

**DALLAS CHILDREN'S THEATER**

**FINANCIAL STATEMENTS**

**Years Ended August 31, 2022 and 2021  
with Report of Independent Auditors**

**DALLAS CHILDREN’S THEATER**

**FINANCIAL STATEMENTS**

**Years Ended August 31, 2022 and 2021**

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## REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees of  
Dallas Children's Theater

### Opinion

We have audited the financial statements of Dallas Children's Theater (the "Organization"), which comprise the statements of financial position as of August 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization. as of August 31, 2022 and 2021, and the results of its operations 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 the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the financial statements are 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 the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

*Whitley Penn LLP*

Dallas, Texas  
December 14, 2022

**DALLAS CHILDREN'S THEATER**  
**STATEMENT OF FINANCIAL POSITION**  
**As of August 31, 2022**

	<u>Operations</u>	<u>Capital</u>	<u>Total</u>
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 2,457,239	\$ 304,267	\$ 2,761,506
Restricted cash and cash equivalents	19,049	-	19,049
Pledges receivable	77,653	-	77,653
Prepaid expenses and other assets	107,574	899	108,473
Total current assets	<u>2,661,515</u>	<u>305,166</u>	<u>2,966,681</u>
Other assets			
Investment	39,254	392,112	431,366
Other assets, net of amortization of \$55,000	-	18,279	18,279
Total other assets	<u>39,254</u>	<u>410,391</u>	<u>449,645</u>
Fixed assets			
Land	-	2,600,000	2,600,000
Land improvements	55,700	1,465,657	1,521,357
Building and improvements	183,493	6,377,831	6,561,324
Furniture, fixtures, and equipment	446,680	735,408	1,182,088
Construction in progress	-	26,250	26,250
Less accumulated depreciation	<u>(473,616)</u>	<u>(4,580,008)</u>	<u>(5,053,624)</u>
Net fixed assets	<u>212,257</u>	<u>6,625,138</u>	<u>6,837,395</u>
Total assets	<u>\$ 2,913,026</u>	<u>\$ 7,340,695</u>	<u>\$ 10,253,721</u>
<b>Liabilities and Net Assets</b>			
Current liabilities			
Accounts payable	\$ 60,343	\$ -	\$ 60,343
Accrued expenses	59,293	-	59,293
Contract liabilities	243,763	-	243,763
Notes payable	5,472	-	5,472
Total current liabilities	<u>368,871</u>	<u>-</u>	<u>368,871</u>
Notes payable, net of current portion	<u>6,353</u>	<u>-</u>	<u>6,353</u>
Total liabilities	<u>375,224</u>	<u>-</u>	<u>375,224</u>
Commitments and contingencies			
Net assets:			
Without donor restrictions	2,255,262	6,936,428	9,191,690
With donor restrictions	282,540	404,267	686,807
Total net assets	<u>2,537,802</u>	<u>7,340,695</u>	<u>9,878,497</u>
Total liabilities and net assets	<u>\$ 2,913,026</u>	<u>\$ 7,340,695</u>	<u>\$ 10,253,721</u>

See accompanying notes to financial statements.

**DALLAS CHILDREN'S THEATER**  
**STATEMENT OF FINANCIAL POSITION**

As of August 31, 2021

	<b>Operations</b>	<b>Capital</b>	<b>Total</b>
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 1,968,035	\$ 310,305	\$ 2,278,340
Restricted cash and cash equivalents	19,022	-	19,022
Pledges receivable, net	91,172	-	91,172
Prepaid expenses and other assets	89,650	700	90,350
Total current assets	2,167,879	311,005	2,478,884
Other assets			
Discounted pledges receivable, net	39,631	-	39,631
Investment	46,009	459,580	505,589
Other assets, net of amortization of \$55,000	-	18,279	18,279
Total other assets	85,640	477,859	563,499
Fixed assets			
Land	-	2,600,000	2,600,000
Land improvements	55,700	1,286,275	1,341,975
Building and improvements	183,493	6,362,267	6,545,760
Furniture, fixtures, and equipment	377,691	688,270	1,065,961
Construction in progress	-	38,106	38,106
Less accumulated depreciation	(443,708)	(4,293,927)	(4,737,635)
Net fixed assets	173,176	6,680,991	6,854,167
Total assets	\$ 2,426,695	\$ 7,469,855	\$ 9,896,550
<b>Liabilities and Net Assets</b>			
Current liabilities			
Accounts payable	\$ 49,155	\$ 46,985	\$ 96,140
Accrued expenses	66,936	-	66,936
Contract liabilities	190,431	-	190,431
Notes payable	5,366	-	5,366
Total current liabilities	311,888	46,985	358,873
Note payable, net of current portion	12,095	-	12,095
Total liabilities	323,983	46,985	370,968
Commitments and contingencies			
Net assets:			
Without donor restrictions	1,872,660	7,012,565	8,885,225
With donor restrictions	230,052	410,305	640,357
Total net assets	2,102,712	7,422,870	9,525,582
Total liabilities and net assets	\$ 2,426,695	\$ 7,469,855	\$ 9,896,550

See accompanying notes to financial statements.

