Portland Stage Company

Financial Report

Years Ended June 30, 2023 and 2022

PORTLANDSTAGE
The Theater of Maine

WIPFLI

WIPFLI

Independent Auditor's Report

To the Board of Trustees
Portland Stage Company
Portland, Maine

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Portland Stage Company (the "Organization"), a nonprofit organization, which comprise the statements of financial position as of June 30, 2023 and 2022, 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 referred to above present fairly, in all material respects, the financial position of Portland Stage Company as of June 30, 2023 and 2022, 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 (''GAAP'').

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 Portland Stage 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 Portland Stage Company's ability to continue as a going concern for one year after the date 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.

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 Portland Stage 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 Portland Stage 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.

Wipfli LLP

Wipfli LLP

South Portland, Maine
January 24, 2024

Portland Stage Company
Statement of Financial Position

As of June 30,	**2023**	**2022**
ASSETS		
Current assets		
Cash and cash equivalents	$ 651,575	$ 985,814
Grants receivable	-	70,363
Contributions receivable - current portion	20,000	27,500
Bequest receivable - current portion	69,269	65,000
Prepaid expenses	29,660	17,042
Total current assets	770,504	1,165,719
Property and equipment		
Land and buildings	968,537	968,537
Equipment	428,617	446,817
Improvements	1,590,833	1,513,748
Construction in process	781,664	-
	3,769,651	2,929,102
Less: accumulated depreciation	(2,011,145)	(1,923,489)
Total property and equipment	1,758,506	1,005,613
Other assets		
Security deposits	8,850	8,850
Right of use asset - operating leases	538,176	-
Cash and cash equivalents - capital campaign	3,898,868	2,076,015
Contribution receivable - capital campaign	167,073	2,135,296
Investments - endowment	3,050,343	2,737,552
Total other assets	7,663,310	6,957,713
Total assets	$ 10,192,320	$ 9,129,045

Portland Stage Company

Statement of Financial Position (Continued)

As of June 30,	**2023**	**2022**
LIABILITIES AND NET ASSETS		
Current liabilities		
Current portion of long-term debt	$ 58,130	$ 55,549
Accounts payable	179,773	60,428
Refundable advance	94,300	-
Deferred revenue	201,799	196,150
Security deposits	15,604	17,517
Operating lease obligations - current	170,546	-
Total current liabilities	720,152	329,644
Other liabilities		
Notes payable - long term	663,125	720,738
Operating lease obligations - long term	368,946	-
Total liabilities	1,752,223	1,050,382
Nets assets		
Without donor restrictions	761,739	1,164,147
With donor restrictions	7,678,358	6,914,516
Total net assets	8,440,097	8,078,663
Total liabilities and net assets	$ 10,192,320	$ 9,129,045

See accompanying notes to financial statements.

Portland Stage Company
Statement of Activities
Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Theater Operating Revenue			
Ticket sales	$ 613,490	$ -	$ 613,490
Theatre for kids tuition	86,338	-	86,338
Program advertising	13,000	-	13,000
Concessions and other revenue	18,053	-	18,053
Cost of goods sold	(16,756)	-	(16,756)
	714,125	-	714,125
Special events revenues	29,410	-	29,410
Special events expenses	(14,006)	-	(14,006)
	15,404	-	15,404
Contributions	595,648	75,000	670,648
Grants	59,581	-	59,581
Interest and dividends	111,378	-	111,378
Other	156,536	-	156,536
Net assets released from restrictions	204,935	(204,935)	-
	1,128,078	(129,935)	998,143
Total theater operating revenue	1,857,607	(129,935)	1,727,672
Theater Operating Expense			
Production costs	1,737,602	-	1,737,602
General and administrative	437,620	-	437,620
Fundraising expenses	128,081	-	128,081
Total theater operating expenses	2,303,303	-	2,303,303
Change in net assets - theater operations	(445,696)	(129,935)	(575,631)
Non-Operating Activities			
Endowment contributions	-	20,100	20,100
Capital campaign contributions	-	629,204	629,204
Investment income	48,218	244,473	292,691
Rent			
Tenant rent	86,024	-	86,024
Rent expense	(90,954)	-	(90,954)
Change in net assets - non-operating activities	43,288	893,777	937,065
Change in net assets	(402,408)	763,842	361,434
Net assets - beginning of year	1,164,147	6,914,516	8,078,663
Net assets - end of year	$ 761,739	$ 7,678,358	$ 8,440,097

See accompanying notes to financial statements.

