

The Purple Rose Theatre Company

Financial Statements
and Independent Auditors' Report

Years Ended August 31, 2024 and 2023

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Independent Auditors' Report

Board of Directors
The Purple Rose Theatre Company
Chelsea, Michigan

Opinion

We have audited the accompanying financial statements of The Purple Rose Theatre Company (a nonprofit organization) which comprise the statements of financial position as of August 31, 2024 and 2023, 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 financial statements referred to above present fairly, in all material respects, the financial position of The Purple Rose Theatre Company as of August 31, 2024 and 2023, 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Purple Rose Theatre Company 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 the 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 Purple Rose Theatre Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 generally accepted auditing standards 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.

In performing an audit in accordance with generally accepted auditing standards, 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 Purple Rose Theatre Company'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 Purple Rose Theatre Company'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.

Willis & Jurasek, P.C.

Willis & Jurasek, P.C.

December 3, 2024

The Purple Rose Theatre Company

Statements of Financial Position

August 31, 2024 and 2023

	<u>Assets</u>	
	<u>2024</u>	<u>2023</u>
Current Assets:		
Cash and cash equivalents	\$ 363,697	\$ 189,377
Restricted cash and cash equivalents	1,078,365	1,099,632
Accounts receivable	1,549	554
Pledges receivable - current	65,700	70,000
Inventory	7,161	3,277
Prepaid expenses	66,816	72,604
Total current assets	<u>1,583,288</u>	<u>1,435,444</u>
Property and Equipment:		
Land	100,000	100,000
Building and improvements	2,906,220	2,841,446
Furniture, fixtures and office equipment	121,976	90,854
Theatre and shop equipment	332,803	331,349
Vehicles	50,383	50,383
Operating lease - right-of-use asset, net	147,620	170,020
	<u>3,659,002</u>	<u>3,584,052</u>
Less: accumulated depreciation and amortization	1,783,978	1,658,663
Net property and equipment	<u>1,875,024</u>	<u>1,925,389</u>
Other Assets:		
Investments	1,659,192	1,414,985
Pledges receivable - long-term, net of unamortized discount	1,500	48,766
Beneficial interest in assets held at community foundation	341,663	317,134
Total other assets	<u>2,002,355</u>	<u>1,780,885</u>
	<u>\$ 5,460,667</u>	<u>\$ 5,141,718</u>
<u>Liabilities and Net Assets</u>		
Current Liabilities:		
Operating lease liability - current	\$ 21,362	\$ 22,400
Accounts payable	71,429	69,233
Accrued expenses	44,084	31,247
Deferred revenue	234,096	230,648
Total current liabilities	<u>370,971</u>	<u>353,528</u>
Operating Lease Liability - Noncurrent	<u>126,258</u>	<u>147,620</u>
Net Assets:		
Without donor restrictions	3,476,210	3,103,557
With donor restrictions	1,487,228	1,537,013
Total net assets	<u>4,963,438</u>	<u>4,640,570</u>
	<u>\$ 5,460,667</u>	<u>\$ 5,141,718</u>

See Notes to Financial Statements.

