminate the program. As of June 30, 2022, management has represented that neither party has provided such notice.

f) The Organization has been named in two claims for personal injury sustained at the Organization's premises. The Organization's insurance company is currently handling the claim. Management believes that the insurance coverage is sufficient to cover any claims which may be realized.

g) The Organization occupies warehouse space under a lease which has a term expiring June 30, 2027. The approximate future minimum annual rental payments are as follows:

Due during the year ending June 30, 2023	$	49,500
" " " " " June 30, 2024		49,500
" " " " " June 30, 2025		49,500
" " " " " June 30, 2026		49,500
" " " " " June 30, 2027		49,500
Total amount due	$	247,500

The Organization amortizes the aggregate of the total minimum lease payments on the straight-line basis over the term of the lease. The difference between the straight-line expense and amounts paid in accordance with the terms of its leases is recorded as deferred rent in the statements of financial position. Deferred rent as of June 30, 2022 and 2021 was $19,605 and $19,026, respectively. Rent expense for the years ended June 30 2022 and 2021 was $45,000.

11. CAPITAL LEASE OBLIGATION

On June 30, 2014, the Organization entered into an agreement with a board member for the sale of the 87 Empire Street property. The sale price was determined by an independent appraisal that was completed in April 2014. The purchase was conditioned upon execution of a lease by the Organization and guaranteed by Brown University.

The Organization has signed a lease with the board member (purchaser) to lease back the premises sold to him on June 30, 2014. The lease is for an initial term of eleven years, with two renewal options by the Organization for an additional ten years. The Organization is responsible for all costs of maintaining the property including utilities, real estate taxes, and capital expenditures.

The Organization has reflected the capital lease at the appraised fair market value of $1,800,000. The balance of accumulated depreciation as of June 30, 2022 and 2021 was $642,857 and $557,143, respectively. The economic substance of the capital lease is that the Organization is financing the acquisition of the assets through the lease, and, accordingly, it is recorded within the Organization's assets and liabilities.

The lease provides for minimum annual payments as follows as of June 30, 2022:

Year ending June 30, 2023	$ 159,117
" " " " 2024	162,299
" " " " 2025	165,545
" " " " 2026	168,856
" " " " 2027	172,233
Thereafter through June 30, 2035	1,507,836
Total lease payments	2,335,886
Less: Amount representing interest	(903,962)
Net Principal Due as of June 30, 2022	1,431,924
Less: Long-term portion	(1,380,202)
Current Portion	$ 51,722

12. EMPLOYEE BENEFIT PLAN

The Organization has a 401(k) salary deferral plan covering substantially all employees. Under the plan, the Organization may make a contribution to the employee plan on a discretionary basis. No amounts were contributed for the years ended June 30, 2022 and 2021.

13. FUNCTIONAL ALLOCATION OF EXPENSES

The cost of providing the various programs and the supporting services has been summarized on a functional basis in the financial statements of activities. Costs have been allocated among the programs and supporting services based on analysis of personnel time and utilization of related activities. Management and general expense include those expenses that are not directly identifiable with any specific function but provide for the overall support and direction of the Organization. The expenses that are allocated include rent, utilities, maintenance, depreciation and amortization, salaries, benefits, payroll taxes, office expense, insurance, and miscellaneous, which are allocated on the basis of estimates of time and effort.

14. CONTRIBUTIONS OF NON-FINANCIAL ASSETS

The Organization received contributed non-financial assets comprised of services and materials during the years ended June 30, 2022 and 2021 in support of its programs and operations, which are recognized in the statements of activities and included:

Non-Financial Contributions Category	Type of Contributions	Valuation	2022	2021
Advertising	Digital, broadcast and public service announcements	Standard industry pricing for similar products and services	$ 592,000	$ 580,400
Rent	Rent of administrative office and MFA program building	Standard industry pricing for similar spaces	95,000	114,288
Professional services	Professional services including program and administrative consulting	Standard industry pricing for similar services	10,000	-
Furniture, clothing and other	Various production materials	Standard industry pricing for similar products	1,400	3,400
			$ 698,400	$ 698,088