Portland Stage Company
Statement of Activities
Year ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Theater Operating Revenue			
Ticket sales	$ 564,998	$ -	$ 564,998
Theatre for kids tuition	70,088	-	70,088
Program advertising	16,500	-	16,500
Concessions and other revenue	485	-	485
	652,071	-	652,071
Special events revenues	27,632	-	27,632
Special events expenses	(17,840)	-	(17,840)
	9,792	-	9,792
Contributions	584,589	20,000	604,589
Grants	1,125,502	-	1,125,502
Interest and dividends	7,483	-	7,483
Other	96,829	-	96,829
Net assets released from restrictions	172,792	(172,792)	-
	1,987,195	(152,792)	1,834,403
Total theater operating revenue	2,649,058	(152,792)	2,496,266
Theater Operating Expense			
Production costs	1,786,756	-	1,786,756
General and administrative	547,440	-	547,440
Fundraising expenses	93,383	-	93,383
Total theater operating expenses	2,427,579	-	2,427,579
Change in net assets - theater operations	221,479	(152,792)	68,687
Non-Operating Activities			
Endowment contributions	-	279,100	279,100
Capital campaign contributions	-	2,607,387	2,607,387
Investment loss	(54,412)	(305,084)	(359,496)
Rent			
Tenant rent	113,493	-	113,493
Rent expense	(98,188)	-	(98,188)
Change in net assets - non-operating activities	(39,107)	2,581,403	2,542,296
Change in net assets	182,372	2,428,611	2,610,983
Net assets - beginning of year	981,775	4,485,905	5,467,680
Net assets - end of year	$ 1,164,147	$ 6,914,516	$ 8,078,663

See accompanying notes to financial statements.

Portland Stage Company

Statement of Functional Expenses

Years Ended June 30, 2023 and 2022

2023

	Program Services	Supporting Services				
	Production Costs	General and Administrative	Fund-raising	Rental Costs	Total Supporting Services	Total Expenses
Personnel	$ 956,317	$ 284,503	$ 79,650	$ 18,168	$ 382,321	$ 1,338,638
Professional	92,380	29,852	37,403	-	67,255	159,635
Travel and housing	241,064	-	-	-	-	241,064
Occupancy	101,451	18,738	-	33,216	51,954	153,405
Supplies	12,722	14,797	11,028	-	25,825	38,547
Advertising	161,912	-	-	-	-	161,912
Utilities	17,663	10,739	-	-	10,739	28,402
Equipment rental and maintenance	-	-	-	912	912	912
Postage and delivery	1,266	2,950	-	-	2,950	4,216
Materials	37,564	-	-	-	-	37,564
Royalties	53,758	-	-	-	-	53,758
Interest	18,563	3,276	-	12,826	16,102	34,665
Depreciation	37,388	24,436	-	25,832	50,268	87,656
Other	5,554	48,329	-	-	48,329	53,883
	1,737,602	437,620	128,081	90,954	656,655	2,394,257
Concessions						16,756
Special event expenses						14,006
Rental expenses						90,954
						$ 2,515,973

2022

	Program Services	Supporting Services				
	Production Costs	General and Administrative	Fund-raising	Rental Costs	Total Supporting Services	Total Expenses
Personnel	$ 914,287	$ 406,212	$ 58,796	$ 17,332	$ 482,340	$ 1,396,627
Professional	165,975	14,784	30,021	-	44,805	210,780
Travel and housing	226,141	-	-	-	-	226,141
Occupancy	86,843	15,361	-	28,410	43,771	130,614
Supplies	11,921	11,221	4,566	-	15,787	27,708
Advertising	179,089	-	-	-	-	179,089
Utilities	16,971	11,760	-	-	11,760	28,731
Equipment rental and maintenance	-	4,840	-	26	4,866	4,866
Postage and delivery	960	2,752	-	-	2,752	3,712
Materials	48,733	-	-	-	-	48,733
Royalties	43,864	-	-	-	-	43,864
Interest	19,888	3,510	-	13,742	17,252	37,140
Depreciation	65,515	1,215	-	38,678	39,893	105,408
Other	6,569	75,785	-	-	75,785	82,354
	1,786,756	547,440	93,383	98,188	739,011	2,525,767
Special events expense						17,840
Rental expenses						98,188
						$ 2,641,795

See accompanying notes to financial statements.

