

**A CONTEMPORARY THEATRE, INC. AND AFFILIATES**

Consolidated Financial Statements

For the Period From January 1, 2020 to June 30, 2021  
and for the Year Ended December 31, 2019

## Table of Contents

---

	Page
<b>Independent Auditor's Report</b>	1 - 2
<b>Consolidated Financial Statements:</b>	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities Without Donor Restrictions	4
Consolidated Statements of Changes in Net Assets	5
Consolidated Statement of Functional Expenses - 18 Month Period Ended June 30, 2021	6
Consolidated Statement of Functional Expenses - Year Ended December 31, 2019	7
Consolidated Statements of Cash Flows	8
Notes to the Consolidated Financial Statements	9 - 19
<b>Supplementary Information:</b>	
Consolidating Statement of Financial Position - June 30, 2021	20
Consolidating Statement of Financial Position - December 31, 2019	21
Consolidating Statement of Activities and Changes in Net Assets - 18 Month Period Ended June 30, 2021	22
Consolidating Statement of Activities and Changes in Net Assets - Year Ended December 31, 2019	23

## **Independent Auditor's Report**

### **To the Board of Trustees A Contemporary Theatre, Inc. and Affiliates Seattle, Washington**

We have audited the accompanying consolidated financial statements of A Contemporary Theatre, Inc. and Affiliates (collectively, the Theatre), which comprise the consolidated statements of financial position as of June 30, 2021 and December 31, 2019, and the related consolidated statements of activities without donor restrictions, changes in net assets, functional expenses and cash flows for the period from January 1, 2020 to June 30, 2021 and the year ended December 31, 2019, and the related notes to the consolidated 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 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.

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit 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 statements, 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 circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



T: 425-454-4919  
T: 800-504-8747  
F: 425-454-4620

10900 NE 4th St  
Suite 1400  
Bellevue WA  
98004

[clarknuber.com](http://clarknuber.com)

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Theatre as of June 30, 2021 and December 31, 2019, and the changes in its net assets and its cash flows for the period from January 1, 2020 to June 30, 2021 and the year ended December 31, 2019 in conformity with accounting principles generally accepted in the United States of America.

## **Report on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on pages 20 through 23 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Clark Nuber PS*

Certified Public Accountants  
October 20, 2021

A CONTEMPORARY THEATRE, INC. AND AFFILIATES

Consolidated Statements of Financial Position  
June 30, 2021 and December 31, 2019

	<u>2021</u>	<u>2019</u>
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 1,783,910	\$ 1,587
Accounts and interest receivable		27,646
Current portion of pledges receivable, net	299,524	282,334
Prepaid expenses and deposits	<u>12,628</u>	<u>80,578</u>
<b>Total Current Assets</b>	<b>2,096,062</b>	<b>392,145</b>
Long-term pledges receivable, net	292,570	
Investments	2,677,175	2,344,666
Property and equipment, net	<u>10,825,222</u>	<u>11,636,238</u>
<b>Total Assets</b>	<b><u>\$ 15,891,029</u></b>	<b><u>\$ 14,373,049</u></b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 112,920	\$ 288,772
Accrued expenses	127,062	256,559
Advance ticket sales and gift certificates	183,887	764,696
Line of credit		190,687
Current portion of Paycheck Protection Program Loans	<u>222,810</u>	
<b>Total Current Liabilities</b>	<b>646,679</b>	<b>1,500,714</b>
Paycheck Protection Program loans	1,480,107	
Deferred revenue	<u>355,160</u>	<u>389,532</u>
<b>Total Liabilities</b>	<b>2,481,946</b>	<b>1,890,246</b>
<b>Net Assets:</b>		
Without donor restrictions	10,307,236	10,169,716
With donor restrictions	<u>3,101,847</u>	<u>2,313,087</u>
<b>Total Net Assets</b>	<b><u>13,409,083</u></b>	<b><u>12,482,803</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 15,891,029</u></b>	<b><u>\$ 14,373,049</u></b>

See accompanying notes.

**A CONTEMPORARY THEATRE, INC. AND AFFILIATES**

**Consolidated Statements of Activities Without Donor Restrictions  
For the Period From January 1, 2020 to June 30, 2021 and  
For the Year Ended December 31, 2019**

	<u>2021</u>	<u>2019</u>
<b>Revenue and Support:</b>		
Subscriptions and single tickets	\$ 112,916	\$ 2,611,647
Contribution revenue	4,556,346	2,356,396
Contributions released from restriction	311,749	242,841
Memberships	37,320	208,712
In-kind contributions	77,538	73,397
Other revenue	<u>167,833</u>	<u>732,064</u>
<b>Total Revenue and Support</b>	<b>5,263,702</b>	<b>6,225,057</b>
<b>Expenses:</b>		
Artistic and production	1,849,387	3,588,184
Audience development and services	756,482	1,404,992
Development	718,755	563,584
Administration	<u>897,024</u>	<u>727,807</u>
<b>Total Expenses</b>	<b><u>4,221,648</u></b>	<b><u>6,284,567</u></b>
<b>Change in Net Assets Without Donor Restrictions Before Depreciation</b>	<b>1,042,054</b>	<b>(59,510)</b>
Depreciation	<u>904,534</u>	<u>615,384</u>
<b>Change in Net Assets Without Donor Restrictions</b>	<b><u>\$ 137,520</u></b>	<b><u>\$ (674,894)</u></b>

See accompanying notes.