The Purple Rose Theatre Company

Statements of Activities

Years Ended August 31, 2024 and 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue:						
Public Support:						
Contributions and benefit income	\$ 806,718	\$ 130,829	\$ 937,547	\$ 844,193	\$ 153,944	\$ 998,137
In-kind contributions	112,160	-	112,160	105,610	-	105,610
Net assets released from restrictions	180,614	(180,614)	-	192,565	(192,565)	-
Total public support	<u>1,099,492</u>	<u>(49,785)</u>	<u>1,049,707</u>	<u>1,142,368</u>	<u>(38,621)</u>	<u>1,103,747</u>
Revenue:						
Ticket and program	1,844,538	-	1,844,538	1,325,885	-	1,325,885
Miscellaneous	18,224	-	18,224	17,745	-	17,745
Total revenue	<u>1,862,762</u>	<u>-</u>	<u>1,862,762</u>	<u>1,343,630</u>	<u>-</u>	<u>1,343,630</u>
Total public support and revenue	<u>2,962,254</u>	<u>(49,785)</u>	<u>2,912,469</u>	<u>2,485,998</u>	<u>(38,621)</u>	<u>2,447,377</u>
Expenses:						
Program Services:						
Production	2,011,091	-	2,011,091	1,966,372	-	1,966,372
Education outreach	140,771	-	140,771	130,139	-	130,139
Total program services	<u>2,151,862</u>	<u>-</u>	<u>2,151,862</u>	<u>2,096,511</u>	<u>-</u>	<u>2,096,511</u>
Support Services:						
General and administrative	341,820	-	341,820	318,685	-	318,685
Development and special events	411,568	-	411,568	391,000	-	391,000
Total support services	<u>753,388</u>	<u>-</u>	<u>753,388</u>	<u>709,685</u>	<u>-</u>	<u>709,685</u>
Total expenses	<u>2,905,250</u>	<u>-</u>	<u>2,905,250</u>	<u>2,806,196</u>	<u>-</u>	<u>2,806,196</u>
Changes in Net Assets from Operating Activities	<u>57,004</u>	<u>(49,785)</u>	<u>7,219</u>	<u>(320,198)</u>	<u>(38,621)</u>	<u>(358,819)</u>
Other Income (Expense):						
Investment income	315,649	-	315,649	137,213	-	137,213
Total other income (expense)	<u>315,649</u>	<u>-</u>	<u>315,649</u>	<u>137,213</u>	<u>-</u>	<u>137,213</u>
Changes in Net Assets	372,653	(49,785)	322,868	(182,985)	(38,621)	(221,606)
Net Assets - Beginning of Year	<u>3,103,557</u>	<u>1,537,013</u>	<u>4,640,570</u>	<u>3,286,542</u>	<u>1,575,634</u>	<u>4,862,176</u>
Net Assets - End of Year	<u>\$ 3,476,210</u>	<u>\$ 1,487,228</u>	<u>\$ 4,963,438</u>	<u>\$ 3,103,557</u>	<u>\$ 1,537,013</u>	<u>\$ 4,640,570</u>

See Notes to Financial Statements.

The Purple Rose Theatre Company

Statement of Funtional Expenses

Year Ended August 31, 2024

	<u>Program Services</u>		<u>Supporting Services</u>		<u>2024 Total</u>
	<u>Production</u>	<u>Education Outreach</u>	<u>General & Administrative</u>	<u>Development & Special Events</u>	
Salaries and wages	\$ 821,510	\$ 102,568	\$ 163,017	\$ 225,524	\$ 1,312,619
Pension plan	145,030	351	2,426	2,164	149,971
Other benefits	91,339	5,314	36,685	32,733	166,071
Payroll taxes and other employee costs	61,869	3,600	24,849	22,172	112,490
Playwrights and royalties	163,109	-	-	-	163,109
Direct production costs, non-personnel	310,373	-	-	16,335	326,708
Professional fees	-	-	25,913	-	25,913
Office expenses	10,040	374	1,695	2,356	14,465
Printing and postage	5,643	1,210	2,812	1,174	10,839
Rent	25,746	528	1,267	1,839	29,380
Utilities	24,162	805	9,665	5,638	40,270
Telephone	8,981	449	2,844	2,694	14,968
Maintenance, repairs, and equipment rentals	84,522	3,023	24,660	11,986	124,191
Marketing, general development, and special events	144,338	-	-	72,677	217,015
Auto and travel	19,770	179	1,970	537	22,456
Insurance	6,699	1,240	2,977	1,488	12,404
Depreciation and amortization	67,670	20,050	30,076	7,519	125,315
Other expenses	20,290	1,080	10,964	4,732	37,066
Total	<u>\$ 2,011,091</u>	<u>\$ 140,771</u>	<u>\$ 341,820</u>	<u>\$ 411,568</u>	<u>\$ 2,905,250</u>

See Notes to Financial Statements.