**DALLAS CHILDREN'S THEATER**

**STATEMENT OF ACTIVITIES**

**Year Ended August 31, 2022**

	<b>Operations</b>		<b>Total</b>
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	
Revenue, gains, and other support:			
Support			
Foundation	\$ 500,183	\$ 120,000	\$ 620,183
Corporation	325,040	-	325,040
Individuals	140,143	13,005	153,148
Special events, net of direct expenses of \$18,985 and including in-kind of \$0	69,067	-	69,067
In-kind contributions	34,273	-	34,273
Government grants	182,222	829,284	1,011,506
Total support	<u>1,250,928</u>	<u>962,289</u>	<u>2,213,217</u>
Revenue			
Ticket sales	519,020	-	519,020
Tour presenter fees	400	-	400
Tuition	486,827	-	486,827
Rental and other	117,407	-	117,407
Net unrealized loss on investment	(6,754)	-	(6,754)
Interfund transfer	(53,139)	-	(53,139)
Total revenue	<u>1,063,761</u>	<u>-</u>	<u>1,063,761</u>
Net assets released from restriction			
Expiration of time and purpose restrictions	909,801	(909,801)	-
Total revenue, gains, and other support	<u>3,224,490</u>	<u>52,488</u>	<u>3,276,978</u>
Expenses:			
Program services			
Production	1,433,610	-	1,433,610
Education	607,670	-	607,670
Total program services	<u>2,041,280</u>	<u>-</u>	<u>2,041,280</u>
Supporting services			
Management and general	508,763	-	508,763
Fundraising	291,845	-	291,845
Total supporting services	<u>800,608</u>	<u>-</u>	<u>800,608</u>
Total expenses	<u>2,841,888</u>	<u>-</u>	<u>2,841,888</u>
Changes in net assets from operations	382,602	52,488	435,090
Changes in net assets	382,602	52,488	435,090
Net assets at beginning of year	<u>1,872,660</u>	<u>230,052</u>	<u>2,102,712</u>
Net assets at end of year	<u>\$ 2,255,262</u>	<u>\$ 282,540</u>	<u>\$ 2,537,802</u>

See accompanying notes to financial statements.

**DALLAS CHILDREN'S THEATER**

**STATEMENT OF ACTIVITIES (continued)**

**Year Ended August 31, 2022**

	<b>Capital</b>		<b>Total</b>	<b>Total Funds</b>
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>		
Revenue, gains, and other support:				
Support				
Foundation	\$ -	\$ 185,000	\$ 185,000	\$ 805,183
Corporation	-	25,000	25,000	350,040
Individuals	200	10,000	10,200	163,348
Special events	-	-	-	69,067
In-kind contributions	-	-	-	34,273
Grants				
Government grants	-	-	-	1,011,506
Total support	<u>200</u>	<u>220,000</u>	<u>220,200</u>	<u>2,433,417</u>
Revenue				
Ticket sales	-	-	-	519,020
Tour presenter fees	-	-	-	400
Tuition	-	-	-	486,827
Rental and other	-	-	-	117,407
Net unrealized loss on investment	(67,468)	-	(67,468)	(74,222)
Interfund transfer	-	53,139	53,139	-
Total revenue	<u>(67,468)</u>	<u>53,139</u>	<u>(14,329)</u>	<u>1,049,432</u>
Net assets released from restriction				
Expiration of time and purpose restrictions	<u>279,177</u>	<u>(279,177)</u>	<u>-</u>	<u>-</u>
Total revenue, gains, and other support	<u>211,909</u>	<u>(6,038)</u>	<u>205,871</u>	<u>3,482,849</u>
Expenses:				
Program services				
Production	208,111	-	208,111	1,641,721
Education	55,320	-	55,320	662,990
Total program expenses	<u>263,431</u>	<u>-</u>	<u>263,431</u>	<u>2,304,711</u>
Supporting services				
Management and general	14,316	-	14,316	523,079
Fundraising	10,299	-	10,299	302,144
Total supporting services	<u>24,615</u>	<u>-</u>	<u>24,615</u>	<u>825,223</u>
Total expenses	<u>288,046</u>	<u>-</u>	<u>288,046</u>	<u>3,129,934</u>
Changes in net assets from operations	(76,137)	(6,038)	(82,175)	352,915
Changes in net assets	(76,137)	(6,038)	(82,175)	352,915
Net assets at beginning of year	<u>7,012,565</u>	<u>410,305</u>	<u>7,422,870</u>	<u>9,525,582</u>
Net assets at end of year	<u>\$ 6,936,428</u>	<u>\$ 404,267</u>	<u>\$ 7,340,695</u>	<u>\$ 9,878,497</u>

See accompanying notes to financial statements.



**DALLAS CHILDREN'S THEATER**

**STATEMENT OF ACTIVITIES**

**Year Ended August 31, 2021**

	<b>Operations</b>		<b>Total</b>
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	
Revenue, gains, and other support:			
Support			
Foundation	\$ 381,293	\$ 147,000	\$ 528,293
Corporation	495,436	-	495,436
Individuals	110,223	27,761	137,984
Special events, net of direct expenses of \$41,390 and including in-kind of \$0	85,225	-	85,225
In-kind contributions	134	-	134
Government grants	183,129	267,137	450,266
Total support	<u>1,255,440</u>	<u>441,898</u>	<u>1,697,338</u>
Revenue			
Ticket sales	82,616	-	82,616
Tour presenter fees	21,569	-	21,569
Tuition	198,468	-	198,468
Rental and other	97,142	-	97,142
Net unrealized gain on investment	10,183	-	10,183
Interfund transfer	(46,973)	-	(46,973)
Total revenue	<u>363,005</u>	<u>-</u>	<u>363,005</u>
Net assets released from restriction			
Expiration of time and purpose restrictions	431,623	(431,623)	-
Total revenue, gains, and other support	<u>2,050,068</u>	<u>10,275</u>	<u>2,060,343</u>
Expenses:			
Program services			
Production	711,940	-	711,940
Tours	69,188	-	69,188
Education	447,231	-	447,231
Total program services	<u>1,228,359</u>	<u>-</u>	<u>1,228,359</u>
Supporting services			
Management and general	391,034	-	391,034
Fundraising	254,690	-	254,690
Total supporting services	<u>645,724</u>	<u>-</u>	<u>645,724</u>
Total expenses	<u>1,874,083</u>	<u>-</u>	<u>1,874,083</u>
Changes in net assets from operations	175,985	10,275	186,260
Nonoperating activities:			
Gain on debt extinguishment	946,665	-	946,665
Change in net assets from nonoperating activities	946,665	-	946,665
Changes in net assets	1,122,650	10,275	1,132,925
Net assets at beginning of year	<u>750,010</u>	<u>219,777</u>	<u>969,787</u>
Net assets at end of year	<u>\$ 1,872,660</u>	<u>\$ 230,052</u>	<u>\$ 2,102,712</u>

See accompanying notes to financial statements.