Portland Stage Company

Statement of Cash Flows

Years Ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	$ 361,434	$ 2,610,983
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	87,656	105,408
Investment (gains) losses	(267,824)	378,975
Contribution restricted for endowment	(20,100)	(279,100)
Contributions restricted for capital campaign	(629,204)	(2,607,387)
Non cash operating lease expense	1,316	-
(Increase) decrease in:		
Accounts receivable	70,363	346,988
Prepaid expenses	(12,618)	(3,377)
Contributions receivable	7,500	(276,499)
Bequest receivable	(4,269)	60,000
Increase (decrease) in:		
Accounts payable and accrued expenses	119,345	45,958
Refundable advance	94,300	(239,822)
Deferred revenue	5,649	72,058
Security deposits	(1,913)	4,300
Net cash flows from operating activities	(188,365)	218,485
Cash flows from investing activities:		
Purchase of property and equipment	(840,549)	(65,136)
Purchase of investments	(2,308,800)	(572,245)
Proceeds from sale of investments	2,263,833	273,665
Net cash flows from investing activities	(885,516)	(363,716)
Cash flows from financing activities:		
Proceeds from contributions restricted for endowment	20,100	279,100
Proceeds from contributions for capital campaign	2,597,427	908,484
Principal payments on notes payable	(55,032)	(52,557)
Net cash flows from financing activities	2,562,495	1,135,027
Net changes in cash and cash equivalents	1,488,614	989,796
Cash and cash equivalents, beginning of year	3,061,829	2,072,033
Cash and cash equivalents, end of year	$ 4,550,443	$ 3,061,829

Portland Stage Company

Statement of Cash Flows (Continued)

Years Ended June 30, 2023 and 2022

		2023		2022
Cash and cash equivalents consist of the following:				
Cash and cash equivalents	$	651,575	$	985,814
Cash and cash equivalents - capital campaign		3,898,868		2,076,015
Total cash and cash equivalents	$	4,550,443	$	3,061,829
Supplemental disclosure of cash flow information:				
Cash paid during the year for:				
Interest	$	34,665	$	37,140

See accompanying notes to financial statements.

Note 1: Nature of the Organization and Significant Accounting Policies

Nature of the Organization

Portland Stage Company (the "Organization") is a nonprofit organization incorporated in Maine in 1974. Its mission is to conduct cultural and educational activities. It is a professional theater and produces performances at the highest artistic level. The Organization presents eight productions throughout its season, which begins in August and ends in May.

Basis of Presentation

The financial statements of the Organization have been prepared using the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Net Assets

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

- **Net assets without donor restrictions:** Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

- **Net assets with donor restrictions**: Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of Estimates

The preparation of the financial statements in accordance with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. No allowance has been provided for these receivables as management considers them to be fully collectible.

Note 1: Nature of the Organization and Significant Accounting Policies (Continued)

Contributions and Bequest Receivable

Unconditional promises to give expected to be collected in less than one year are reported at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows on a discounted basis applicable to the years in which the promises were received. The carrying amounts of promises to give are reduced by allowances that reflect management's estimate of uncollectible amounts.

Investments

Investments are carried at fair value, and realized and unrealized gains and losses are allocated to net assets based on donor stipulations as reflected in the statements of activities.

The Organization has two different investment accounts, each with its own funding needs and investment requirements. Funds received for these separate uses have different investment requirements due to the expected term of their investment and the acceptable risk and volatility during their term. Moreover, individual donor specifications or restrictions may create additional investment requirements.

The Organization's investment policy and spending policy for investments is, as follows:

The portfolio will consist of cash and cash equivalents; fixed income with maximum ownership of one issuer set at 5% of the fixed income portfolio at cost; and equity investments whereby any major sector classification does not exceed 20% of the equity portfolio at market value. Equity investments in any major sector classification shall not exceed 15% of the equity portfolio at market value. Equity investments in any single issuer shall not exceed 5% of the equity portfolio at market value.