The Purple Rose Theatre Company

Statement of Funtional Expenses

Year Ended August 31, 2023

	<u>Program Services</u>		<u>Supporting Services</u>		<u>2023 Total</u>
	<u>Production</u>	<u>Education Outreach</u>	<u>General & Administrative</u>	<u>Development & Special Events</u>	
Salaries and wages	\$ 759,286	\$ 94,096	\$ 149,553	\$ 206,897	\$ 1,209,832
Pension plan	139,408	165	1,139	1,016	141,728
Other benefits	97,273	5,660	39,068	34,859	176,860
Payroll taxes and other employee costs	62,229	3,621	24,993	22,300	113,143
Playwrights and royalties	100,325	-	-	-	100,325
Direct production costs, non-personnel	380,005	-	-	20,000	400,005
Direct education outreach expense	-	67	-	-	67
Professional fees	-	-	20,154	-	20,154
Office expenses	9,082	320	1,525	2,166	13,093
Printing and postage	4,577	926	2,179	980	8,662
Rent	26,565	697	1,673	2,037	30,972
Utilities	23,706	790	9,482	5,531	39,509
Telephone	16,366	818	5,182	4,910	27,276
Maintenance, repairs, and equipment rentals	102,743	3,071	24,914	12,212	142,940
Marketing, general development, and special events	135,090	-	-	66,530	201,620
Auto and travel	22,505	160	1,760	480	24,905
Insurance	6,622	1,226	2,943	1,472	12,263
Depreciation and amortization	60,152	17,823	26,735	6,684	111,394
Other expenses	20,437	699	7,385	2,926	31,447
Total	\$ 1,966,372	\$ 130,139	\$ 318,685	\$ 391,000	\$ 2,806,196

See Notes to Financial Statements.

The Purple Rose Theatre Company

Statements of Cash Flows
Years Ended August 31, 2024 and 2023

	2024	2023
Cash Flows From Operating Activities:		
Change in net assets	\$ 322,868	\$ (221,606)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	125,315	111,394
Pledge receivables discount to net present value	1,234	(740)
Realized (gain) loss on sale of investments	(126,801)	17,269
Unrealized (gain) loss on investments	(132,834)	(122,725)
In-kind contributions	(112,160)	(105,610)
In-kind expenses	112,160	105,610
Changes in assets and liabilities that provided (used) cash:		
Accounts receivable	(995)	210
Pledges receivable	50,332	(68,020)
Inventory	(3,884)	364
Prepaid expenses	5,788	(11,128)
Accounts payable	2,196	8,922
Accrued expenses	12,837	25,042
Deferred revenue	3,448	(60,577)
Total adjustments	(63,364)	(99,989)
Net cash provided (used) by operating activities	259,504	(321,595)
Cash Flows From Investing Activities:		
Purchase of fixed assets	(97,351)	(106,945)
Sale of investments	-	-
Purchase of investments	(31,017)	(23,473)
Distributions from beneficial interest in community foundation	21,917	14,389
Net cash provided (used) by investing activities	(106,451)	(116,029)
Increase (Decrease) in Cash and Cash Equivalents	153,053	(437,624)
Cash and Cash Equivalents - Beginning of Year	1,289,009	1,726,633
Cash and Cash Equivalents - End of Year	\$ 1,442,062	\$ 1,289,009
Cash as Reported on the Statement of Financial Position:		
Cash and cash equivalents	\$ 363,697	\$ 189,377
Restricted cash and cash equivalents	1,078,365	1,099,632
	\$ 1,442,062	\$ 1,289,009

See Notes to Financial Statements.

The Purple Rose Theatre Company

Notes to Financial Statements

1. Nature of Business and Significant Accounting Policies

Organization and Nature of Activities

The Purple Rose Theatre Company (the "Theatre") was incorporated in Michigan in 1990 for the purpose of promoting interest in non-profit professional theatre. The Theatre furthers this purpose by performing plays primarily in Chelsea, Michigan, creating opportunities for Midwest theatre professionals, and participating in educational outreach programs in the lower mid-Michigan area. Substantial portions of the Theatre's revenues are received from general donations, grants and ticket sales.

Basis of Accounting

The accompanying financial statements of the Theatre have been prepared on the accrual basis of accounting. Under this method, revenues are recognized when earned, and expenses are recognized when incurred.

Basis of Presentation

Financial statement presentation follows the standards set by the Financial Accounting Standards Board (FASB). According to these professional standards, net assets and revenues, and gains and losses, are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Theatre and the changes therein are classified as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Theatre. The Theatre's board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Theatre or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Measure of Operations

The Statements of Activities report all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's ongoing activities. Non-operating activities are limited to resources that generate return from investments, endowment contributions, financing costs, and other activities considered to be of a more unusual or nonrecurring nature.

Functional Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis and based on estimates of time and effort.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

The Purple Rose Theatre Company

Notes to Financial Statements

1. Nature of Business and Significant Accounting Policies (Continued)

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, cash equivalents include time deposits, certificates of deposit, and all highly-liquid debt instruments with original maturities of three months or less. At times, the cash balances exceed FDIC insurance limits and the uninsured balances may be significant. At August 31, 2024 and 2023, the uninsured balances were approximately \$965,000 and \$800,000, respectively.

