

North Coast Repertory Theatre,
A Non-Profit Corporation

Financial Statements
and
Independent Auditors' Report

For the Year Ended August 31, 2021

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A M Owens & Co., CPA
A Professional Corporation

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Board of Directors
North Coast Repertory Theatre

INDEPENDENT AUDITOR'S REPORT

Dear Members of the Board:

Report on the Financial Statements

I have audited the accompanying financial statements of North Coast Repertory Theatre, which comprise the statement of financial position as of August 31, 2021, and the related statement of activities and change in net assets, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with generally accepted auditing standards in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North Coast Repertory Theatre as of August 31, 2021 and the results of its activities and its cash flows for the year then ended in conformity with generally accepted accounting principles in the United States of America.

Report on Summarized Comparative Information

I have previously audited North Coast Repertory Theatre's August 31, 2020 financial statements and I expressed an unmodified opinion on those financial statements in my report dated December 16, 2020. In my opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2020, consistent, in all material respects, with the audited financial statements from which it has been derived.

A M Owens, CPA

A M Owens, CPA
A Professional Corporation

Santee, California
January 10, 2022

North Coast Repertory Theatre,
A Non-Profit Corporation
Statement of Financial Position
August 31, 2021
With Comparative Totals as of August 31, 2020

	<u>ASSETS</u>	<u>2021</u>	<u>2020</u>	
CURRENT ASSETS				
Cash	\$		\$	
- without donor restrictions		1,642,783	669,877	
- with donor restrictions		97,713	41,216	
Investments				
- without donor restrictions		303,305	333,180	
- with donor restrictions		60,213	50,808	
Receivables				
- without donor restrictions		310,503	7,123	
Prepaid expenses		78,533	93,577	
Prepaid production costs		122,404	105,423	
Deposits		7,909	7,682	
		2,623,363	1,308,886	
PROPERTY AND EQUIPMENT				
Less: Accumulated Depreciation (Note 2)		193,214	110,526	
Total Assets	\$	2,816,577	\$	1,419,412
<u>LIABILITIES AND NET ASSETS</u>				
CURRENT LIABILITIES				
Accounts payable, trade	\$	213,679	\$	33,071
Accrued wages and expense		4,034		1,377
Deferred revenue (Note 3 and 12)		1,208,407		853,710
Accrued vacation payable		58,031		52,223
		1,484,151		940,381
Total Current Liabilities				
LONG-TERM DEBT		0		0
NET EQUITY (DEFICIT)				
Net assets with donor restrictions		157,926		92,024
Net assets without donor restrictions		1,174,500		387,007
		1,332,426		479,031
Total Net (Equity)				
Total Liabilities and Net Assets	\$	2,816,577	\$	1,419,412

See the Accompanying Notes to the Financial Statements.

North Coast Repertory Theatre,
A Non-Profit Corporation
Statement of Activities and Changes in Net Assets
For the Year Ended August 31, 2021
With Comparative Totals as of August 31, 2020

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	2021 Combined <u>Totals</u>	2020 Combined <u>Totals</u>
SUPPORT AND REVENUE				
Public Support:				
Admissions	\$ 268,563	\$ 0	\$ 268,563	\$ 972,223
Theatre school	127,610	0	127,610	115,619
Concessions and other support	12,693	0	12,693	35,892
Contributions (Note 11)	2,283,600	267,500	2,551,100	1,385,451
Investment income (Note 6)	2,162	11,848	14,010	15,076
Sale of assets	600	0	600	0
	<hr/>	<hr/>	<hr/>	<hr/>
	2,695,228	279,348	2,974,576	2,524,261
Net Assets Released From Restrictions	213,446	(213,446)	0	0
	<hr/>	<hr/>	<hr/>	<hr/>
Total Support & Revenue	2,908,674	65,902	2,974,576	2,524,261
	<hr/>	<hr/>	<hr/>	<hr/>
EXPENDITURES				
Production costs	1,641,358	0	1,641,358	1,979,841
General and administrative	193,694	0	193,694	154,198
Fundraising	286,129	0	286,129	222,639
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	2,121,181	0	2,121,181	2,356,678
	<hr/>	<hr/>	<hr/>	<hr/>
Change in net assets	787,493	65,902	853,395	167,583
Net Assets (Deficit), Begin of Year	387,007	92,024	479,031	311,448
	<hr/>	<hr/>	<hr/>	<hr/>
Net Assets (Deficit), End of Year	\$ 1,174,500	\$ 157,926	\$ 1,332,426	\$ 479,031
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

See the Accompanying Notes to the Financial Statements.