The Organization will require regular withdrawals for capital, operating and program expenses. Management and the board will annually determine spending policy and expected withdrawals from the investment portfolios for the Organization overall and for each investment portfolio.

The Organization's management and board will be responsible for maintenance of records and usage of any withdrawals in accordance with any donor restrictions placed on such withdrawals.

Interpretation of Relevant Law

The State of Maine Uniform Prudent Management Institutional Funds Act (UPMIFA) requires the preservation of the historic 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 of this Act, the Organization classifies amounts perpetual in nature as (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 to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in perpetual in nature is classified as donor restricted net assets until those amounts are appropriated for expenditure by the Organization.

Note 1: Nature of the Organization and Significant Accounting Policies (Continued)

Property and Equipment

Equipment, buildings and improvements are capitalized at cost. Donated assets are valued at fair value at the date of the donation. Depreciation is computed using the straight-line method based on the estimated useful lives of the related assets. Equipment has estimated useful lives of three to seven years, while buildings and improvements are depreciated over a fifteen to forty-year useful life. Expenditures for repairs and maintenance are expended when incurred and betterments are capitalized.

Deferred Revenue

The Organization receives advance ticket sales during the year. As each production is presented, the portion of the advance sales collections that pertains to that production will be recognized as revenue. In the event any of the scheduled productions are not presented, the advance ticket collections for that production will be available for refund to the ticket holders.

Grant Revenue

The Organization's grant awards are contributions which are evaluated for conditions and recognized as revenue when conditions in the award are satisfied. Unconditional awards are recognized as revenue when the award is received. Amounts received in which conditions have not been met are reported as a refundable advance liability.

Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award.

- **Grant Awards That Are Contributions** - Grants awards that are contributions are evaluated for conditions and recognized as revenue when conditions in the award are satisfied. Unconditional awards are recognized as revenue when the award is received. Amounts received in which conditions have not been met are reported as a refundable advance liability.

- **Grant Awards That Are Exchange Transactions** - Exchange transactions are those in which the resource provider or grantor receives a commensurate value in exchange for goods or services transferred. Revenue is recognized when control of the promised goods or services is transferred to the customer (grantor) in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Amounts received in excess of recognized revenue are reflected as a contract liability.

Note 1: Nature of the Organization and Significant Accounting Policies (Continued)

Contribution Revenue

Unconditional contributions are recorded at their fair value on the date of the gift. Contributions, including promises to give, are considered conditional or unconditional, depending on the nature and existence of any donor or grantor conditions. A contribution or promise to give contains a donor or grantor condition when both of the following are present:

- An explicit barrier, that is more than trivial, that must be overcome before the revenue can be earned and recognized
- An implicit right of return of assets transferred or a right of release of a donor or grantor's obligation to transfer assets promised, if the condition is not met

Conditional contributions are recognized when the barrier(s) to entitlement are overcome. Unconditional contributions are recognized as revenue when received.

Unconditional contributions or conditional contributions in which the conditions have been substantially met or explicitly waived by the donor are recorded as support with or without donor restrictions, depending on the existence and nature of any donor restrictions.

Revenue Recognition - Contracts with Customers

Ticket sales represent the amounts actually paid for individual tickets of admission to a production including handling and other fees. Tickets sales are non-refundable at the time of receipt, unless a production is cancelled. The Organization records a reserve if deemed necessary. Ticket exchanges may be allowed under certain circumstance for equal or lesser value. Tickets are primarily purchased in advance and recorded as deferred revenue. Ticket revenue is recognized when the performance related to the ticket sale is complete. The Organization determines the transaction price based on standard charges for goods and services provided, reduced by discounts provided other price concessions provided to the customer.

Tuition revenue from theater camps are paid in advance and recognized over time as the service is provided to the student. Revenue is reported at the amount of consideration that the School expects to be entitled in exchange for providing its services. The Organization determines the transaction price based on standard charges for goods and services provided, reduced by discounts provided for scholarships and other price concessions provided to students.