Restricted cash and cash equivalents consist of monies received but not yet spent for purposes intended per the donors or held in perpetuity. Restricted cash and cash equivalents as of each year end were as follows:

	<u>2024</u>	<u>2023</u>
Facilities upgrade	\$ 27,075	\$ 55,192
World Premiere Fund	343,572	343,322
Endowment	691,218	681,118
Production sponsor	2,500	20,000
Diversity & Inclusion Initiative	8,500	-
Library program	5,500	-
	<u>\$ 1,078,365</u>	<u>\$ 1,099,632</u>

Fair Value of Financial Instruments

The Theatre applies generally accepted accounting principles (GAAP) for the fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis. GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP also establishes a framework for measuring fair value and expands disclosures about fair value measurements. Investments, including beneficial interest in assets held by community foundation, are reported under this framework (Note 2). Long-term pledge receivables have been adjusted to fair market value by discounting the value based upon estimated future cash flows (Note 3). The carrying value of cash and cash equivalents, restricted cash and cash equivalents, current receivables, inventory, prepaid expenses, and current liabilities approximates fair value because of the short-term maturities of these instruments.

Receivables

The Theatre holds various types of receivables including accounts receivable which consist of ticket sales for a show budgeted and performed in the fiscal year, but the monies were not actually received until after year-end; and contributions receivable (pledges, i.e. promises to give) which are recorded at fair value as revenue when pledged.

Pledges are recorded as revenues with donor restrictions in the year the pledge is received and released into net assets without donor restrictions as the pledge is paid unless restricted for a future specific use. Management reviews pledges receivable on a routine basis to determine collectability and has determined all pledges are collectable; thus, no allowance for uncollectable pledges has been recorded. All long-term pledges receivable are due within one to five years (Note 3).

The Purple Rose Theatre Company
Notes to Financial Statements

1. Nature of Business and Significant Accounting Policies (Continued)

Inventory

Inventories are stated at cost (purchase price), determined by the first-in, first-out method. Inventory consists of various promotional items, such as shirts, hats and coffee mugs, as well as CDs and scripts.

Prepaid Expenses

Prepaid expenses generally consist of expenses incurred for next year productions.

Property and Equipment

Property and equipment acquisitions are accounted for at cost or if donated, are recorded at fair market value when received. Generally, the Theatre capitalizes all property and equipment with useful lives greater than one year. The Theatre does not have a policy for implying time restrictions on contributions of long-lived assets. Management annually reviews these assets to determine whether carrying values have been impaired. Depreciation is provided using the straight-line method over the estimated useful lives of the respective assets, which range from five to twenty years. Depreciation expense for the reported years was \$125,315 and \$111,394, respectively.

Investments

Investments are stated at fair value which is determined based upon market value at the end of the fiscal year. Investments with original maturity dates of one year or less are recorded as current assets, and those with original maturities of more than one year are recorded as other assets in the Statements of Financial Position. Fair value measurements of investments are disclosed in Note 2.

Beneficial Interest in Assets Held by Community Foundation

The Theatre has transferred assets to a local community foundation, Community Foundation for Southeast Michigan, to set aside assets to provide for future investment income to assist in funding the operations on an ongoing basis. The assets are reported at fair value (see Note 2) and income net of fees including market value fluctuations, have been recorded annually. Variance power has been granted to the foundation; variance power focuses primarily on how income is distributed and how funds are to be handled if the Theatre should cease to exist. For 2024 and 2023, the Theatre has received approximately \$22,000 and \$14,000, respectively. The amounts held at year end as beneficial interest assets, at fair value, total \$341,663 and \$317,134, respectively.

Revenue and Revenue Recognition

The Theatre recognizes revenue from ticket sales at the time of admission. The Theatre records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place.

The Theatre recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. The Theatre did not have any conditional promises to give as of August 31, 2024.

The Purple Rose Theatre Company

Notes to Financial Statements

1. Nature of Business and Significant Accounting Policies (Continued)

Contributed Goods and Services

During the year, contributed goods and services meeting the requirements for recognition in the financial statements were for several types of expenses including props, set dressings, benefit expenses, and various professional services. These have been recorded at the fair value of the donations received. Total value of donated goods and services included in expenses was approximately \$112,000 and \$106,000, for each year-end, respectively.

Income Tax Status

The Theatre is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. The Theatre is subject to taxation on "unrelated business income" resulting from the sale of inventory. Federal income tax expense was \$0 for both years.