North Coast Repertory Theatre,
A Non-Profit Corporation
Statement of Cash Flows
For the Year Ended August 31, 2021
With Comparative Totals as of August 31, 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 853,395	\$ 167,583
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	5,095	3,771
(Increase) Decrease in Operating Assets:		
Receivables	(303,380)	16,834
Prepaid expenses	15,044	(42,361)
Prepaid production costs	(16,981)	100,225
Deposits	(227)	0
Increase (Decrease) in Operating Liabilities:		
Accounts payable	180,608	11,919
Accrued wages	2,657	(3,037)
Deferred Revenue	354,697	11,263
Accrued vacation	5,808	10,765
	<hr/>	<hr/>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	1,096,716	276,962
	<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(87,782)	(12,151)
Investments purchased/sold	20,469	(1,169)
	<hr/>	<hr/>
NET CASH USED BY INVESTING ACTIVITIES	(67,313)	(13,320)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on debt	0	0
	<hr/>	<hr/>
NET CASH USED BY FINANCING ACTIVITIES	0	0
	<hr/>	<hr/>
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,029,403	263,642
BEGINNING CASH AND CASH EQUIVALENTS	711,093	447,451
	<hr/>	<hr/>
ENDING CASH AND CASH EQUIVALENTS	\$ 1,740,496	\$ 711,093
	<hr/> <hr/>	<hr/> <hr/>
Interest Paid	\$ 0	\$ 188
Taxes Paid	\$ 0	\$ 0
	<hr/> <hr/>	<hr/> <hr/>

See the Accompanying Notes to the Financial Statements.

North Coast Repertory Theatre,
A Non-Profit Corporation
Statement of Functional Expenses
For the Year Ended August 31, 2021

	Production Costs	General Admin.	Fund- Raising	2021 Total	2020 Total
Salaries	\$ 611,319	\$ 124,966	\$ 76,836	\$ 813,121	\$ 1,090,557
Payroll Taxes	9,109	1,862	1,145	12,116	104,760
Employee Benefits	110,256	22,538	13,857	146,651	191,939
Total Payroll Expenses	730,684	149,366	91,838	971,888	1,387,256
Outside Contractors	18,448	630	387	19,465	44,003
Volunteer Hours Expense	0	0	0	0	31,518
Professional Services	0	11,175	0	11,175	7,801
Occupancy	141,668	7,871	7,871	157,410	156,096
Utilities	14,285	1,786	1,786	17,857	21,301
Janitorial	3,699	462	462	4,623	3,126
Supplies/Misc.	11,562	5,647	825	18,034	21,704
Concession Supplies	437	0	0	437	11,870
Communications	4,745	593	593	5,931	5,641
Postage and Shipping	2,828	943	17,548	21,319	11,321
Printing and Copying	22,830	11,365	6,281	40,476	63,116
Travel and Meals	1,202	402	2,591	4,195	78,703
Credit Card Processing/Bank Fees	26,232	287	0	26,519	46,782
Insurance	8,589	1,074	1,074	10,737	14,372
Membership Dues	2,481	0	0	2,481	5,506
Interest	0	1,195	0	1,195	1,842
Repairs and Maintenance	151,350	0	0	151,350	9,431
Advertising and Marketing	144,546	0	619	145,165	151,977
Royalties	41,234	0	0	41,234	82,779
Special Events	0	0	154,254	154,254	17,990
Mainstage Events/Equipment	277,973	0	0	277,973	147,370
Theatre School	31,470	0	0	31,470	27,111
Taxes/Licenses	0	898	0	898	4,291
Total Expenses					
Before Depreciation	1,636,263	193,694	286,129	2,116,086	2,352,907
Depreciation	5,095	0	0	5,095	3,771
Total Expenses	\$ 1,641,358	\$ 193,694	\$ 286,129	\$ 2,121,181	\$ 2,356,678

See the Accompanying Notes to the Financial Statements.