**DALLAS CHILDREN'S THEATER**

**STATEMENT OF ACTIVITIES (continued)**

**Year Ended August 31, 2021**

	<b>Capital</b>		<b>Total</b>	<b>Total Funds</b>
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>		
Revenue, gains, and other support:				
Support				
Foundation	\$ -	\$ 230,000	\$ 230,000	\$ 758,293
Corporation	-	59,241	59,241	554,677
Individuals	200	51,400	51,600	189,584
Special events	-	-	-	85,225
In-kind contributions	-	-	-	134
Grants				
Government grants	-	-	-	450,266
Total support	<u>200</u>	<u>340,641</u>	<u>340,841</u>	<u>2,038,179</u>
Revenue				
Ticket sales	-	-	-	82,616
Tour presenter fees	-	-	-	21,569
Tuition	-	-	-	198,468
Rental and other	338	-	338	97,480
Net unrealized gain on investment	101,703	-	101,703	111,886
Interfund transfer	46,973	-	46,973	-
Total revenue	<u>149,014</u>	<u>-</u>	<u>149,014</u>	<u>512,019</u>
Net assets released from restriction				
Expiration of time and purpose restrictions	270,497	(270,497)	-	-
Total revenue, gains, and other support	<u>419,711</u>	<u>70,144</u>	<u>489,855</u>	<u>2,550,198</u>
Expenses:				
Program services				
Production	201,272	-	201,272	913,212
Tours	13,418	-	13,418	82,606
Education	53,673	-	53,673	500,904
Total program expenses	<u>268,363</u>	<u>-</u>	<u>268,363</u>	<u>1,496,722</u>
Supporting services				
Management and general	14,585	-	14,585	405,619
Fundraising	14,815	-	14,815	269,505
Total supporting services	<u>29,400</u>	<u>-</u>	<u>29,400</u>	<u>675,124</u>
Total expenses	<u>297,763</u>	<u>-</u>	<u>297,763</u>	<u>2,171,846</u>
Changes in net assets from operations	121,948	70,144	192,092	378,352
Nonoperating activities:				
Gain on debt extinguishment	-	-	-	946,665
Change in net assets from nonoperating activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>946,665</u>
Changes in net assets	121,948	70,144	192,092	1,325,017
Net assets at beginning of year	<u>6,890,617</u>	<u>340,161</u>	<u>7,230,778</u>	<u>8,200,565</u>
Net assets at end of year	<u>\$ 7,012,565</u>	<u>\$ 410,305</u>	<u>\$ 7,422,870</u>	<u>\$ 9,525,582</u>

See accompanying notes to financial statements.

**DALLAS CHILDREN'S THEATER**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended August 31, 2022**

	<u>Program Services</u>			<u>Supporting Services</u>			<u>Total</u>
	<u>Production</u>	<u>Education</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	
<b>Operations</b>							
Salaries - staff	\$ 384,257	\$ 255,713	\$ 639,970	\$ 337,533	\$ 195,063	\$ 532,596	\$ 1,172,566
Professional services - artistic	172,380	179,079	351,459	-	-	-	351,459
Salaries - artistic	206,424	2,255	208,679	-	-	-	208,679
Legal and professional	13,197	148	13,345	40,557	3,086	43,643	56,988
Advertising	14,432	1,304	15,736	2,833	37,166	39,999	55,735
Supplies and materials	102,839	5,553	108,392	3,591	81	3,672	112,064
Travel	6,642	130	6,772	1,251	195	1,446	8,218
Building expense	179,840	47,558	227,398	25,630	11,118	36,748	264,146
Fringe benefits	97,232	42,250	139,482	30,932	2,395	33,327	172,809
Payroll taxes	51,124	31,962	83,086	34,732	27,188	61,920	145,006
Royalties and commissions	40,719	2,328	43,047	-	-	-	43,047
Utilities	51,175	12,794	63,969	3,477	2,086	5,563	69,532
Printing and publications	3,070	1,100	4,170	238	1,759	1,997	6,167
Insurance	61,612	15,403	77,015	4,186	2,511	6,697	83,712
Bank and credit card charges	3,866	967	4,833	3,956	1,611	5,567	10,400
Store	942	-	942	-	-	-	942
Postage and shipping	5,750	1,586	7,336	6,710	2,430	9,140	16,476
Depreciation	22,012	5,503	27,515	1,495	897	2,392	29,907
Telephone	5,136	1,284	6,420	6,420	3,210	9,630	16,050
Dues and subscriptions	-	673	673	4,903	-	4,903	5,576
Rents	6,466	-	6,466	-	-	-	6,466
Donor recognition	1,049	-	1,049	-	1,049	1,049	2,098
Miscellaneous	3,446	80	3,526	25	-	25	3,551
Interest	-	-	-	294	-	294	294
Total functional expense for Operations	<u>1,433,610</u>	<u>607,670</u>	<u>2,041,280</u>	<u>508,763</u>	<u>291,845</u>	<u>800,608</u>	<u>2,841,888</u>
<b>Capital</b>							
Depreciation	207,924	55,271	263,195	14,304	8,582	22,886	286,081
Interest	-	-	-	-	1,709	1,709	1,709
Supplies	187	49	236	12	8	20	256
Total functional expense for Capital	<u>208,111</u>	<u>55,320</u>	<u>263,431</u>	<u>14,316</u>	<u>10,299</u>	<u>24,615</u>	<u>288,046</u>
Total functional expenses	<u>\$ 1,641,721</u>	<u>\$ 662,990</u>	<u>\$ 2,304,711</u>	<u>\$ 523,079</u>	<u>\$ 302,144</u>	<u>\$ 825,223</u>	<u>\$ 3,129,934</u>

See accompanying notes to financial statements.