**A CONTEMPORARY THEATRE, INC. AND AFFILIATES**

**Consolidated Statements of Changes in Net Assets  
For the Period From January 1, 2020 to June 30, 2021 and  
For the Year Ended December 31, 2019**

	<u>2021</u>	<u>2019</u>
<b>Activities Without Donor Restrictions</b>		
Revenue and support	\$ 4,951,953	\$ 5,982,216
Contributions released from restriction	311,749	242,841
Expenses	<u>(5,126,182)</u>	<u>(6,899,951)</u>
<b>Change in Net Assets Without Donor Restrictions</b>	<b>137,520</b>	<b>(674,894)</b>
<b>Activities With Donor Restrictions</b>		
Contributions	620,000	
Endowment investment return	480,509	370,888
Loss on expired grants receivable and uncollectible pledges		(134,436)
Contributions released from restriction	<u>(311,749)</u>	<u>(242,841)</u>
<b>Change in Net Assets With Donor Restrictions</b>	<b>788,760</b>	<b>(6,389)</b>
<b>Total Change in Net Assets</b>	<b>926,280</b>	<b>(681,283)</b>
Net assets, beginning of year	<u>12,482,803</u>	<u>13,164,086</u>
<b>Net Assets, End of Year</b>	<b><u>\$ 13,409,083</u></b>	<b><u>\$ 12,482,803</u></b>

See accompanying notes.

**A CONTEMPORARY THEATRE, INC. AND AFFILIATES**

**Consolidated Statement of Functional Expenses  
For the Period From January 1, 2020 to June 30, 2021**

	<u>Production</u>	<u>Audience</u>	<u>Development</u>	<u>Administration</u>	<u>2021 Total</u>
Salaries and wages	\$ 837,844	\$ 468,939	\$ 434,674	\$ 465,770	\$ 2,207,227
Benefits	291,694	104,823	94,180	87,169	577,866
Fees, insurance, permits, taxes, miscellaneous	100,513	13,809	99,604	138,732	352,658
Facilities	281,952	11		2,015	283,978
Guest artists	188,312	1,375	12,381		202,068
Professional services	12,995	31,865	26,008	102,032	172,900
Equipment, computer repair and maintenance, software	50,902	124		97,813	148,839
Advertising		115,892		150	116,042
Supplies and materials	63,264	1,964	37,693	2,052	104,973
Printing and postage	721	17,680	14,215	1,291	33,907
Royalties and playwrights	21,190				21,190
Expenses before depreciation	<u>1,849,387</u>	<u>756,482</u>	<u>718,755</u>	<u>897,024</u>	<u>4,221,648</u>
Depreciation	<u>805,035</u>	<u>63,317</u>	<u>9,045</u>	<u>27,137</u>	<u>904,534</u>
<b>Total Functional Expenses</b>	<b><u>\$ 2,654,422</u></b>	<b><u>\$ 819,799</u></b>	<b><u>\$ 727,800</u></b>	<b><u>\$ 924,161</u></b>	<b><u>\$ 5,126,182</u></b>

See accompanying notes.



**A CONTEMPORARY THEATRE, INC. AND AFFILIATES**

**Consolidated Statement of Functional Expenses  
For the Year Ended December 31, 2019**

	<u>Production</u>	<u>Audience</u>	<u>Development</u>	<u>Administration</u>	<u>2019 Total</u>
Salaries and wages	\$ 1,872,660	\$ 673,397	\$ 306,604	\$ 408,179	\$ 3,260,840
Benefits	548,607	123,749	48,676	83,661	804,693
Fees, insurance, permits, taxes, miscellaneous	90,204	21,659	158,722	108,662	379,247
Facilities	377,248				377,248
Professional services	106,102	96,245	16,403	43,597	262,347
Guest artists	245,090	3,083	10,450		258,623
Advertising	300	254,813	99		255,212
Printing and postage	1,583	227,826	21,587	990	251,986
Supplies and materials	175,613	3,481	1,043	6,458	186,595
Royalties and Playwrights	131,423				131,423
Equipment, computer repair and maintenance, software	39,354	739		76,260	116,353
Expenses before depreciation	3,588,184	1,404,992	563,584	727,807	6,284,567
Depreciation	546,634	44,535	5,502	18,713	615,384
<b>Total Functional Expenses</b>	<b><u>\$ 4,134,818</u></b>	<b><u>\$ 1,449,527</u></b>	<b><u>\$ 569,086</u></b>	<b><u>\$ 746,520</u></b>	<b><u>\$ 6,899,951</u></b>

See accompanying notes.