North Coast Repertory Theatre,
A Non-Profit Corporation
Notes to Financial Statements
For the Year Ended August 31, 2021

Note 1 - Summary of Significant Accounting Policies

General

North Coast Repertory Theatre, a Non-Profit Corporation (the Theatre) is a non-profit organization incorporated in California in 1982. Its stated purpose is to educate the public in an appreciation of the theatre arts through stage productions of consistent quality, to be recognized as the premier professional regional live theatre in San Diego North Coastal County, to provide educational services for audiences of all ages, focusing on the youth if the community and to provide an opportunity for actors and theatre professionals to develop their artistic skills through participation in the Theatre's productions.

Basis of Accounting

The financial statements of the Theatre have been prepared on the accrual basis in accordance with generally accepted accounting principles in the United States of America.

Basis of Presentation

The Theatre is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

The Theatre's program expenses are shown as production costs in the accompanying statements of activities.

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.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence or nature of any donor restrictions. Net assets without donor restrictions are reported in Note 4.

All donor-restricted contributions are reported as net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

North Coast Repertory Theatre,
A Non-Profit Corporation
Notes to Financial Statements
(continued)
For the Year Ended August 31, 2021

Note 1 - Summary of Significant Accounting Policies (continued)

Promises to Give

Unconditional promises to give are recognized as contribution revenue in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Promises to give are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Property and Equipment

Depreciation of buildings and equipment is provided over the estimated useful lives of the respective assets using the straight-line method.

Acquisitions of property and equipment in excess of \$2,500 are capitalized. Donated equipment is recorded at fair market value at the date of the donation. Purchased equipment is recorded at cost.

Ticket Sales

Ticket sales received prior to the fiscal year to which they apply are not recognized as revenues until the year earned.

Cash and Cash Equivalents

For purposes of the statement 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.

Income Tax Status

The Theatre is classified as a Section 501(c) (3) Organization under the Federal Internal Revenue Code and Section 13.2210 (e) of the State Revenue and Taxation Code. As a result, it has been determined to be exempt from federal income and state franchise taxes. Tax years 2017-2019 are open to examination by taxing authorities.

Functional Allocation of Expenses

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

North Coast Repertory Theatre,
A Non-Profit Corporation
Notes to Financial Statements
(continued)
For the Year Ended August 31, 2021

Note 1 - Summary of Significant Accounting Policies (continued)

Donated Services

Donated services are stated as revenue and as an offsetting expense to give accounting recognition to this significant resource of the Theatre. Such donated time is valued at minimum wage. During the year ended August 31, 2021 there were no donated services due to Covid-19.

Investments

Investments with readily determined market value are carried at market value and unrealized gains and losses are treated as current items in the year in which they occur. Investments without readily determined market values are carried at cost.

The FASB issued authoritative guidance relating to fair value measurements which establishes a common definition for fair value to be applied to U.S. generally accepted accounting principles requiring use of fair value, establishes a framework for measuring fair value, and expands disclosures about such fair value measurements.

The Theatre measures fair value at the price that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market and participants at the measure date. The guidance establishes a hierarchy for ranking the quality and reliability of the information used to determine fair values.

A summary of the fair value hierarchy under the authoritative guidance is described in Note 5.

Comparative Totals for August 31, 2020

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Theatre's financial statements for the year ended August 31, 2020, from which the summarized information was derived.

Note 2 - Property and Equipment

The following is a summary of property and equipment, less accumulated depreciation and amortization at August 31, 2021:

Construction in progress	\$	<u>64,071</u>
Leasehold improvements		162,677
Furniture and equipment		382,805
		<hr/> 609,553
Accumulated depreciation and amortization	(416,339)
		<hr/>
Property and Equipment - Net	\$	<u><u>193,214</u></u>

North Coast Repertory Theatre,
A Non-Profit Corporation
Notes to Financial Statements
(continued)
For the Year Ended August 31, 2021

Note 3 – Deferred Revenue

The Theatre had received \$822,098 at August 31, 2021, on advance ticket sales for the next theater season. 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 for the season are not presented, the advance ticket collections for that production will be available for refund to the ticket holders.