**DALLAS CHILDREN'S THEATER**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended August 31, 2021**

	<u>Program Services</u>				<u>Supporting Services</u>			<u>Total</u>
	<u>Production</u>	<u>Tours</u>	<u>Education</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	
<b>Operations</b>								
Salaries - staff	\$ 259,450	\$ 30,587	\$ 226,912	\$ 516,949	\$ 266,377	\$ 188,568	\$ 454,945	\$ 971,894
Professional services - artistic	59,915	-	-	59,915	-	-	-	59,915
Salaries - artistic	14,778	-	94,962	109,740	-	-	-	109,740
Legal and professional	39,275	6,500	7,704	53,479	22,199	2,867	25,066	78,545
Advertising	7,125	-	1,781	8,906	567	690	1,257	10,163
Supplies and materials	10,615	-	2,982	13,597	2,775	984	3,759	17,356
Travel	208	179	4	391	1,118	25	1,143	1,534
Building expense	75,457	3,747	17,367	96,571	11,785	5,619	17,404	113,975
Fringe benefits	61,923	889	38,103	100,915	28,580	15,590	44,170	145,085
Payroll taxes	44,014	2,783	26,582	73,379	29,571	15,354	44,925	118,304
Royalties and commissions	1,200	5,817	167	7,184	-	-	-	7,184
Utilities	37,316	2,488	9,951	49,755	2,704	1,623	4,327	54,082
Printing and publications	984	590	601	2,175	145	1,329	1,474	3,649
Insurance	42,736	7,811	11,396	61,943	3,097	1,858	4,955	66,898
Bank and credit card charges	6,516	-	1,629	8,145	2,093	2,715	4,808	12,953
Artistic and audience development	10,000	-	-	10,000	-	-	-	10,000
Store	-	-	-	-	5,967	2,984	8,951	8,951
Postage and shipping	3,798	289	1,112	5,199	6,609	2,630	9,239	14,438
Depreciation	16,314	7,124	4,350	27,788	1,182	709	1,891	29,679
Telephone	4,475	298	1,193	5,966	-	-	-	5,966
Dues and subscriptions	-	86	100	186	5,971	-	5,971	6,157
Rents	6,192	-	-	6,192	-	-	-	6,192
Donor recognition	9,649	-	335	9,984	-	9,649	9,649	19,633
Interest	-	-	-	-	294	-	294	294
Bad debt	-	-	-	-	-	1,496	1,496	1,496
Total functional expense for Operations	<u>711,940</u>	<u>69,188</u>	<u>447,231</u>	<u>1,228,359</u>	<u>391,034</u>	<u>254,690</u>	<u>645,724</u>	<u>1,874,083</u>
<b>Capital</b>								
Depreciation	196,470	13,098	52,392	261,960	14,237	8,542	22,779	284,739
Interest	1,697	113	453	2,263	123	74	197	2,460
Maintenance	3,105	207	828	4,140	225	135	360	4,500
Supplies	-	-	-	-	-	6,064	6,064	6,064
Total functional expense for Capital	<u>201,272</u>	<u>13,418</u>	<u>53,673</u>	<u>268,363</u>	<u>14,585</u>	<u>14,815</u>	<u>29,400</u>	<u>297,763</u>
Total functional expenses	<u>\$ 913,212</u>	<u>\$ 82,606</u>	<u>\$ 500,904</u>	<u>\$ 1,496,722</u>	<u>\$ 405,619</u>	<u>\$ 269,505</u>	<u>\$ 675,124</u>	<u>\$ 2,171,846</u>

See accompanying notes to financial statements.

**DALLAS CHILDREN'S THEATER**

**STATEMENTS OF CASH FLOWS**

	<b>Year Ended August 31,</b>	
	<b>2022</b>	<b>2021</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 352,915	\$ 1,325,017
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	315,988	314,418
Net unrealized loss (gain) on investment	74,222	(111,886)
Bad debt expense	-	1,496
Gain on debt extinguishment	-	(946,665)
Contributions restricted for investment in capital assets	(273,139)	(340,641)
Changes in net assets and liabilities:		
Pledges receivable	53,150	(51,214)
Prepaid expenses and other assets	(18,123)	(34,149)
Accounts payable	(35,797)	73,720
Accrued expenses	(7,643)	11,593
Contract liabilities	53,332	56,969
Net cash provided by operating activities	514,905	298,658
<b>Cash flows from investing activities:</b>		
Purchases of fixed assets	(299,215)	(189,715)
Net cash used in investing activities	(299,215)	(189,715)
<b>Cash flows from financing activities:</b>		
Contributions restricted for investment in capital assets	273,139	340,641
Proceeds from notes payable	-	473,365
Principal payments on notes payable	(5,636)	(167,292)
Net cash provided by financing activities	267,503	646,714
Net increase in cash, cash equivalents, and restricted cash	483,193	755,657
Cash, cash equivalents, and restricted cash at beginning of year	2,297,362	1,541,705
Cash, cash equivalents, and restricted cash at end of year	\$ 2,780,555	\$ 2,297,362
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid during the year for interest	\$ 2,003	\$ 3,381

See accompanying notes to financial statements.

**DALLAS CHILDREN’S THEATER**  
**NOTES TO FINANCIAL STATEMENTS**

**August 31, 2022 and 2021**

**A. Nature of Activities**

Dallas Children’s Theater (the “Organization”) is a nonprofit organization incorporated under the laws of the State of Texas in 1984. The Organization is dedicated to providing professional quality theater to children and their families, especially to those who would not otherwise have an opportunity to experience live theater. The Organization’s principal activities include theater season productions, operation of a theatrical school, performances for children with special needs, and several educational extension programs in Dallas, Texas.