**A CONTEMPORARY THEATRE, INC. AND AFFILIATES**

**Consolidated Statements of Cash Flows  
For the Period From January 1, 2020 to June 30, 2021 and  
For the Year Ended December 31, 2019**

	<u>2021</u>	<u>2019</u>
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ 926,280	\$ (681,283)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities-		
Depreciation	904,534	615,384
Realized and unrealized gains on investments	(433,315)	(329,362)
Contributions restricted for capital projects	(40,000)	(182,000)
Cash (used) provided by changes in operating assets and liabilities:		
Accounts and interest receivable	27,646	(12,698)
Pledges receivable	(324,760)	335,751
Prepaid expenses and deposits	67,950	(23,890)
Accounts payable	(175,852)	23,250
Accrued expenses	(129,497)	(3,168)
Advance ticket sales and gift certificates	(580,809)	(140,079)
Deferred revenue	(34,372)	(22,915)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>207,805</b>	<b>(421,010)</b>
<b>Cash Flows From Investing Activities:</b>		
Purchase of property and equipment	(93,518)	(116,714)
Proceeds from sale of investments	591,786	779,160
Purchase of investments	(490,980)	(702,220)
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>7,288</b>	<b>(39,774)</b>
<b>Cash Flows From Financing Activities:</b>		
Net line of credit activity	(190,687)	190,687
Proceeds from Paycheck Protection Program loans	1,702,917	
Cash received from capital contributions	55,000	150,000
<b>Net Cash Provided by Financing Activities</b>	<b>1,567,230</b>	<b>340,687</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>1,782,323</b>	<b>(120,097)</b>
Cash and cash equivalents, beginning of year	1,587	121,684
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 1,783,910</b>	<b>\$ 1,587</b>
<b>Supplementary Disclosure of Cash Flow Information:</b>		
Cash paid during the year for interest	\$ 25,446	\$ 28,070

See accompanying notes.

## A CONTEMPORARY THEATRE, INC. AND AFFILIATES

### Notes to the Consolidated Financial Statements For the Period From January 1, 2020 to June 30, 2021 and For the Year Ended December 31, 2019

---

#### Note 1 - Organization and Significant Accounting Policies

**Organization** - A Contemporary Theatre, Inc. (ACT) was incorporated in 1965 for artistic, cultural, and educational purposes. ACT's main operation is the presentation of staged performances for the purpose of entertainment. Effective January 1, 2020, the Theatre changed its fiscal year end from December 31 to June 30. Accordingly, the accompanying financial statements include the 18-month period of January 1, 2020 through June 30, 2021, and the calendar year ended December 31, 2019.

Eagles Theatre Centre (ETC), a separate Washington nonprofit corporation, was formed in 1994 to manage the development and construction of Kreielsheimer Place, the Theatre's performance and administrative facility in downtown Seattle, Washington. The only activity in ETC is the management of Kreielsheimer Place.

A Contemporary Theatre Foundation (the Foundation), a Washington nonprofit corporation, was formed in October 2000 to receive and invest donations for the benefit of the Theatre and for the management of an endowment.

**Principles of Consolidation** - ACT, ETC and the Foundation (collectively, the Theatre) have some common board members and common management. Additionally, ACT is the sole corporate member of ETC. The Foundation's bylaws require that its governing board include three current officers of the ACT board and no fewer than two members who are either at-large members of ACT's board or ACT advisory board members and at least one non-affiliated board member. Accordingly, the results of ACT, ETC and the Foundation have been consolidated. All significant intercompany transactions have been eliminated upon consolidation.

**Impacts of the COVID-19 Pandemic** - In early 2020, a novel strain of coronavirus (COVID-19) was identified and became prevalent throughout the world. The COVID-19 pandemic has caused business disruption through mandated and voluntary closings of businesses and restrictions on public gatherings. As a result of the spread of COVID-19 and at the government's direction, ACT stopped production of all plays and events effective March 2020. No shows occurred for the period from January 1, 2020 through June 30, 2021 causing negative impacts to its earned revenues.

To mitigate the effects of the pandemic, ACT applied for and received two Paycheck Protection Program loans totaling approximately \$1.7 million (Note 11). ACT has also communicated with subscribers and single ticket holders for the canceled shows in the 2019-2020 and 2020-2021 seasons and offered the option to donate the value of their tickets, convert them to credits for future performances, or contact ACT about other arrangements. Additionally, ACT has worked to reduce expenses significantly and modeled net revenue and cash flows through June 2022 based on updated budgeting.

It is not known when all impacts of COVID-19 will conclude; therefore, the full financial impact and duration of the impacts of the COVID-19 pandemic cannot be reasonably estimated as of the date of issuance of these financial statements.

In response to COVID-19, the U.S. Congress passed the American Rescue Plan. Included in the American Rescue Plan was the Shuttered Venue Operators Grant (SVOG) to provide grants to shuttered venues to help mitigate the effects of lost revenue as a result of the COVID pandemic. Subsequent to June 30, 2021, the Theatre obtained a grant under the SVOG totaling \$1,530,505.

## A CONTEMPORARY THEATRE, INC. AND AFFILIATES

### Notes to the Consolidated Financial Statements For the Period From January 1, 2020 to June 30, 2021 and For the Year Ended December 31, 2019

---

#### Note 1 - Continued

**Basis of Presentation** - Net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Theatre 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 With Donor Restrictions - Net assets subject to donor-imposed time and/or purpose restrictions.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. The Theatre has adopted a policy to classify donor restricted contributions as without donor restrictions to the extent that donor restrictions were met in the year the contribution was received.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents** - The Theatre considers cash and cash equivalents to include all highly liquid investments purchased with an original maturity of three months or less.

#### Revenue Recognition -

Subscription and Single Tickets - The Theatre presents theater performances and earns revenue from ticket sales. Tickets are sold in subscription packages and as single tickets and are generally purchased by customers in advance of the performances. Tickets sold are non-refundable. The Theatre's performance obligation for each ticket is to provide a seat at the applicable performance. Revenue from subscription packages and single tickets are recognized at the time the performance occurs.

