

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

Consolidated Financial Statements

For the Year Ended June 30, 2022 and for the  
Period From January 1, 2020 to June 30, 2021

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## Independent Auditor's Report

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

### Opinion

We have audited the 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, 2022 and 2021, and the related consolidated statements of activities without donor restrictions, changes in net assets, functional expenses, and cash flows for the year ended June 30, 2022 and for the period from January 1, 2020 to June 30, 2021, and the related consolidated notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Theatre as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the year then ended June 30, 2022 and for the period from January 1, 2020 to June 30, 2021 in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (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 Theatre and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Theatre's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.



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)



## **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 Theatre'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 Theatre'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.



## 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 21 through 24 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  
November 30, 2022

A CONTEMPORARY THEATRE, INC. AND AFFILIATES

Consolidated Statements of Financial Position  
June 30, 2022 and June 30, 2021

	2022	2021
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 1,709,668	\$ 1,784,516
Accounts and interest receivable	445,940	
Current portion of pledges receivable, net	715,615	298,918
Prepaid expenses and deposits	47,700	12,628
<b>Total Current Assets</b>	<b>2,918,923</b>	<b>2,096,062</b>
Long-term pledges receivable, net	223,599	292,570
Investments	2,293,402	2,677,175
Property and equipment, net	10,368,415	10,825,222
<b>Total Assets</b>	<b>\$ 15,804,339</b>	<b>\$ 15,891,029</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 115,427	\$ 112,920
Accrued expenses	204,796	127,062
Advance ticket sales and gift certificates	210,193	183,887
Paycheck Protection Program loans current portion	231,302	222,810
<b>Total Current Liabilities</b>	<b>761,718</b>	<b>646,679</b>
Paycheck Protection Program loans, net of current portion	635,261	1,480,107
Deferred revenue	332,255	355,160
<b>Total Liabilities</b>	<b>1,729,234</b>	<b>2,481,946</b>
<b>Net Assets:</b>		
Without donor restrictions	11,439,550	10,307,236
With donor restrictions	2,635,555	3,101,847
<b>Total Net Assets</b>	<b>14,075,105</b>	<b>13,409,083</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 15,804,339</b>	<b>\$ 15,891,029</b>

See accompanying notes.

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

**Consolidated Statements of Activities Without Donor Restrictions  
For the Year June 30, 2022 and  
For the Period From January 1, 2020 to June 30, 2021**

	<u>2022</u>	<u>2021</u>
<b>Revenue and Support:</b>		
Subscriptions and single tickets	\$ 1,123,248	\$ 112,916
Contribution revenue	1,948,904	4,556,346
Contributions released from restriction	264,026	311,749
Memberships		37,320
Government grants	2,035,696	
Paycheck Protection Program loan forgiven	811,685	
In-kind contributions	500	77,538
Other revenue	535,937	167,833
	<u>6,719,996</u>	<u>5,263,702</u>
<b>Total Revenue and Support</b>	<b>6,719,996</b>	<b>5,263,702</b>
<b>Expenses:</b>		
Artistic and production	2,850,541	1,849,387
Audience development and services	1,052,998	756,482
Development	430,557	718,755
Administration	644,353	897,024
	<u>4,978,449</u>	<u>4,221,648</u>
<b>Total Expenses</b>	<b>4,978,449</b>	<b>4,221,648</b>
<b>Change in Net Assets Without Donor Restrictions Before Depreciation</b>	<b>1,741,547</b>	<b>1,042,054</b>
Depreciation	609,233	904,534
	<u>609,233</u>	<u>904,534</u>
<b>Change in Net Assets Without Donor Restrictions</b>	<b>\$ 1,132,314</b>	<b>\$ 137,520</b>

See accompanying notes.

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

**Consolidated Statements of Changes in Net Assets  
For the Year Ended June 30, 2022 and  
For the Period From January 1, 2020 to June 30, 2021**

	<u>2022</u>	<u>2021</u>
<b>Activities Without Donor Restrictions</b>		
Revenue and support	\$ 6,455,970	\$ 4,951,953
Contributions released from restriction	264,026	311,749
Expenses	<u>(5,587,682)</u>	<u>(5,126,182)</u>
<b>Change in Net Assets Without Donor Restrictions</b>	<b>1,132,314</b>	<b>137,520</b>
<b>Activities With Donor Restrictions</b>		
Contributions	103,525	620,000
Endowment investment return	(305,791)	480,509
Contributions released from restriction	<u>(264,026)</u>	<u>(311,749)</u>
<b>Change in Net Assets With Donor Restrictions</b>	<b><u>(466,292)</u></b>	<b><u>788,760</u></b>
<b>Total Change in Net Assets</b>	<b>666,022</b>	<b>926,280</b>
Net assets, beginning of year	<u>13,409,083</u>	<u>12,482,803</u>
<b>Net Assets, End of Year</b>	<b><u>\$ 14,075,105</u></b>	<b><u>\$ 13,409,083</u></b>

See accompanying notes.