The Organization recognizes exchange portion of 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.

Rent revenue is recognized on a monthly basis as earned. Other revenue is insignificant and is recognized when received.

Sales and other taxes the Organization collects concurrent with revenue-producing activities are excluded from revenue.

Note 1: Nature of the Organization and Significant Accounting Policies (Continued)

Revenue Recognition - Contracts with Customers (Continued)

Because all of its performance obligations relate to contracts with a duration of less than one year, the Organization has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

Results from Theater Operations

The Organization reports the results of its activities in two categories: Theater operations and non-operating activities. Theater operations consist of the normal operations of the Organization. Non-operating activities includes contributions for the endowment fund and long-lived assets, investment gains and losses of the endowment fund and building rental activity.

Advertising

The Organization uses advertising to promote its programs among the audiences it serves. The production costs of advertising are expensed as incurred.

Functional Allocation of Expenses

The costs of providing program and supporting services have been summarized and presented in the statements of activities by their functional classification. Accordingly, these costs have been allocated among program and support services (general and administrative, rental costs and fundraising) and presented in the statements of functional expenses by their natural classification. Certain indirect costs such as payroll are allocated based on time and effort and certain facility costs are based on square footage.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash equivalents include all highly liquid debt instruments with original maturities of three months or less.

Income Taxes

The Organization is classified as a Section 501(c)(3) organization under the Federal Internal Revenue Code. As a result, it has been determined to be exempt from federal income taxes. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. The Organization is currently open to audit under the statute of limitations by the Internal Revenue Service and state taxing authorities for three years following the filing of the return.

Note 1: Nature of the Organization and Significant Accounting Policies (Continued)

Fair Value Measurements

Fair value is 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. In determining fair value, the Organization uses various methods, including market, income and cost approaches. Based on these approaches, the Organization often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs.

The Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1 – Quoted prices for identical assets and liabilities traded in active exchange markets, such as the New York Stock Exchange.

- Level 2 – Valuations for assets and liabilities using observable inputs other than Level 1, including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data.

- Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

In determining the appropriate levels, the Organization performs a detailed analysis of the assets and liabilities. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

Note 1: Nature of the Organization and Significant Accounting Policies (Continued)

Fair Value Measurements (Continued)

For the years ended 2023 and 2022, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

- Money market funds are measured using $1 as the net asset value ("NAV").

- ETF's and mutual funds are valued at the daily closing price as reported by the fund. The funds held are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. The funds held are deemed to be actively traded.

- Equities securities are valued at the closing price reported on the active market on which the individual securities are traded.

- Bonds, treasury notes and CD's are valued using quotes from pricing vendors based on recent trading activity and other observable market data.

- Funds held at Maine Community Foundation are based on the fair value of the underlying assets invested as reported by the Foundation.

Promises to Give

Unconditional promises to give are recorded as contributions receivable in the year pledged. Conditional promises to give are recognized only when the conditions on which they depend are substantially met. Promises to give whose eventual uses are restricted by the donors are recorded as increases in net assets with donor restrictions. Unrestricted promises to give to be collected in future periods are also recorded as an increase to net assets with donor restrictions and reclassified to net assets without donor restrictions when received, unless the donor's intention is to support current-period activities.

Promises to give expected to be collected in less than one year are reported at net realizable value. Promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows on a discounted basis applicable to the years in which the promises were received. The amortization of the discount is recognized as contribution income over the duration of the pledge.

Management individually reviews all past due promises to give balances and estimates the portion, if any, of the balance that will not be collected. The carrying amounts of promises to give are reduced by allowances that reflect management's estimate of uncollectible amounts.

Note 1: Nature of the Organization and Significant Accounting Policies (Continued)

Adoption of accounting pronouncements

ASU No. 2016-02, *Leases* (Topic 842)

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842). ASU 2016-02 is intended to improve financial reporting of leasing transactions by requiring organizations that lease assets to recognize assets and liabilities for the rights and obligations created by leases on the balance sheet. This accounting update also requires additional disclosures surrounding the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted this guidance for the year ended June 30, 2023 with modified retrospective application to July 1, 2022 through a cumulative-effect adjustment. The Organization has elected the package of practical expedients permitted in ASC Topic 842.