Memberships - The Theatre also earns revenue from the sales of memberships, which provides the member flexible access to most ticketed events and performances. Member dues are paid annually for the ACTPass subscription and monthly for standard memberships. Revenue is recognized monthly over the life of the standard membership and ratably over the life of the ACT Pass subscription.

## A CONTEMPORARY THEATRE, INC. AND AFFILIATES

### Notes to the Consolidated Financial Statements For the Period From January 1, 2020 to June 30, 2021 and For the Year Ended December 31, 2019

---

#### Note 1 - Continued

**Contribution Revenue** - The Theatre recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give are not recognized as revenues until the conditions on which they depend have been met. There were no conditional contributions as of June 30, 2021 or December 30, 2019. Contribution amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions. The Theatre does not consider the recognition of a donor for a specific play or season to be a donor restriction.

The Theatre uses the allowance method to determine uncollectible unconditional pledges receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. There was no allowance for uncollectible pledges as of June 30, 2021 and December 31, 2019.

**Investments** - Investments in certificates of deposit and money markets are carried at cost plus accrued interest. Investments in stocks, exchange traded funds, REITs and bonds are carried at fair value. Interest and dividends are included in investment return as earned.

Investment securities, in general, are exposed to various risks, including interest rate, credit, and overall market volatility. Due to the level of risk associated with certain long-term investments, it is reasonably probable that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statement of financial position.

**Property and Equipment** - The Theatre's property and equipment are stated at cost if purchased, or fair value on the date of receipt if contributed. All property and equipment over \$1,000 are depreciated on a straight-line basis over the estimated useful lives of the assets, which range from 5 to 40 years.

**Advance Ticket Sales** - Advance ticket sales for future performances are accrued and reported as a liability and are recognized as revenue when performances are completed.

**Financial Instruments and Credit Risk Concentration** - Financial instruments that potentially subject the Theatre to concentrations of credit risk consist of cash and cash equivalents and pledges receivable. The Theatre places its temporary cash deposits with one major financial institution. At times, balances may exceed federally insured limits. The Theatre has not experienced a credit loss associated with cash investments.

**Concentrations** - At June 30, 2021 and December 31, 2019, 58% and 52%, respectively of the Theatre's employees including actors, theatrical stage workers and musicians are represented by unions with multi-year collective bargaining agreements which expire in 2022.

At June 30, 2021 and December 31, 2019, 68% and 44% of the Theatre's pledges receivable were from one and three grantors, respectively. For the period from January 1, 2020 to June 30, 2021 and the year ended December 31, 2019, 23% and 15% of the Theatre's contributions were from two and one donors, respectively.

**Donated Services and Materials** - The Theatre receives various donated auction items, catering, marketing, materials and services that contribute to the annual gala and the Theatre's operations. Certain professional services and materials have been recorded at their estimated fair value at the date of receipt. For the period from January 1, 2020 to June 30, 2021 and the year ended December 31, 2019, donated services and materials equaled \$77,538 and \$73,397, respectively.

## A CONTEMPORARY THEATRE, INC. AND AFFILIATES

### Notes to the Consolidated Financial Statements For the Period From January 1, 2020 to June 30, 2021 and For the Year Ended December 31, 2019

---

#### Note 1 - Continued

In addition to those services and materials that have been recorded, a substantial number of volunteers have made significant contributions of time to the Theatre. The value of this contributed time does not meet the criteria for recognition under U.S. GAAP and, accordingly, is not reflected in the accompanying consolidated financial statements.

**Advertising** - The Theatre expenses advertising costs as they are incurred. Total advertising expense for the 18 month period ended June 30, 2021 and the year ended December 31, 2019 was \$116,042 and \$255,212, respectively.

**Federal Income Taxes** - The Internal Revenue Service has notified ACT, ETC and the Foundation that they are tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code.

**Allocation of Functional Expenses** - Expenses consist of the costs related to providing artistic and production, audience development and services, development, and administration functions. Depreciation is allocated based on a square footage basis. All other costs are directly charged to the function they benefit.

**Subsequent Events** - The Theatre evaluated its June 30, 2021 financial statements for subsequent events through October 20, 2021, which is the date the financial statements were available to be issued.

#### Note 2 - Pledges Receivable

Pledges receivable consisted of the following:

	2021	2019
Receivables due in less than one year	\$ 299,524	\$ 282,334
Receivables due in two to five years	310,000	
	609,524	282,334
Less present value discount of 3%	(17,430)	
<b>Total Pledges Receivable, Net</b>	<b>\$ 592,094</b>	<b>\$ 282,334</b>

From time to time, unspent award funds may be returned to a funder or the related pledge may be written-off for a variety of reasons including, but not limited to, a reduction in funds required to accomplish a project's scope of work or a project that is no longer pursued. During the year ended December 31, 2019, the Theatre wrote-off a pledge totaling \$134,436 related to project that is no longer being pursued.

#### Note 3 - Investments and Fair Value Measurements

U.S. GAAP defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. To increase consistency and comparability in fair value measurements, U.S. GAAP uses a fair value hierarchy that prioritizes the inputs to valuation approaches into three broad levels. The hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3).

**A CONTEMPORARY THEATRE, INC. AND AFFILIATES**

**Notes to the Consolidated Financial Statements  
For the Period From January 1, 2020 to June 30, 2021 and  
For the Year Ended December 31, 2019**

---

**Note 3 - Continued**

Financial assets and liabilities valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets and liabilities valued using Level 2 inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets. Financial assets and liabilities using Level 3 inputs are primarily valued using management's assumptions about the assumptions market participants would utilize in pricing the asset or liability. Valuation techniques utilized to determine fair value are consistently applied.