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

**Consolidated Statement of Functional Expenses  
For the Year Ended June 30, 2022**

	<u>Production</u>	<u>Audience</u>	<u>Development</u>	<u>Administration</u>	<u>2022 Total</u>
Salaries and wages	\$ 1,476,827	\$ 416,412	\$ 276,125	\$ 280,544	\$ 2,449,908
Benefits	433,714	101,835	61,716	46,070	643,335
Fees, insurance, permits, taxes, miscellaneous	66,507	46,726	48,509	76,249	237,991
Facilities	326,421				326,421
Guest artists	206,843	1,150	11,083		219,076
Professional services	6,506	180,669	24,258	171,378	382,811
Equipment, computer repair and maintenance, software	46,719		506	58,960	106,185
Advertising		246,293			246,293
Supplies and materials	223,231	14,429	235	7,994	245,889
Printing and postage	1,058	45,484	8,125	3,127	57,794
Royalties and playwrights	62,715			31	62,746
Expenses before depreciation	<u>2,850,541</u>	<u>1,052,998</u>	<u>430,557</u>	<u>644,353</u>	<u>4,978,449</u>
Depreciation	<u>340,778</u>	<u>125,830</u>	<u>51,450</u>	<u>91,175</u>	<u>609,233</u>
<b>Total Functional Expenses</b>	<b><u><u>\$ 3,191,319</u></u></b>	<b><u><u>\$ 1,178,828</u></u></b>	<b><u><u>\$ 482,007</u></u></b>	<b><u><u>\$ 735,528</u></u></b>	<b><u><u>\$ 5,587,682</u></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 Statements of Cash Flows  
For the Year Ended June 30, 2022 and  
For the Period From January 1, 2020 to June 30, 2021**

	<u>2022</u>	<u>2021</u>
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ 666,022	\$ 926,280
Adjustments to reconcile change in net assets to net cash provided by operating activities-		
Depreciation	609,233	904,534
Realized and unrealized losses (gains) on investments	347,509	(433,315)
Contributions restricted for capital projects	(27,000)	(40,000)
Paycheck Protection Program loans forgiven	(812,341)	
Cash (used) provided by changes in operating assets and liabilities:		
Accounts and interest receivable	(445,940)	27,646
Pledges receivable	(347,726)	(324,154)
Prepaid expenses and deposits	(35,072)	67,950
Accounts payable	2,507	(175,852)
Accrued expenses	93,000	(129,497)
Advance ticket sales and gift certificates	26,306	(580,809)
Deferred revenue	(22,905)	(34,372)
<b>Net Cash Provided by Operating Activities</b>	<b>53,593</b>	<b>208,411</b>
<b>Cash Flows From Investing Activities:</b>		
Purchase of property and equipment	(152,426)	(93,518)
Proceeds from sale of investments	516,505	591,786
Purchase of investments	(480,241)	(490,980)
<b>Net Cash (Used in) Provided by Investing Activities</b>	<b>(116,162)</b>	<b>7,288</b>
<b>Cash Flows From Financing Activities:</b>		
Net line of credit activity		(190,687)
Proceeds from Paycheck Protection Program loans		1,702,917
Payments on Paycheck Protection Program loan	(39,279)	
Cash received from capital contributions	27,000	55,000
<b>Net Cash (Used in) Provided by Financing Activities</b>	<b>(12,279)</b>	<b>1,567,230</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>(74,848)</b>	<b>1,782,929</b>
Cash and cash equivalents, beginning of year	1,784,516	1,587
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 1,709,668</b>	<b>\$ 1,784,516</b>
<b>Supplementary Disclosure of Cash Flow Information:</b>		
Cash paid during the year for interest	\$ 929	\$ 25,446

See accompanying notes.

## A CONTEMPORARY THEATRE, INC. AND AFFILIATES

### Notes to the Consolidated Financial Statements For the Year Ended June 30, 2022 and For the Period From January 1, 2020 to June 30, 2021

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#### 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 fiscal year ended June 30, 2022 and 18-month period of January 1, 2020 through June 30, 2021.

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.

The full extent of the COVID-19 pandemic on audience attendance and donor support is still uncertain.