Accordingly, the Organization accounted for its existing operating leases as operating leases and capital leases as finance leases under the new guidance, without reassessing (a) whether the contracts contain a lease under ASC Topic 842, (b) whether the classification of the leases would be different in accordance with ASC Topic 842, or (c) whether any unamortized initial direct costs before transition adjustments (as of June 30, 2022) would have met the definition of initial direct costs in ASC Topic 842 at lease commencement. Similarly, the Organization did not reassess service contracts evaluated for lease treatment under ASC 840 for embedded leases under ASC 842.

As a result of the adoption of the new lease accounting guidance, the Organization recognized the following ROU assets and lease liabilities as of July 1, 2022:

ROU assets - Operating leases	$	709,078
Lease obligation - Operating leases	$	709,078

This standard did not have a material impact on the Organization’s net assets or cash flows from operations and had an immaterial impact on the Organization’s operating results. The most significant impact was the recognition of the ROU assets and lease obligations for operating leases.

ASC 842 Lease Accounting

The Organization is a lessee in multiple noncancelable operating and financing leases. If the contract provides the Organization the right to substantially all the economic benefits and the right to direct the use of the identified asset, it is considered to be or contain a lease. Right-of-use (ROU) assets and lease liabilities are recognized at the lease commencement date based on the present value of the future lease payments over the expected lease term. The ROU asset is also adjusted for any lease prepayments made, lease incentives received, and initial direct costs incurred.

Note 1: Nature of the Organization and Significant Accounting Policies (Continued)

ASC 842 Lease Accounting (Continued)

The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. Increases (decreases) to variable lease payments due to subsequent changes in an index or rate are recorded as variable lease expense (income) in the future period in which they are incurred.

The Organization has elected to use a risk-free rate for a term similar to the underlying lease as the discount rate if the implicit rate in the lease contract is not readily determinable.

The ROU asset for operating leases is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized.

For all underlying classes of assets, the Organization has elected to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the Organization is reasonably certain to exercise. Leases containing termination clauses in which either party may terminate the lease without cause and the notice period is less than 12 months are deemed short-term leases with lease costs included in short-term lease expense. The Organization recognizes short-term lease cost on a straight-line basis over the lease term.

The Organization separates lease and non-lease components to determine the lease payment for all leases.

Note 2: Liquidity and Availability of Financial Resources

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

As of June 30,	2023	2022
Cash and cash equivalents	$ 665,743	$ 965,814
Grants receivable	-	70,363
Contributions and bequest	89,269	92,500
Total	$ 755,012	$ 1,128,677

Note 3: Concentration of Credit Risk

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

Note 4: Contributions Receivable

Contributions receivable consist of the following:

As of June 30,		2023		2022
Capital campaign pledges	$	185,633	$	2,285,583
Programs and operations		20,000		27,500
Subtotal		205,633		2,313,083
Less discount		(13,560)		(145,287)
Less allowance		(5,000)		(5,000)
Total	$	187,073	$	2,162,796

Promises to give receivable in more than one year are discounted at rate of 3%.

The expected payment of contributions receivable are the following:

As of June 30,:		2023		2022
Less than one year	$	54,843	$	1,160,483
One year to five years		150,790		1,152,600
Total	$	205,633	$	2,313,083

Note 5: Bequest Receivable

The Organization received an unrestricted bequest during the year ended 2006 that will be received over 16 years. The bequest will be received in annual equal installments of approximately $68,921.

As of June 30,		2023		2022
Due in less than one year	$	69,269	$	68,921
Due in one to five years		-		-
		69,269		68,921
Less present value discount		-		(3,921)
Bequest receivable - net	$	69,269	$	65,000

Note 6: Grants Receivable

The grants receivable represents the following amounts due from the various funding sources:

As of June 30,	2023	2022
Federal government - ERTC program	$ -	$ 60,363
State agencies	-	10,000
Total	$ -	$ 70,363

Grant revenue consists of the following:

Years Ended June 30,	2023	2022
Paycheck Protection Program	$ -	$ 239,822
Employee Retention Tax Credit Program	-	60,740
Shuttered Venue Operators Grant	-	812,440
Other	59,581	12,500
Total	$ 59,581	$ 1,125,502

Note 7: Investments and Endowment Funds

Investments consisted of the following:

As of June 30,	2023	2022
Money markets	$ 127,228	$ 31,567
ETF's	453,384	403,695
Equity securities	1,022,440	864,908
Bonds	519,906	556,405
Funds held at Maine Community Foundation	927,385	880,977
Total investment	$ 3,050,343	$ 2,737,552

Donor restricted endowment funds:

Theater for Kids Fund - These funds support the programming at the Organization's Theater for Kids.