15. PAYCHECK PROTECTION PROGRAM

On April 13, 2020, the Organization issued an unsecured promissory note (the “PPP1 Loan”) for $1,230,200 through programs established through the Paycheck Protection Program (“PPP”) under the CARES Act and administered by the SBA. The PPP1 Loan was guaranteed by the SBA. On February 4, 2021, the Organization was informed that its application for forgiveness of $1,230,200 of the PPP1 Loan was approved. Accordingly, the Organization recorded it as forgiveness of debt, of which $868,582 relates to expenses incurred during the year ended June 30, 2020, which is shown as non-operating activities in the accompanying statements of activities

On March 22, 2021, the Organization issued an unsecured promissory note (the “PPP2 Loan”) for $1,226,572 through the PPP established under the Consolidated Appropriations Act of 2021, and administered by the SBA. The PPP2 Loan was guaranteed by the SBA. On January 26, 2022, the Organization was informed that its application for forgiveness of $1,106,371 of the PPP2 Loan was approved. The remaining $120,201 was fully repaid as of June 30, 2022. The PPP2 Loan covered eligible expenses during the year ended June 30, 2021; therefore, the forgiveness of debt is recorded as non-operating in the accompanying statements of activities.

16. SHUTTERED VENUE OPERATORS GRANT

On July 10, 2021, the Organization was awarded a Shuttered Venue Operators Grant from the SBA in the amount of $2,098,162. This cost-reimbursable federal grant covers allowable qualifying expenses for the period from March 1, 2020 through December 31, 2021. On April 4, 2022, the Organization received a supplementary award of $1,662,366 from the SBA which also extends the allowable expenses period for the entire grant to June 30, 2022. Revenue of $3,760,528 has been recognized during the year ended June 30, 2022 in the statements of activities.

17. NEW ACCOUNTING PRONOUNCEMENTS ISSUED NOT YET EFFECTIVE

In February 2016, Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases* (Topic 842), which requires the recognition of a "right to use" asset and a lease liability, initially measured at the present value of the lease payments, on the balance sheet for all of the Organization's lease obligations. This ASU is currently effective for years beginning after June 2022 (fiscal year 2023).

In June 2016, the FASB issued ASU 2016-13, *Measurement of Credit Losses on Financial Instruments*, which is effective for fiscal years beginning after December 15, 2022 and requires an organization to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions will now use forward-looking information to better inform their credit loss estimates.

The FASB recently issued ASU 2020-04, *Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, to ease the burden of accounting for contract modifications related to reference rate reform. The amendments in ASU 2020-04 create a new Topic in the Codification, ASC 848, *Reference Rate Reform*, which contains guidance that is designed to simplify how entities account for contracts that are modified to replace LIBOR or other benchmark interest rates with new rates. The amendments in ASU 2020-04 give qualifying entities the option to apply expedients and exceptions to contract modifications that are made until December 31, 2022, if certain criteria are met. If adopted, these amendments and exceptions should be applied to all eligible modifications to contracts that are accounted for under an ASC Topic or industry Subtopic, except for hedging instruments. The optional expedients and exceptions for hedge accounting relationships designated under ASC 815 may be elected on a hedge-by-hedge basis.

The Organization is currently evaluating the effect that these pronouncements will have on its financial statements and related disclosures.

18. RISKS AND UNCERTAINTIES

Management continues to evaluate the SARS-CoV-2 virus in the United States and its impact on the theatrical industry and has concluded that that while it is reasonably possible that the virus could have a negative effect on the Organization's financial condition and changes in net assets, the specific impact is not readily determinable as of the date of these financial statements.

19. EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through January 30, 2023, the date the financial statements were available to be issued. Management has determined that there are no subsequent events that require adjustment to or disclosure in these financial statements other than as noted below.