The Organization’s support comes from tuition and ticket sales as well as contributions from individuals, foundations, governments, and corporations. The Organization suspended its national tour in March 2020 due to the pandemic and expected to continue the national tour in 2021. However, due to the ongoing pandemic and rising costs the decision was made in January of 2022 to suspend the tour indefinitely.

The Organization owns the land and building upon which the theater is located. It is also responsible for, and has consistently funded through donations and grants, all improvements and other related land and building expenditures.

**B. Summary of Significant Accounting Policies**

A summary of the Organization’s significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect certain reported amounts in the financial statements and accompanying notes. Actual results could differ from these estimates and assumptions.

**Basis of Accounting**

The Organization’s financial statements are presented on the accrual basis of accounting in accordance with GAAP.

GAAP requires the Organization 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. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions — net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Trustees.

## DALLAS CHILDREN’S THEATER

### NOTES TO FINANCIAL STATEMENTS (continued)

#### B. Summary of Significant Accounting Policies – continued

##### Basis of Accounting – continued

Net assets with donor restrictions — net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time or net assets that are required to be maintained in perpetuity by the Organization. When a donor restriction expires, 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.

The Organization uses fund accounting to keep track of certain types of activities. Two funds are currently employed: Operations and Capital. The Operations fund represents the normal operating activity of the Organization. The Capital fund represents the amounts for capital development, including exterior enhancements, interior enhancements, property, and organizational capacity.

Gifts of long lived assets with explicit restrictions and gifts of cash that must be used to acquire long-lived assets are reported as temporarily restricted support. The Organization reports expirations of such donor restrictions when the donated assets are placed in service, unless donor restrictions indicate otherwise.

##### Cash, Cash Equivalents, and Restricted Cash

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. At August 31, 2022 and 2021, the Organization had no such investments. The Organization maintains deposits primarily in two financial institutions, which may at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (“FDIC”). The Organization has not experienced any losses related to amounts in excess of FDIC limits.

The Organization considers cash held within the Actor’s Equity Association Bond to be restricted cash for use in future activities. The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statements of financial position that sum to the total cash, cash equivalents, and restricted cash shown in the statements of cash flows for the years ended August 31, 2022 and 2021.

	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents:		
Capital	\$ 304,267	\$ 310,305
Operating	2,274,699	1,840,114
Opera and Artists Fund	18,165	18,155
Purpose Restricted	164,375	109,766
Restricted Cash:		
Actor’s Equity Association Bond	19,049	19,022
Total cash, cash equivalents and restricted cash	<u>\$ 2,780,555</u>	<u>\$ 2,297,362</u>

## DALLAS CHILDREN'S THEATER

### NOTES TO FINANCIAL STATEMENTS *(continued)*

#### **B. Summary of Significant Accounting Policies – continued**

##### **Revenue Recognition**

The Organization recognizes revenues from ticket sales, tuition, and rental income. All of the Organization's revenues are comprised of exchange transactions based on the value of benefits provided to customers.

##### *Performance Obligations*

The performance obligations related to shows, educational classes, and rental income are transferred at a point in time when the show, class, or rental occurs. Fees received in advance are recorded as a contract liability until performance.

Other revenue relates primarily to unrealized gain or loss on investments throughout the year.

##### *Contract Liabilities*

Contract liabilities represent tickets, tuition payments, and rental payments received from customers prior to the satisfaction of the corresponding performance obligations. Contract liabilities are recognized as revenue once the corresponding performance obligations are satisfied based on the contract with the customer. Contract liabilities were \$243,763, \$190,431, and \$133,462 at August 31, 2022, 2021, and 2020, respectively.

##### **Contributions and Pledges Receivable**

Unconditional promises to give or pledges receivables that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discount on those amounts is computed using risk-free interest rates applicable to the years in which the promises are expected to be received. Amortization of the discount is included in contribution support revenue. Contributions are recorded as support revenue at the time an unconditional right to the gift has been established and the proceeds are measurable in amount. Conditional promises to give are recognized when the conditions on which they depend are substantially met.



## DALLAS CHILDREN'S THEATER

### NOTES TO FINANCIAL STATEMENTS *(continued)*

#### **B. Summary of Significant Accounting Policies – continued**

##### **Investments**

Investments with readily determinable fair values are to be stated at fair value with unrealized gains and losses from fluctuations in market value included in the statement of activities. GAAP defines fair value, establishes a framework for measuring fair value, and expands disclosures about assets and liabilities measured at fair value.

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 and establishes a three-tier hierarchy that is used to identify assets and liabilities measured at fair value. The hierarchy focuses on the inputs used to measure fair value and requires that the lowest level input be used. The three levels of the fair value hierarchy are described below:

- Level 1 — observable inputs that are based upon quoted market prices for identical assets or liabilities within active markets.
- Level 2 — observable inputs other than Level 1 that are based upon quoted market prices for similar assets or liabilities, quoted prices within inactive markets, or inputs other than quoted market prices that are observable through market data for substantially the full term of the asset or liability.
- Level 3 — inputs that are unobservable for the particular asset or liability due to little or no market activity and are significant to the fair value of the asset or liability. These inputs reflect assumptions that market participants would use when valuing the particular asset or liability.

The asset's 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.

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

- *Annuity Contract*: valued based on generally observable inputs including yield curves, externally sourced credit spreads, and last trading prices. The annuity contract is classified within Level 2 of the valuation hierarchy.

The preceding methods described may produce fair value measurements that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization 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.