Capital Building and Maintenance Fund - The Organization has a beneficial interest in assets held by the Maine Community Foundation. In 2003, the Organization established an endowment fund in the Maine Community Foundation. The variance power granted to the Maine Community Foundation states that they have the power to modify any restriction or condition on the distribution of funds for specified charitable purposes if it becomes inconsistent with the charitable needs of the community. Net income of the fund is paid directly to the

Note 7: Investments and Endowment Funds (Continued)

Organization.

Higgins Endowment - In 2015, the Organization established the Jamie Higgins Education Endowment to support children's literacy and critical-thinking theater programs. Donations to the fund are perpetual in nature and the earnings and change in market value are recorded as changes in net assets with donor restriction until released by the spending policy.

Donor-restricted and board designated endowment net asset composition are as follows:

As of June 30, 2023	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment	$ -	$ 2,637,872	$ 2,637,872
Donor restricted funds	-	217,404	217,404
Board designated funds	195,067	-	195,067
	$ 195,067	$ 2,855,276	$ 3,050,343

As of June 30, 2022	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment	$ -	$ 2,373,299	$ 2,373,299
Donor restricted funds	-	217,404	217,404
Board designated funds	146,849	-	146,849
	$ 146,849	$ 2,590,703	$ 2,737,552

Changes in endowment net assets, are as follows:

Year Ended June 30, 2023	Without Donor Restrictions	With Donor Restrictions	Total
Beginning of year	$ 146,849	$ 2,590,703	$ 2,737,552
Contributions	-	20,100	20,100
Investment income	48,218	244,473	292,691
End of year	$ 195,067	$ 2,855,276	$ 3,050,343

Year Ended June 30, 2022	Without Donor Restrictions	With Donor Restrictions	Total
Beginning of year	$ 201,261	$ 2,616,687	$ 2,817,948
Contributions	-	279,100	279,100
Investment income	(54,412)	(305,084)	(359,496)
End of year	$ 146,849	$ 2,590,703	$ 2,737,552

Note 8: Fair Value Measurements

Investments consist of cash and marketable securities and are presented in the financial statements at fair value. Market risk could occur and is dependent on the future changes in market prices of the various investments held. Fair values of assets measured on a recurring basis are as follows:

		Fair Value of Measurements at Reporting Dates		
As of June 30, 2023	Fair Value	Level 1	Level 2	Level 3
Money markets	$ 127,228	$ 127,228	$ -	$ -
ETF's	453,384	453,384	-	-
Equity securities	1,022,440	1,022,440	-	-
Bonds	519,906	-	519,906	-
Funds held at Maine Community Foundation	927,385	-	-	927,385
Total	$ 3,050,343	$ 1,603,052	$ 519,906	$ 927,385

		Fair Value of Measurements at Reporting Dates		
As of June 30, 2022	Fair Value	Level 1	Level 2	Level 3
Money markets	$ 31,567	$ 31,567	$ -	$ -
ETF's	403,695	403,695	-	-
Equity securities	864,908	864,908	-	-
Bonds	556,405	-	556,405	-
Funds held at Maine Community Foundation	880,977	-	-	880,977
Total	$ 2,737,552	$ 1,300,170	$ 556,405	$ 880,977

Note 9: Deferred Revenue from Customers

Deferred revenue represent the Organization’s obligation to transfer goods or services to a customer when consideration has already been received from the customer. When transfer of control of the related good or service occurs, deferred revenues are reclassified, and revenue is recognized.