Professional standards require an analysis of uncertain tax positions for the purpose of determining whether benefits associated with those positions may be recognized for financial statement purposes. Based upon this analysis, no amounts have been identified, or recorded, as uncertain tax positions. Federal returns are open for examination for three years.

Advertising

Advertising costs are expensed as incurred; the expense recognized for each year-end was approximately \$152,000 and \$142,000, respectively.

Reclassifications

Certain balances in the prior year financial statements may have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. These reclassifications, if any, had no impact on net income.

Subsequent Events

The Theatre has evaluated subsequent events through the date of the auditors' report, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

The Purple Rose Theatre Company

Notes to Financial Statements

2. Investments and Fair Value Measurements

FASB Codification Topic, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework 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 Fair Value Measurements: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Theatre has the ability to access.

Level 2 Fair Value Measurements: 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;
- 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. For the reported years, the Theatre had no assets valued using Level 2 fair value measurements.

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

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

Following is a description of the valuation methodologies used for assets measured at fair value.

- *Certificates of deposit:* Valued at market value based upon broker supplied information
- *Mutual funds and exchange-traded products (ETPs):* Valued at the market price as provided by brokerage
- *Beneficial interest in assets held at community foundation:* Valued at the fair value of the Theatre's share of the foundation's investment pool as of the measurement date

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Theatre believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Purple Rose Theatre Company
Notes to Financial Statements

2. Investments and Fair Value Measurements (Continued)

The following table presents assets that are measured at fair value on a recurring basis at each fiscal year-end:

	2024	2023
Certificates of deposit/cash equivalents	\$ 1,789	\$ 11,273
Mutual funds	412,100	346,707
Exchange-traded products	1,245,303	1,057,005
Total Level 1 fair value of investments	1,659,192	1,414,985
Beneficial interest in assets held at community foundation	341,663	317,134
Total Level 3 fair value of investments	341,663	317,134
Total investments at fair value	\$ 2,000,855	\$ 1,732,119

3. Receivables

The Theatre has received promises to give, some with multiple year terms. Management has determined that the long-term pledge receivables balance should be adjusted to fair value. An average IRS Treasury yield rate effective for the applicable time period was determined to be a reasonable discount rate. Pledges receivable totaled \$67,200 and \$118,766 as of August 31, 2024 and 2023, respectively, net of a discount to fair market value (effective rate of 2.5%) of \$0 and \$1,234, respectively. The current year had no discount so the prior year balance was charged to contributions revenue. These amounts are presented in the Statements of Financial Position as follows:

	2024	2023
Current pledges receivable (less than one year)	\$ 65,700	\$ 70,000
Other current receivables	1,549	554
Total current receivables	\$ 67,249	\$ 70,554
Long-term pledges receivable (one to five years)	\$ 1,500	\$ 50,000
Less: long-term unamortized discount	-	(1,234)
Net long-term portion of pledges receivable	\$ 1,500	\$ 48,766

4. Line of Credit

The Theatre has a \$150,000 revolving line of credit with a local bank. Advances on the credit line are payable on demand and carry a variable interest rate based on the Wall Street Journal U.S. Prime rate, an effective rate of 8.5% as of August 31, 2024. The credit line is secured by substantially all assets and matures November 18, 2025 with the expectation to renew. There was no balance on the line of credit as of either year-end.

The Purple Rose Theatre Company
Notes to Financial Statements

5. Related Party Transactions

Related party transactions include Board member contributions and related pledge receivables, varying in amounts.

6. Leases

The Theatre evaluated current contracts to determine which met the criteria of a lease. The right-of-use (ROU) assets represent The Theatre's right to use underlying assets for the lease term, and the lease liabilities represent The Theatre's obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms. The Theatre has made an accounting policy election to use its incremental borrowing rate to discount future lease payments. The discount rate applied to calculate lease liabilities as of September 1, 2022 was 4.75%.

The Theatre's operating leases consist primarily of real estate leases for rehearsal space and actors' housing. The lease for actors' housing is a twelve-month lease and is expensed when incurred. The monthly lease payments on this lease agreement are \$1,100. Total expense on this lease was \$13,200 and \$11,775 for the years ended August 31, 2024 and 2023, respectively.

The Theatre's lease for rehearsal space is an operating lease that had an initial five-year agreement beginning February 1, 2017 through January 31, 2022 at \$1,840 per month. The agreement allowed for two optional additional five-year renewals. The Theatre chose to continue the agreement for the first five-year period and is reasonably certain it will renew for the second optional renewal. Therefore, the payments associated with the second extension are included in the ROU asset and related lease liability recognized. Total operating lease cost on this lease was \$24,000 for each year.