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

Stocks - Valued at the closing price reported on the active market on which the securities are traded.

Bonds - Valued using bid evaluations from similar instruments in actively traded markets.

Exchange Traded Funds and Real Estate Investment Trusts (REITs) - Valued at quoted market prices in active markets, which represent the net assets value (NAV) of shares held by the Theatre at year end.

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

Total investments and fair values of assets measured on a recurring basis were as follows:

	Fair Value Measurements as of June 30, 2021		
	Level 1	Level 2	Total
Stocks	\$ 1,125,624	\$ -	\$ 1,125,624
Exchange traded funds	532,147		532,147
REITs	55,047		55,047
Bonds		841,268	841,268
<b>Total Investments at Fair Value</b>	<b>\$ 1,712,818</b>	<b>\$ 841,268</b>	2,554,086
Investments valued at cost-			
Certificate of deposit held at bank			31,023
Money market funds			92,066
<b>Total Investments</b>			<b>\$ 2,677,175</b>

A CONTEMPORARY THEATRE, INC. AND AFFILIATES

Notes to the Consolidated Financial Statements  
For the Period From January 1, 2020 to June 30, 2021 and  
For the Year Ended December 31, 2019

Note 3 - Continued

	Fair Value Measurements as of December 31, 2019		
	Level 1	Level 2	Total
Stocks	\$ 942,623	\$ -	\$ 942,623
Exchange traded funds	505,389		505,389
REITs	43,385		43,385
Bonds		787,250	787,250
<b>Total Investments at Fair Value</b>	<b>\$ 1,491,397</b>	<b>\$ 787,250</b>	2,278,647
Investments valued at cost-			
Certificate of deposit held at bank			31,023
Money market funds			34,996
<b>Total Investments</b>			<b>\$ 2,344,666</b>

Investment return was as follows:

	2021	2019
Interest and dividends	\$ 71,763	\$ 56,997
Realized and unrealized gains	433,270	329,362
Fees	(24,524)	(15,471)
	<b>\$ 480,509</b>	<b>\$ 370,888</b>

Note 4 - Property and Equipment

Property and equipment consisted of the following:

	2021	2019
Building and improvements	\$ 13,245,681	\$ 13,158,068
Land	2,411,188	2,411,188
Theatre equipment	1,426,789	1,425,137
Theatre furnishings and lights	179,795	179,795
Office and other equipment	761,027	756,774
Box office and development software	392,360	392,360
Nondepreciable piano	35,000	35,000
Automobile	10,000	10,000
	18,461,840	18,368,322
Less accumulated depreciation	(7,636,618)	(6,732,084)
<b>Total Property and Equipment, Net</b>	<b>\$ 10,825,222</b>	<b>\$ 11,636,238</b>



**A CONTEMPORARY THEATRE, INC. AND AFFILIATES**

**Notes to the Consolidated Financial Statements  
For the Period From January 1, 2020 to June 30, 2021 and  
For the Year Ended December 31, 2019**

---

**Note 4 - Continued**

The Theatre's building is subject to various legal restrictions on its use.

The Theatre's building is a part of a condominium. The Theatre is a member in the condominium association that maintains certain common spaces that benefit the Theatre and the owner of the other unit in the condominium.

**Note 5 - Deferred Revenue**

During 1995, the Theatre received approximately \$917,000 from the City of Seattle in exchange for certain public benefits. The City of Seattle has rights to use certain facilities in Kreielsheimer Place up to 15 times each year for a 40-year period. The amount received is amortized over the term of the obligation on a straight-line basis in the amount of \$22,915 per year.

**Note 6 - Line of Credit**

The Theatre has a revolving line of credit with available borrowings up to \$1,470,000, secured by the Foundation's investments. Interest on the line of credit is equal to prime plus 0.5% (3.25% and 5.25% at June 30, 2021 and December 31, 2019, respectively) and the line of credit matures November 30, 2021. There was no balance outstanding at June 30, 2021 and a balance outstanding of \$190,687 at December 31, 2019.

Total interest expense for the period from January 1, 2020 to June 30, 2021 and the year ended December 31, 2019, was \$25,446 and \$28,070, respectively.

**Note 7 - Net Assets With Donor Restrictions**

Net assets with donor restrictions consisted of the following at December 31:

	<u>2021</u>	<u>2019</u>
Subject to the passage of time or expenditure for specified purpose-		
Restoration and renovation	\$ -	\$ 5,000
Time	415,000	
ACT Local	<u>46,896</u>	
Total subject to the passage of time or expenditure for specified purpose	461,896	5,000
Endowment funds-		
Original gifts and required retained earnings (corpus)	2,318,492	2,318,492
Accumulated earnings (deficit) on endowment	<u>321,459</u>	<u>(10,405)</u>
Total endowment funds	<u>2,639,951</u>	<u>2,308,087</u>
<b>Total Net Assets With Donor Restrictions</b>	<b><u>\$ 3,101,847</u></b>	<b><u>\$ 2,313,087</u></b>

## A CONTEMPORARY THEATRE, INC. AND AFFILIATES

### Notes to the Consolidated Financial Statements For the Period From January 1, 2020 to June 30, 2021 and For the Year Ended December 31, 2019

---

#### Note 8 - Endowment Funds

The Theatre's endowments are donor-restricted to support the Theatre's operations. As required by U.S. GAAP, net assets associated with a donor restricted endowment is classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law** - The Theatre has reviewed the Washington State Prudent Management of Institutional Funds Act (PMIFA) and, having considered its rights and obligations thereunder, has determined that it is desirable to preserve, on a long-term basis, the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this determination, the Theatre classifies as net assets with donor restrictions (a) the original value of gifts donated to the donor restricted endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the donor restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with PMIFA, the Theatre 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 Theatre 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 Theatre; and
- The investment policies of the Theatre.