## DALLAS CHILDREN'S THEATER

### NOTES TO FINANCIAL STATEMENTS *(continued)*

#### **B. Summary of Significant Accounting Policies – continued**

##### **Fair Value of Financial Instruments**

The Organization calculates the fair value of its assets and liabilities which qualify as financial instruments and includes this information in the notes to financial statements when the fair value is different than the carrying value of those financial instruments.

The estimated fair value of cash equivalents, pledges receivable, prepaid expenses, and other assets, accounts payable, and accrued expenses approximate the carrying amounts due to the relatively short-term maturity of these instruments. The carrying value of the notes payable also approximate fair value since they bear market interest rates. None of these instruments are held for trading purposes.

##### **Fixed Assets**

Fixed assets, other than land, are stated at cost less accumulated depreciation. Land is stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets for financial reporting purposes. The Organization capitalizes expenditures for fixed assets in excess of \$5,000 and with an estimated useful life greater than one year. Expenditures for major renewals and betterments that extend the useful lives are capitalized. Expenditures for normal maintenance and repairs are expensed as incurred. The cost of assets sold or abandoned and the related accumulated depreciation are eliminated from the accounts and any gains or losses are reflected in the accompanying statement of activities of the respective period. The estimated useful lives of land improvements range from 5 to 20 years, the estimated useful lives of building and improvements range from 7 to 40 years, and the estimated useful lives of furniture, fixtures, and equipment range from 3 to 10 years.

##### **Contributed Assets and Services**

Contributed assets are reflected as contributions in the accompanying financial statements at their estimated value at date of receipt. Contributed services are reflected in the financial statements at the fair value of the services received if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Many individuals volunteer their time and perform a variety of tasks that help the Organization's programs. The value of this contributed time is not reflected in the accompanying financial statements because it does not meet the above criteria.

##### **Bad Debts**

Management periodically reviews pledges receivable on an account by account basis. Management considers the Organization's past history with the contributor and the size of the account in evaluating the reserve requirements for potentially uncollectible amounts. Accounts are written off when management determines that collection efforts will not be successful.

Allowance for doubtful accounts as of August 31, 2022 and 2021 was \$0. Bad debt expense for the years ended August 31, 2022 and 2021, was \$0 and \$1,496, respectively.

**DALLAS CHILDREN’S THEATER**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**B. Summary of Significant Accounting Policies – continued**

**Functional Allocation of Expenses**

Program services include expenses directly attributable to providing services to the Organization’s patrons. Supporting activities include those expenses not directly identifiable with any specific function but provide for the overall support and direction of the Organization. Directly identifiable expenses are charged to either program services or supporting activities. Expenses related to more than one function are allocated to program services or supporting activities based upon estimates of time spent in these activities by the Organization’s personnel or by square footage.

**Advertising**

The Organization expenses advertising costs as they are incurred. Advertising costs for the years ended August 31, 2022 and 2021, were \$55,735 and \$10,163, respectively.

**Endowment Funds**

The Organization operates under an enacted version of the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) since the Texas State Legislature enacted UPMIFA on September 1, 2007 (“TUPMIFA”). Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization’s management has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. Accordingly, the Organization classifies the original value of all endowment gifts as net assets with donor restrictions. Accumulated net earnings on endowment funds are classified as net assets with donor restrictions until those amounts are appropriated for expenditure in accordance with any applicable donor designations and in a manner consistent with the standard of prudence prescribed by the UPMIFA. The Organization had no accumulated earnings on endowment funds for the years ended August 31, 2022 and 2021, as the Organization appropriates earnings on the endowment funds to net assets without donor restrictions.

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

- The duration and preservation of the fund,
- The purposes of the organization and the donor-restricted endowment fund,
- General economic conditions,
- The possible effect of inflation and deflation,
- The expected total return from income and the appreciation of investments,
- Other resources of the Organization, and
- The investment policies of the Organization.

## DALLAS CHILDREN'S THEATER

### NOTES TO FINANCIAL STATEMENTS *(continued)*

#### **B. Summary of Significant Accounting Policies – continued**

##### **Endowment Funds – continued**

The Organization's primary investment objectives are growth with income and preservation of capital. Management defines risk as the probability of not meeting these objectives. Accordingly, endowment assets are invested in a manner that is intended to minimize risk.

##### **Federal Income Taxes**

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except to the extent that they have unrelated business income. There was no material unrelated business income reflected in the accompanying financial statements for the years ended August 31, 2022 and 2021. Accordingly, no provision for income taxes has been provided in the accompanying financial statements.

GAAP prescribes a comprehensive model for the financial statement recognition, measurement, presentation, and disclosure of uncertain income tax positions taken or expected to be taken in income tax returns. Management believes that it has not taken a tax position that, if challenged, would have a material effect on the Organization's financial statements. The Organization files Form 990 in the United States federal jurisdiction and no tax returns are currently under examination by any tax authorities.

##### **New Accounting Pronouncements**

The Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2020-07, Not-for-Profit Entities (Topic 958): *Presentation and Disclosures made by Not-for-Profit Entities for Contributed Nonfinancial Assets*, was announced during 2020 and becomes effective for annual periods beginning after June 15, 2021. This ASU aims to increase the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. Specifically, this ASU requires non-for-profit entities: (1) to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets; and (2) disclose a disaggregation of the amount of contributed nonfinancial assets recognized within the statement of activities by category that depicts the type of contributed nonfinancial assets. The Organization retroactively adopted this guidance on September 1, 2021.

In February 2016, the FASB issued ASU 2016-2, *Leases*. This guidance changes the inclusion of certain right-of-use assets and the associated lease liabilities to be included in a statement of financial position. The classification criteria maintains the distinction between finance leases and operating leases. The guidance is effective for private companies beginning after December 15, 2021. Early adoption is permitted. The Organization will adopt this guidance on September 1, 2022.