Future minimum rent payments required under this operating lease are estimated as follows:

2025	\$ 24,000
2026	24,000
2027	25,750
2028	27,000
2029	27,000
Thereafter	<u>65,250</u>
Total lease payments	193,000
Less present value discount	<u>(45,380)</u>
Total lease obligations	<u>\$ 147,620</u>

In addition, short-term operating leases for storage space totaled \$5,280 and \$6,972, respectively.

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7. Union Agreement, Pension and Welfare Plans

The Theatre participates in a collective bargaining agreement with the Actors' Equity Association for performing artist services which represents approximately 34%, for both reported years, of the total salaries incurred for each reported year.

The Theatre contributes to the Actor Equity Association Pension and Welfare Plan on behalf of applicable equity actor union employees. The pension contribution amounts are based on a set percentage of the equity actor's salary. The welfare contribution amount is based on the number of weeks the equity actor is employed by the Theatre. Amounts contributed for the years ended August 31, 2024 and 2023, were approximately \$139,000 and \$137,000, respectively.

The Theatre maintains a SIMPLE Plan for eligible employees not covered by the above plan. The contributions are matching up to 2% of gross wages for calendar years 2024 and 2023. Total SIMPLE contributions for the years ended August 31, 2024 and 2023, were approximately \$11,000 and \$5,200 for each year, respectively.

8. Net Assets

Net assets with donor restrictions at each reported year end are restricted for the following purposes or periods:

	<u>2024</u>	<u>2023</u>
Play sponsorship for next season	\$ 16,500	\$ 20,000
Comprehensive capital campaign	1,061,865	1,079,632
Pledges for future years	67,200	120,247
Beneficial interest in assets held at community foundation	<u>341,663</u>	<u>317,134</u>
Total net assets with donor restrictions	<u>\$ 1,487,228</u>	<u>\$ 1,537,013</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors as follows:

	<u>2024</u>	<u>2023</u>
Expenditure for a specific purpose	\$ 109,867	\$ 162,805
Pledges received net of discount amortization	<u>70,747</u>	<u>29,760</u>
Total net assets released from restrictions	<u>\$ 180,614</u>	<u>\$ 192,565</u>

9. Revenue from Contracts with Customers

The following table provides information about significant changes in the contract liabilities for the year ended August 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Deferred revenue, beginning of year	\$ 230,648	\$ 291,225
Revenue recognized that was included in deferred revenue at the beginning of year	(230,648)	(291,225)
Increase in deferred revenue due to cash received during the year	<u>234,096</u>	<u>230,648</u>
Deferred revenue, end of year	<u>\$ 234,096</u>	<u>\$ 230,648</u>

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10. Concentrations

For fiscal year 2024, the Theatre received donations from one donor which represented approximately 15% of total donations. For fiscal year 2023, there were no concentrations of income from any major source.

For labor concentrations, see Note 7.

11. Liquidity

The Theatre has \$504,923 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consisting of cash and cash equivalents of \$363,697, receivables of \$67,249, inventory of \$7,161, and prepaid expenses of \$66,816. The inventory and prepaid expenses will be expended as used during the upcoming year. The receivables are subject to implied time restrictions but are expected to be collected within one year.

The financial assets have been reduced by amounts not available for general use because of donor imposed restrictions within one year of the balance sheet date and amounts set aside for long-term investing. The restricted cash, although a current financial asset and expected to be spent within the next fiscal year, is not available for general use but is instead earmarked for specific purchases. See the Cash and Cash Equivalents section of Note 1 for restricted cash details.

As part of the Theatre's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. For increased income from its financial assets, the Theatre holds investments of \$2,000,855 which have been placed with local brokerage firms and a community foundation and from which annual distributions of revenues are expected. As described more fully in Note 4, the Theatre also maintains a line of credit in the amount of \$150,000, which is available to draw down upon in the event of an unanticipated liquidity need.

12. Risk Management

Other Risk Management

The Theatre is exposed to various risks of loss related torts; theft of, damage to, and destruction of assets, errors and omissions, employee or patron injuries, natural disasters, and other unexpected losses. The Theatre has purchased commercial insurance to cover such losses. Claims outstanding, if any, are expected to be fully covered by insurance and thus, no provision has been made in the financial statements related to any such claims.