Changes to endowment net assets are as follows for the years ended December 31:

	<u>2021</u>	<u>2019</u>
Endowment net assets, beginning of year	\$ 2,308,087	\$ 2,035,544
Endowment investment return, net	480,509	370,888
Appropriation of endowment for expenditure	(148,000)	(97,700)
Other Foundation expenses	<u>(645)</u>	<u>(645)</u>
<b>Endowment Net Assets, End of Year</b>	<b><u>\$ 2,639,951</u></b>	<b><u>\$ 2,308,087</u></b>

**Funds With Deficiencies** - From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or PMIFA requires the Theatre to retain as a fund of perpetual duration. These deficiencies generally result from unfavorable market fluctuations and continued appropriation that was deemed prudent by the Board of Trustees. At June 30, 2021, there were no funds with deficits. At December 31, 2019, one endowment fund had a current fair value of \$2,026,689, an original gift value of \$2,068,492, leaving a deficit of \$41,803.

## A CONTEMPORARY THEATRE, INC. AND AFFILIATES

### Notes to the Consolidated Financial Statements For the Period From January 1, 2020 to June 30, 2021 and For the Year Ended December 31, 2019

---

#### Note 8 - Continued

**Return Objectives and Risk Parameters** - The Theatre has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the principal of the endowment assets. Endowment assets include those assets of donor restricted funds that the Theatre must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to preserve the principal. The Theatre expects its endowment funds, over time, to provide an average rate of return of approximately 3.0% over the rate of inflation annually. Actual returns in any given year may vary from this amount.

**Strategies Employed for Achieving Objectives** - The Theatre relies on a total return strategy in which investment returns are achieved through current yield (interest and dividends). The Theatre targets a safe asset allocation that places a greater emphasis on endowment preservation.

**Policy for Appropriating Endowment Assets for Expenditure** - Income of the endowment shall be distributed at least annually and used exclusively for charitable and educational purposes within the meaning of section 501(c)(3) of the Internal Revenue Code. Any principal funds which have not been restricted by the donors, testators or transferors, may be expended, pledged, or offered as security.

**Spending Policy and How the Investment Objectives Relate to Spending Policy** - The Theatre's spending policy is outlined in the Foundation's bylaws. Income distributable annually to the Theatre from the Foundation is defined as a percentage, within a range of three to five (3 - 5) percent, multiplied by the average value of the Foundation's investment portfolio for the twelve (12) calendar quarters preceding the date of distribution. The percentage used for distribution is approved annually by the Board of Directors.

#### Note 9 - Contingencies

**Employment Contracts** - The Theatre has employment contract with a key employee which extends through December 31, 2024. The agreement specifies the employee's annual compensation, benefits, and severance payments.

#### Note 10 - Liquidity and Availability of Financial Assets

The Organization's working capital and cash flows have seasonal variations during the year attributable primarily to the annual cash receipts for subscriptions and a concentration of contributions and single ticket revenue received near calendar year end. To manage liquidity the Organization maintains a line of credit of \$1.47 million with a bank that is drawn upon as needed during the year to manage cash flow. See Note 6 for further description of this line.

**A CONTEMPORARY THEATRE, INC. AND AFFILIATES**

**Notes to the Consolidated Financial Statements  
For the Period From January 1, 2020 to June 30, 2021 and  
For the Year Ended December 31, 2019**

---

**Note 10 - Continued**

The following reflects the Theatre's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions.

	<u>2021</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,783,910	\$ 1,587
Accounts receivable, to be collected in less than one year		27,646
Pledges receivable, net, to be collected in less than one year and endowment pledges	299,524	282,334
Investments	<u>2,677,175</u>	<u>2,344,666</u>
Total financial assets, excluding noncurrent receivables	4,760,609	2,656,233
Less financial assets unavailable for general expenditures-		
Endowment fund investments	(2,646,157)	(2,313,645)
Pledges restricted for restoration and renovation		(5,000)
Cash and pledges restricted for artist residency	(46,896)	
Actors Union Bond	<u>(31,023)</u>	<u>(31,023)</u>
Financial assets unavailable for general expenditures	<u>(2,724,076)</u>	<u>(2,349,668)</u>
<b>Total Financial Assets Available for General Expenditure Within One Year</b>	<b><u>\$ 2,036,533</u></b>	<b><u>\$ 306,565</u></b>

**Note 11 - Paycheck Protection Program Loan**

In response to COVID-19, the U.S. Congress passed the Coronavirus Aid, Relief, and Economic Securities Act (CARES Act). Included in the CARES Act was the Paycheck Protection Program (PPP) to provide loans to qualifying small businesses and not-for-profit organizations to cover certain eligible expenses. On April 9, 2020, the Theatre obtained a loan under the PPP with a principal balance of \$835,536 and an annual interest rate of 1%. Principal and interest are payable in monthly installments of \$47,009 beginning in July 2021 through maturity on March 31, 2025.