**DALLAS CHILDREN’S THEATER**

**NOTES TO FINANCIAL STATEMENTS (continued)**

**C. Availability and Liquidity**

The following represents the Organization’s financial assets available to meet cash needs for general expenditures within one year of August 31:

	<b>2022</b>	<b>2021</b>
Financial assets, at year end:		
Cash and cash equivalents	\$ 1,177,790	\$ 1,429,161
Pledges receivable	77,653	38,672
Total financial assets available to meet cash needs for general expenditures within one year	\$ 1,255,443	\$ 1,467,833

The Organization is substantially supported by donations, production, and education fees that are not subject to restrictions. As part of the Organization’s liquidity management, it has a policy to structure its financial assets to be liquid and available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in short-term investments. The Organization also has a line-of-credit up to \$150,000 available for borrowing.

The Organization was awarded a total of \$1,096,000 in Shutter Venue Operations Grant funds from the Small Business Administration. These funds were used for salaries, benefits, and qualifying operating costs during the fiscal year ending August 31, 2022, enabling the Organization to maintain its liquidity going into the 2023 fiscal year.

**D. Pledges Receivable, Net**

Discounted pledges receivable are amounts that comprise the following unconditional promises to give at August 31:

	<b>2022</b>	<b>2021</b>
Less than 1 year	\$ 77,653	\$ 91,172
1-5 years	-	40,000
Total pledges receivable	77,653	131,172
Unamortized discount to adjust pledges to net present value	-	(369)
Net pledges receivable	\$ 77,653	\$ 130,803

The pledge discount was computed using the risk-free treasury interest rate of 0.93% for the year ended August 31, 2021. Pledges receivable at August 31, 2022, consist of \$56,922 due from 3 donors, and approximately \$4,550 in pledges receivable from related parties. Pledges receivable at August 31, 2021, consisted of \$96,522 due from 3 donors, and approximately \$7,000 in pledges receivable from related parties.

**DALLAS CHILDREN’S THEATER**

**NOTES TO FINANCIAL STATEMENTS (continued)**

**D. Pledges Receivable, Net – continued**

Pledges receivable are from donors located primarily in the Dallas area. Therefore, collection of pledges is subject to economic conditions in the area. Pledges restricted by time or donor purposes are reported as net assets with donor restrictions in the financial statements.

As of August 31, 2022 and 2021, there were no outstanding conditional promises to give.

**E. Investment**

The Organization holds an investment in an annuity contract held by a master custodian and managed by Merrill Lynch.

Investment in annuity contract consists of the following at August 31:

	<b>Cost</b>	<b>Unrealized Gain</b>	<b>Fair Value (Level 2)</b>
<b>2022</b>			
Endowment – investment in annuity	\$ 110,000	\$ 321,366	\$ 431,366
<b>2021</b>			
Endowment – investment in annuity	\$ 110,000	\$ 395,589	\$ 505,589

Investment income for the years ended August 31, 2022 and 2021, consists of an unrealized loss of \$74,222 and unrealized gains of \$111,886, respectively.

**F. Contributed Assets and Services**

The Organization receives in-kind contributions from various donors. The estimated values of such in-kind contributions are as follows for the year ended August 31:

	<b>2022</b>	<b>2021</b>
Miscellaneous	\$ 4,273	\$ 134
Advertising	30,000	-
	\$ 34,273	\$ 134

The Organization has recognized the amounts indicated above as in-kind or special events contributions and expenses and is recorded at the market value of the service, as appropriate, in the accompanying financial statements.

**DALLAS CHILDREN’S THEATER**  
**NOTES TO FINANCIAL STATEMENTS (continued)**

**G. Endowments**

Donor-restricted endowment activity is as follows for the year ended August 31:

	<u>2022</u>	<u>2021</u>
<b>Operating</b>		
Endowments beginning of year	\$ 10,000	\$ 10,000
Transfers to (from) endowment funds	-	-
Contributions to endowment funds	-	-
	<u>          </u>	<u>          </u>
Endowments end of year	<u>\$ 10,000</u>	<u>\$ 10,000</u>
<b>Capital</b>		
Endowments beginning of year	\$ 100,000	\$ 100,000
Transfers to (from) endowment funds	-	-
Contributions to endowment funds	-	-
	<u>          </u>	<u>          </u>
Endowments end of year	<u>\$ 100,000</u>	<u>\$ 100,000</u>

In 2015, the Organization established an endowment fund with the Dallas Foundation (the “Foundation”). The Foundation is a public charity that holds millions in trust for the public. The Foundation was granted variance power over these funds and they are under the ultimate control of the Foundation’s Board of Governors. During the year ended August 31, 2022, a donor-restricted contribution of \$200,000 was made to the endowment fund at the Foundation. There were no donor-restricted contributions for the year ended August 31, 2021. During the years ended August 31, 2022 and 2021, the Organization received \$5,700 and \$5,650 from the Foundation in accordance with the distribution guidelines. These funds were available for general operations.

Due to the Foundation being granted variance power, the funds are not reflected in the financial statements of the Organization. As of August 31, 2022, the estimated value of the endowment fund held by the Foundation approximated \$350,600.

The Organization views its relationship with the Foundation as a long-term strategic alliance to create a substantial endowment.

**DALLAS CHILDREN’S THEATER**

**NOTES TO FINANCIAL STATEMENTS (continued)**

**H. Net Assets**

Net assets without donor restrictions are available for the following purposes as designated by the board of trustees at August 31:

	<b>2022</b>	<b>2021</b>
Designated for specific purpose:		
Artwork	\$ 124,333	\$ 124,333
Audience development (operations)	6,884	6,723
Undesignated funds:		
Operations	2,248,378	1,865,937
Capital	6,812,095	6,888,232
	\$ 9,191,690	\$ 8,885,225

Net assets with donor restrictions are available for the following purposes at August 31:

	<b>2022</b>	<b>2021</b>
Operations (time restricted)	\$ 40,000	\$ 92,131
Operations (purpose restricted)	214,375	109,766
Opera Fund	18,165	18,155
Capital Fund	304,267	310,305
Endowment – Capital	100,000	100,000
Endowment – Operations	10,000	10,000
	\$ 686,807	\$ 640,357

Investment income and capital appreciation may be used at the direction of the Finance Committee and the Executive Board.