Note 4 – Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes as of August 31, 2021:

	<u>2021</u>
Purpose Restrictions	
Capital Campaign	\$ 74,345
Endowment Funds	60,213
Renovations	20,674
Summer Enrichment	2,694
Total	<u>\$ 157,926</u>

Note 5 – Endowment Funds

Endowment funds were \$60,213 as of August 31, 2021. These funds are held in an agency endowment fund at The Jewish Community Foundation (JCF).

No later than April 1st of year commencing after the fair market value of the fund reached the amount of \$50,000, JCF shall distribute to the Theatre an amount equal to the JCF payout rate multiplied by the fair market value of the fund (the “available amount”). The term “fair market value of the fund” shall mean the value of all cash and securities held by the fund, including all earnings and unrealized appreciation thereon, as determined by JCF. The term “JCF payout rate” shall mean the percentage rate determined by the Board of Directors of JCF pursuant to California law with respect to distributions from endowment funds.

JCF shall have all powers necessary to carry out the purposes of the fund, including, but not limited to, the power to retain, invest and reinvest the fund in any manner consistent with the California Uniform Prudent Management of Institutional Funds Act, and shall have the power to commingle the assets of the fund with those of other funds for investment purposes, provided that such commingling shall not contravene the purpose and limitations set forth in this agreement. JCF shall have the ultimate authority and control over all property in the fund, and the income derived therefrom, subject to the terms of this agreement and the standards for investment governing nonprofit public benefit corporations under California Corporations Code Section 5240. The fund shall be administered under and subject to the procedures and/or rules for the operation of permanent endowment funds as the same may be adopted, or modified from time to time, by JCF.

North Coast Repertory Theatre,
A Non-Profit Corporation
Notes to Financial Statements
(continued)
For the Year Ended August 31, 2021

Note 5 – Endowment Funds (continued)

The fund shall be administered under and subject to the Bylaws, Articles of Incorporation and the endowment policies of JCF in effect from time to time. JCF shall have the power to modify and restriction or condition on the distribution of funds for any specified charitable purpose or to any specified organization if, in the sole discretion of the Board of Directors (without the necessity of the approval of the Theatre or any beneficiary organization), such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community or area served. All money and property in the fund shall be assets of JCF, and not a separate trust, and shall be subject only to the control of JCF. Even though the fund may not be segregated, separate accounting records will be maintained for the fund. Nothing in this agreement is intended to be inconsistent with the status of JCF as an organization described in Sections 501(c)(3) and 509(a) of the Internal Revenue Code of 1986. JCF is authorized to amend this agreement to conform to the provisions of any applicable law or government regulation in order to carry out the foregoing intention.

For the year ended August 31, 2021, the Theatre received \$2,438 in distributions from the fund.

Note 6 – Fair Value Measurements

The Fair Value Measurements Topic of the FASB Accounting Standards Codification establishes a fair value hierarchy that prioritizes 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 below:

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

Level 2: Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the assets or liability, either directly or indirectly, for substantially the full term of the financial instrument.

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

A 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 following details the level within the fair value hierarchy of the Theatre's assets as fair value as of August 31, 2021. Level 1 investment consists of equities and CDS and totaled \$363,518. There were no Level 2 or Level 3 investments.

North Coast Repertory Theatre,
A Non-Profit Corporation
Notes to Financial Statements
(continued)
For the Year Ended August 31, 2021

Note 6 – Fair Value Measurements (continued)

Investments at fair market value at August 31, 2021, consist of the following:

	<u>Adjusted Cost</u>	<u>Fair Market Value</u>	<u>Fair Value (Level 1)</u>
Equities (Level 1)			
Fund at JCF	\$ 47,674	\$ 60,213	\$ 60,213
Money Market Funds			
C/D - Pacific Premier	228,184	228,184	228,184
C/D - CA Bank and Trust	75,021	75,021	75,021
IFG Account	100	100	100

Investment return for the year ended August 31, 2021 included in the statements of activities is comprised of the following:

	<u>2021</u>
Realized and unrealized losses	\$ 12,403
Interest and dividends (net of fees of \$284)	1612
	<u>\$ 14,015</u>

Note 7 – Cash and Equivalents

At August 31, 2021, cash was held in the following institutions:

Change Funds	\$ 570
Union Bank - checking (2 accounts)	521,539
Wells Fargo (2 accounts)	63,457
US Bank (4 accounts)	1,151,637
CA Bank and Trust (1 account)	3,293
	<u>\$ 1,740,496</u>

Concentration of Credit Risk

The Theatre maintains its cash in bank accounts and brokerage accounts, which, at times, may exceed federally insured limits. The Theatre has not experienced any losses in such accounts. The Theatre believes it is not exposed to any significant credit risk on cash and cash equivalents.

Accounts are insured by the FDIC for amounts up to \$250,000.

North Coast Repertory Theatre,
A Non-Profit Corporation
Notes to Financial Statements
(continued)
For the Year Ended August 31, 2021

Note 8 – Restricted Assets – San Diego Foundation

Total assets with a fair market value of \$41,274 are held in the North Coast Repertory Theatre endowment fund of the San Diego Foundation and invested by the Foundation. The Theatre has no ownership rights over the principal and does not include these funds on the statement of financial position. However, the Theatre receives investment income annually from these assets. Total investment income received from the San Diego Foundation for the year ended August 31, 2021 was \$1,296.

Note 9 – Operating Lease

The Theatre leases its facilities under a month-to-month rental agreement. Total rental expense was \$155,502 for the year ended August 31, 2021.

Note 10 – Retirement Plan

The Theatre maintains a tax deferred contribution plan qualified under Section 403(b) of the Internal Revenue Code. Eligible employees may contribute a percentage of their compensation to the Plan. Employer contributions totaled \$14,886 for the year ended August 31, 2021.

Note 11 – PPP Loan and Covid-19

On April 15, 2020 and March 30, 2021, the Theatre received loan proceeds in the amount of \$282,222 and \$292,610 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Theatre has used the PPP Loan funds consistent with the loan requirements for forgiveness. During the August 31, 2021 year end, the Theatre received notification that the full amount of both PPP Loans and accrued interest had been forgiven. Therefore, the Theatre included \$283,876 in grants in the year ended August 31, 2020 and \$293,805 in the year ended August 31, 2021, which represents the principle and interest.

Due to Covid-19, the Theatre had to cancel shows and events during the fiscal year. Due to the generosity of supporters and responsive management, the Theatre believes it is in a fiscal position to be able to cover its expenses until attendance at shows and events can grow to pre Covid levels.

North Coast Repertory Theatre,
A Non-Profit Corporation
Notes to Financial Statements
(continued)
For the Year Ended August 31, 2021

Note 12–Shuttered Venue Grant

On July 3, 2021, the Theatre was awarded a Shuttered Venue Operators Grant in the amount of \$579,464. This grant can be expended for certain expenses incurred beginning on July 3, 2021 and ending on December 31, 2021. Proceeds from the Shuttered Venue Operators Grant will be used for expenses not allocated to PPP funds previously received. In the event the Theatre does not have enough qualified expenses for the full amount of the grant, during the applicable time period, such funds are to be returned. Income from this grant, in the amount of \$193,155 (which represents 2/6 of the total received), has been recorded as of August 31, 2021 as the Theatre believes it will have sufficient expenses to ensure no funds will have to be repaid. The remaining funds have been recorded as deferred revenue and will be reported as income in the next fiscal year.

Note 13–Employee Retention Credit

During the fiscal year ended August 31, 2021, the Theatre received credits totaling \$214,209 for the quarters ended June 30, September 30 and December 30 of 2020 and March 31, 2021 and a prorate amount for July and August 2021. The amount of \$68,604 was used to reduce federal payroll tax expense to zero and the remaining amount of \$145,605 was used to reduce salary expense.

Note 14–Subsequent Events

Events subsequent to August 31, 2021 have been evaluated through January 10, 2022, the date these financial statements were available to be issued, to determine whether they should be disclosed to keep the financial statements from being misleading. Management found no subsequent events other than those related to the PPP Loan and the effects from Covid disclosed on Note 11.