On March 18, 2021, the Theatre obtained a second loan under the PPP with a principal balance of \$867,383 and an annual interest rate of 1%. Principal and interest are payable in monthly installments of \$19,275 beginning in July 2022 through maturity on March 22, 2026. All or a portion of the PPP loans may be forgiven if certain terms and conditions of the program are met.

**A CONTEMPORARY THEATRE, INC. AND AFFILIATES**

**Notes to the Consolidated Financial Statements  
For the Period From January 1, 2020 to June 30, 2021 and  
For the Year Ended December 31, 2019**

---

**Note 11 - Continued**

Future minimum principal payments on the PPP loans are as follows:

For the Year Ending June 30,

2022	\$	222,810
2023		454,111
2024		454,111
2025		398,409
2026		173,476
Thereafter		
		<hr/>
	<b>\$</b>	<b><u>1,702,917</u></b>

All or a portion of the PPP loans may be forgiven if certain terms and conditions of the program are met. The Theatre's accounting policy for recognition of the revenue from forgiveness of the PPP loan is to recognize the revenue when the loan is forgiven by the lender. No revenue was recognized during the period from January 1, 2020, to June 30, 2021, or during the year ended December 31, 2019. For the 18 month period ended June 30, 2021, management has concluded that the Theatre has incurred the qualifying expenditures and will apply for forgiveness. Subsequent to year end management applied for forgiveness on the first PPP loan, which is pending approval by the SBA.

**SUPPLEMENTARY INFORMATION**

A CONTEMPORARY THEATRE, INC. AND AFFILIATES

Consolidating Statement of Financial Position  
June 30, 2021

	ACT	ETC	Foundation	Consolidated Total
<b>Assets</b>				
<b>Current Assets:</b>				
Cash and cash equivalents	\$ 1,783,729	\$ 181	\$ -	\$ 1,783,910
Current portion of pledges receivable, net	299,524			299,524
Prepaid expenses and deposits	12,628			12,628
<b>Total Current Assets</b>	<b>2,095,881</b>	<b>181</b>		<b>2,096,062</b>
Long-term pledges receivable, net	292,570			292,570
Investments	31,023		2,646,152	2,677,175
Property and equipment, net	744,287	10,080,935		10,825,222
Interorganization receivables (payables)	161,791	(155,590)	(6,201)	
<b>Total Assets</b>	<b>\$ 3,325,552</b>	<b>\$ 9,925,526</b>	<b>\$ 2,639,951</b>	<b>\$ 15,891,029</b>
<b>Liabilities and Net Assets</b>				
<b>Current Liabilities:</b>				
Accounts payable	\$ 112,920	\$ -	\$ -	\$ 112,920
Accrued expenses	127,062			127,062
Advance ticket sales	183,887			183,887
Current portion of Paycheck Protection Program loans	222,810			222,810
<b>Total Current Liabilities</b>	<b>646,679</b>			<b>646,679</b>
Paycheck Protection Program loans, net of current portion	1,480,107			1,480,107
Deferred revenue	355,160			355,160
<b>Total Liabilities</b>	<b>2,481,946</b>			<b>2,481,946</b>
<b>Net Assets:</b>				
Without donor restrictions	381,710	9,925,526		10,307,236
With donor restrictions	461,896		2,639,951	3,101,847
<b>Total Net Assets</b>	<b>843,606</b>	<b>9,925,526</b>	<b>2,639,951</b>	<b>13,409,083</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 3,325,552</b>	<b>\$ 9,925,526</b>	<b>\$ 2,639,951</b>	<b>\$ 15,891,029</b>

See independent auditor's report.

A CONTEMPORARY THEATRE, INC. AND AFFILIATES

Consolidating Statement of Financial Position  
December 31, 2019

	ACT	ETC	Foundation	Consolidated Total
<b>Assets</b>				
<b>Current Assets:</b>				
Cash and cash equivalents	\$ 1,406	\$ 181	\$ -	\$ 1,587
Accounts and interest receivable	27,646			27,646
Current portion of pledges receivable, net	282,334			282,334
Prepaid expenses and deposits	80,522	56		80,578
<b>Total Current Assets</b>	<b>391,908</b>	<b>237</b>		<b>392,145</b>
Investments	31,023		2,313,643	2,344,666
Property and equipment, net	800,902	10,835,336		11,636,238
Interorganization receivables (payables)	157,923	(152,367)	(5,556)	
<b>Total Assets</b>	<b>\$ 1,381,756</b>	<b>\$ 10,683,206</b>	<b>\$ 2,308,087</b>	<b>\$ 14,373,049</b>
<b>Liabilities and Net Assets</b>				
<b>Current Liabilities:</b>				
Accounts payable	\$ 288,772	\$ -	\$ -	\$ 288,772
Accrued expenses	256,559			256,559
Advance ticket sales	764,696			764,696
Line of credit	190,687			190,687
<b>Total Current Liabilities</b>	<b>1,500,714</b>			<b>1,500,714</b>
Deferred revenue	389,532			389,532
<b>Total Liabilities</b>	<b>1,890,246</b>			<b>1,890,246</b>
<b>Net Assets:</b>				
Without donor restrictions	(513,490)	10,683,206		10,169,716
With donor restrictions	5,000		2,308,087	2,313,087
<b>Total Net Assets</b>	<b>(508,490)</b>	<b>10,683,206</b>	<b>2,308,087</b>	<b>12,482,803</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 1,381,756</b>	<b>\$ 10,683,206</b>	<b>\$ 2,308,087</b>	<b>\$ 14,373,049</b>

See independent auditor's report.