**I. PPP Loan**

On March 27, 2020, the U.S. federal government enacted the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”), which includes provision for a Paycheck Protection Program (“PPP”) administered by the U.S. Small Business Administration (“SBA”). The PPP allows qualifying businesses to borrow up to \$10 million calculated based on qualifying payroll costs. PPP loans bear a fixed interest rate of 1% over a two-year term, are guaranteed by the federal government, and do not require collateral. The loans may be forgiven, in part or whole, if the proceeds are used to retain and pay employees and for other qualifying expenditures.

The Organization applied for a PPP loan in the amount of \$473,300, which was approved by the SBA on April 17, 2020. The Organization used the proceeds of the PPP loan in accordance with the provisions of the CARES Act. The PPP loan was forgiven on January 21, 2021 and recorded as a gain on debt extinguishment in the accompanying statement of activities.



## DALLAS CHILDREN’S THEATER

### NOTES TO FINANCIAL STATEMENTS *(continued)*

#### I. PPP Loan – continued

The Organization applied for the second round of PPP loans in the amount of \$473,365, which was approved by the SBA on March 15, 2021. The Organization used the proceeds of the PPP loan in accordance with the provisions of the CARES Act. The PPP loan was forgiven on August 23, 2021 and recorded as a gain on debt extinguishment in the accompanying statement of activities.

#### J. Notes Payable

The Organization has the following notes payables at August 31:

	2022	2021
Note payable to Ford Motor Credit of \$28,182, collateralized by vehicle, interest rate at 1.99%, principal and interest payments payable monthly beginning October, and final payment due September 2024.	\$ 11,825	\$ 17,461
Note payable to a bank with a line-of-credit up to \$150,000, interest rate at the prime rate plus 1.00% (4.25% at August 31, 2022), interest payable monthly beginning June 2021 with outstanding principal due May 2023.	-	-
Total notes payable	11,825	17,461
Less current portion	(5,472)	(5,366)
Total long-term notes payable	\$ 6,353	\$ 12,095

On December 12, 2018, the March Family Foundation (“March Foundation”) originated a plan whereby the Organization’s current debt will be completely paid off in three years. The March Foundation has committed to be the lead funder, and the March Foundation secured the participation of four additional donors. During the year ended August 31, 2021, the March Foundation made contributions totaling \$161,655 thereby extinguishing the loan. The agreement requires that after the loan is paid off, the Organization commits to contributing quarterly payments of \$25,000 towards a capital reserve fund for future repairs of the building for the subsequent ten years.

The Organization also agreed to not to use the property as collateral for any loan. Complete details are a part of the March Family Foundation Agreement. As of August 31, 2022, the Organization has continued to make the monthly payments in accordance with the March Family Foundation Agreement.

**DALLAS CHILDREN’S THEATER**

**NOTES TO FINANCIAL STATEMENTS (continued)**

**J. Notes Payable – continued**

Maturities of long-term notes payable are as follows for the year ended August 31:

2023	\$ 5,472
2024	5,587
2025	496
2026	-
2027	-
Thereafter	-
	<hr/>
	\$ 11,825

Interest expense was \$2,003 and \$2,753 for the years ended August 31, 2022 and 2021, respectively.

**K. Rental Agreements**

The Organization rented its facilities to a local church for a period of three years commencing on August 1, 2013, with automatic renewal for an additional three year period unless the Organization receives at least a sixty day notice of non-renewal. The Organization rents land usage for a cell tower under a five year cancelable agreement dated May 2002, renewable for nine additional five year terms, and cancellable by either party with a sixty day notice prior to the renewal date. The Organization also rents the facility to various other entities. Rental income for the various activities is reflected in rental and other income in the accompanying financial statements.

At August 31, 2022, estimated future minimum payments to be received under non-cancelable operating leases with initial term of one year or more consisted of the following:

**Year Ending August 31:**

2023	\$ 87,288
2024	71,238
2025	23,088
2026	23,088
2027	17,316
	<hr/>
	\$ 222,018

## DALLAS CHILDREN'S THEATER

### NOTES TO FINANCIAL STATEMENTS *(continued)*

#### **L. Risks and Economic Outlook**

The Organization operates in Dallas and, as such, is dependent upon the community's interest in children's theater and the willingness and ability of donors in the area to continue supporting the Organization. The ability of the Organization's donors to continue giving amounts comparable with prior years may be dependent, among other things, upon current and future overall economic conditions and the continued deductibility for income tax purposes of donations to the Organization.

Management has responded strategically to the pandemic with reductions in staff and other cost reductions, pivoting to more cost-effective online classes and shows, and continuing their major gifts program to support the Organization. The Organization is ramping back up with six productions in fiscal year 2023. It continues to monitor the economic environment for the performing arts.

#### **M. Related Party Transactions**

The Organization has pledges receivable due from board members of approximately \$4,550 and \$7,000, which has been included within pledges receivable in the accompanying statement of financial position as of August 31, 2022 and 2021.

#### **N. Subsequent Events**

In preparing the financial statements, the Organization has evaluated all subsequent events and transactions for potential recognition or disclosure through December 14, 2022.

In August 2022, the Organization applied for employee retention credits ("ERC") related to the years ended August 31, 2020, 2021, and 2022. In November 2022, the Organization received notice that the Internal Revenue Service ("IRS") had approved the ERC claims. On November 28, 2022, the Organization received \$477,800, of which \$10,400 was related to interest.