Deferred revenue consists of the following:

As of June 30,	2023	2022	2021
Deferred ticket sales and tuition	$ 201,799	$ 188,789	$ 120,676
Other	-	7,361	3,416
Total	$ 201,799	$ 196,150	$ 124,092

Note 10: Long-Term Debt

The Organization had the following note payable:

As of June 30,		2023		2022
Term loan from Bangor Savings Bank, dated June 2014. Monthly payments of $7,475 including interest at 4.55%. All remaining principal and interest is due at maturity date in March 2036. The loan is secured by the building and certain business assets.	$	721,255	$	776,287
Total		721,255		776,287
Less: Current portion of long-term debt		(58,130)		(55,549)
Long-term debt	$	663,125	$	720,738

Estimated future principal payments as of June 30, 2023, are as follows:

Years Ending		
2024	$	58,130
2025		60,831
2026		63,657
2027		66,614
2028		69,709
Thereafter		402,314
Total	$	721,255

Note 11: Line of Credit

The Organization has a $250,000 line of credit secured by accounts receivable, property and equipment and other assets, bearing interest at a rate of prime, plus 0.50%, at June 30, 2023 and 2022, respectively (9% at 2023 and 5.25% at 2022). The line of credit is renewed on an annual basis and is currently renewed through December 31, 2024. There was no outstanding balance as of June 30, 2023 and 2022.

Note 12: Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following as of June 30:

	2023	2022
Subject to time and/or purpose restriction:		
Bequest receivable	$ -	$ 65,000
Capital campaign	3,966,416	4,238,811
Construction in process - capital campaign	781,664	-
Theatre for Kids	392,661	231,128
Endowment appreciation	533,472	450,532
Education and other programs	60,000	20,000
Shows	15,000	
Total time and/or purpose restricted	5,749,213	5,005,471
Perpetual in nature:		
Capital building and maintenance fund	486,200	486,200
Theater for Kids	1,204,000	1,204,000
Higgins Endowment	143,945	143,845
General Education	95,000	75,000
Total perpetual in nature	1,929,145	1,909,045
Total	$ 7,678,358	$ 6,914,516

Net assets released from restrictions consist of the following for the years ended June 30:

	2023	2022
Time restricted	$ 65,000	$ 60,000
Programs and general expenditures	20,000	112,792
Capital campaign purposes	119,935	-
Total	$ 204,935	$ 172,792

Note 13: Leases

The Organization leases apartments for actor housing and office equipment. Renewal option periods, if present, are included in the measurement of the ROU asset and lease liability when the exercise is reasonably certain to occur.

The depreciable life of assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise.

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants. Payments due under the lease contracts include fixed payments. There are no variable lease payments required.

Note 13: Leases (Continued)

The weighted-average remaining lease term and weight-average discount rate were 4.3 years and 2.9% as of June 30, 2023.

Components of lease expense were as follows for the year ended June 30, 2023:

Lease cost		
Operating lease cost	$	188,606

Maturities of lease liabilities are as follows as of June 30, 2023:

Years Ended June 30, 2023		**2023**
2024	$	159,083
2025		94,104
2026		94,104
2027		94,104
2028		94,104
Thereafter		7,842
Total lease payments		543,341
Less imputed interest		(3,849)
Total	$	539,492

The Organization is the lessor of retail building space in its facility under operating leases expiring in various years through March 2024.

Future minimum lease revenue to be received under non-cancelable leases as of June 30, 2023, are as follows:

Years Ending		
2024	$	70,000
2025		27,000
2026		20,000
2027		20,000
2028		21,000
Thereafter		3,000
Total	$	158,000

Note 14: Pension Expense

All Actors and Stage Managers are covered by a pension plan administered by Actors' Equity Association. The Foundation contributes 8% of gross wages covered by the plan to the Association's Pension Fund. Contributions totaled $14,497 and $17,149 for the years ended June 30, 2023 and 2022 respectively.

Note 15: Commitments

As of June 30, 2023, the Organization was committed for additions to property and equipment totaling approximately $2,515,000 for the renovation of the facilities. The project is funded through the capital campaign.

Note 16: Evaluation of Subsequent Event

Management has made an evaluation of subsequent events up to and including January 24, 2024, the date of the auditor's report, which was the date the financial statements were available to be issued, and determined that any subsequent events that would require recognition or disclosure have been considered in the preparation of the financial statements.