**A CONTEMPORARY THEATRE, INC. AND AFFILIATES**

**Consolidating Statement of Activities and Changes in Net Assets  
For the Period From January 1, 2020 to June 30, 2021**

	ACT	ETC	Foundation	Eliminating Entries	Consolidated Total
<b>Activities Without Donor Restrictions</b>					
<b>Revenue and Support:</b>					
Subscriptions and single tickets	\$ 112,916	\$ -	\$ -	\$ -	\$ 112,916
Contribution revenue	4,704,346			(148,000)	4,556,346
Contributions and investment income released from restriction	163,104		148,645		311,749
Memberships	37,320				37,320
In-kind contributions	77,538				77,538
Other revenue	167,833				167,833
<b>Total Revenue and Support</b>	<b>5,263,057</b>		<b>148,645</b>	<b>(148,000)</b>	<b>5,263,702</b>
<b>Expenses:</b>					
Artistic and production	1,849,387		148,000	(148,000)	1,849,387
Audience development and services	756,482				756,482
Development	718,755				718,755
Administration	893,100	3,279	645		897,024
<b>Total Expenses</b>	<b>4,217,724</b>	<b>3,279</b>	<b>148,645</b>	<b>(148,000)</b>	<b>4,221,648</b>
<b>Change in Net Assets Without Donor Restrictions Before Depreciation</b>	<b>1,045,333</b>	<b>(3,279)</b>			<b>1,042,054</b>
Depreciation	150,133	754,401			904,534
<b>Change in Net Assets Without Donor Restrictions</b>	<b>895,200</b>	<b>(757,680)</b>			<b>137,520</b>
<b>Activities With Donor Restrictions</b>					
Contributions	620,000				620,000
Endowment investment return			480,509		480,509
Contributions and investment income released from restriction	(163,104)		(148,645)		(311,749)
<b>Change in Net Assets With Donor Restrictions</b>	<b>456,896</b>		<b>331,864</b>		<b>788,760</b>
<b>Total Change in Net Assets</b>	<b>1,352,096</b>	<b>(757,680)</b>	<b>331,864</b>		<b>926,280</b>
Net assets, beginning of year	(508,490)	10,683,206	2,308,087		12,482,803
<b>Net Assets, End of Year</b>	<b>\$ 843,606</b>	<b>\$ 9,925,526</b>	<b>\$ 2,639,951</b>	<b>\$ -</b>	<b>\$ 13,409,083</b>

See independent auditor's report.

A CONTEMPORARY THEATRE, INC. AND AFFILIATES

Consolidating Statement of Activities and Changes in Net Assets  
For the Year Ended December 31, 2019

	ACT	ETC	Foundation	Eliminating Entries	Consolidated Total
<b>Activities Without Donor Restrictions</b>					
<b>Revenue and Support:</b>					
Subscriptions and single tickets	\$ 2,611,647	\$ -	\$ -	\$ -	\$ 2,611,647
Contribution revenue	2,454,096			(97,700)	2,356,396
Contributions and investment income released from restriction	144,496		98,345		242,841
Memberships	208,712				208,712
In-kind contributions	73,397				73,397
Other revenue	732,064				732,064
<b>Total Revenue and Support</b>	<b>6,224,412</b>		<b>98,345</b>	<b>(97,700)</b>	<b>6,225,057</b>
<b>Expenses:</b>					
Artistic and production	3,585,972	2,212	97,700	(97,700)	3,588,184
Audience development and services	1,404,992				1,404,992
Development	563,584				563,584
Administration	727,162		645		727,807
<b>Total Expenses</b>	<b>6,281,710</b>	<b>2,212</b>	<b>98,345</b>	<b>(97,700)</b>	<b>6,284,567</b>
<b>Change in Net Assets Without Donor Restrictions Before Depreciation</b>	<b>(57,298)</b>	<b>(2,212)</b>			<b>(59,510)</b>
Depreciation	112,450	502,934			615,384
<b>Change in Net Assets Without Donor Restrictions</b>	<b>(169,748)</b>	<b>(505,146)</b>			<b>(674,894)</b>
<b>Activities With Donor Restrictions</b>					
Endowment investment return			370,888		370,888
Loss on uncollectible pledges	(134,436)				(134,436)
Contributions and investment income released from restriction	(144,496)		(98,345)		(242,841)
<b>Change in Net Assets With Donor Restrictions</b>	<b>(278,932)</b>		<b>272,543</b>		<b>(6,389)</b>
<b>Total Change in Net Assets</b>	<b>(448,680)</b>	<b>(505,146)</b>	<b>272,543</b>		<b>(681,283)</b>
Net assets, beginning of year	(59,810)	11,188,352	2,035,544		13,164,086
<b>Net Assets, End of Year</b>	<b>\$ (508,490)</b>	<b>\$ 10,683,206</b>	<b>\$ 2,308,087</b>	<b>\$ -</b>	<b>\$ 12,482,803</b>

See independent auditor's report.