**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.

## A CONTEMPORARY THEATRE, INC. AND AFFILIATES

### Notes to the Consolidated Financial Statements For the Year Ended June 30, 2022 and For the Period From January 1, 2020 to June 30, 2021

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#### Note 1 - Continued

**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 theatre 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 ACT Pass 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. The memberships program has been discontinued during the year ended June 30, 2021.

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, 2022 or June 30, 2021. 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, 2022 and June 30, 2021.

**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.

## A CONTEMPORARY THEATRE, INC. AND AFFILIATES

### Notes to the Consolidated Financial Statements For the Year Ended June 30, 2022 and For the Period From January 1, 2020 to June 30, 2021

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#### Note 1 - Continued

**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, 2022 and June 30, 2021, 55% and 58%, 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 2023 and 2025.

At June 30, 2022 and June 30, 2021, 64% and 68% of the Theatre's pledges receivable were from two and one grantors, 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 year ended June 30, 2022 and the period from January 1, 2020 to June 30, 2021, donated services and materials equaled \$500 and \$77,538, respectively.

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 year ended June 30, 2022 and the 18 month period ended June 30, 2021 was \$246,293 and \$116,042, 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 percent of expenses basis. All other costs are directly charged to the function they benefit.

**Subsequent Events** - The Theatre evaluated subsequent events through November 30, 2022, which is the date the financial statements were available to be issued.

## A CONTEMPORARY THEATRE, INC. AND AFFILIATES

### Notes to the Consolidated Financial Statements For the Year Ended June 30, 2022 and For the Period From January 1, 2020 to June 30, 2021

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#### Note 2 - Pledges Receivable

Pledges receivable consisted of the following:

	<u>2022</u>	<u>2021</u>
Receivables due in less than one year	\$ 715,615	\$ 298,918
Receivables due in two to five years	<u>233,220</u>	<u>310,000</u>
	948,835	608,918
Less present value discount of 3%	<u>(9,621)</u>	<u>(17,430)</u>
<b>Total Pledges Receivable, Net</b>	<b><u>\$ 939,214</u></b>	<b><u>\$ 591,488</u></b>

#### 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).

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.

A CONTEMPORARY THEATRE, INC. AND AFFILIATES

Notes to the Consolidated Financial Statements  
For the Year Ended June 30, 2022 and  
For the Period From January 1, 2020 to June 30, 2021

Note 3 - Continued

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

	Fair Value Measurements as of June 30, 2022		
	Level 1	Level 2	Total
Stocks	\$ 843,089	\$ -	\$ 843,089
Exchange traded funds	411,308		411,308
REITs	41,602		41,602
Bonds		829,401	829,401
<b>Total Investments at Fair Value</b>	<b>\$ 1,295,999</b>	<b>\$ 829,401</b>	2,125,400
Investments valued at cost-			
Certificate of deposit held at bank			53,016
Money market funds			114,986
<b>Total Investments</b>			<b>\$ 2,293,402</b>

	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>

Investment return was as follows:

	2022	2021
Interest and dividends	\$ 51,478	\$ 71,763
Realized and unrealized (losses) gains	(338,637)	433,270
Fees	(18,632)	(24,524)
	<b>\$ (305,791)</b>	<b>\$ 480,509</b>



## A CONTEMPORARY THEATRE, INC. AND AFFILIATES

### Notes to the Consolidated Financial Statements For the Year Ended June 30, 2022 and For the Period From January 1, 2020 to June 30, 2021

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#### Note 4 - Property and Equipment

Property and equipment consisted of the following:

	<u>2022</u>	<u>2021</u>
Building and improvements	\$ 13,381,379	\$ 13,245,681
Land	2,411,188	2,411,188
Theatre equipment	1,434,793	1,426,789
Theatre furnishings and lights	179,795	179,795
Office and other equipment	769,752	761,027
Box office and development software	392,360	392,360
Nondepreciable piano	35,000	35,000
Automobile	<u>10,000</u>	<u>10,000</u>
	18,614,267	18,461,840
Less accumulated depreciation	<u>(8,245,852)</u>	<u>(7,636,618)</u>
<b>Total Property and Equipment, Net</b>	<b><u>\$ 10,368,415</u></b>	<b><u>\$ 10,825,222</u></b>

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, 2022 and June 30, 2021, respectively) and the line of credit matures April 30, 2023. There was no balance outstanding at June 30, 2022 and June 30, 2021.

Total interest expense for the year ended June 30, 2022 and 2021 was \$0 and \$25,446, respectively.

## A CONTEMPORARY THEATRE, INC. AND AFFILIATES

### Notes to the Consolidated Financial Statements For the Year Ended June 30, 2022 and For the Period From January 1, 2020 to June 30, 2021

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

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

	<u>2022</u>	<u>2021</u>
Subject to the passage of time or expenditure for specified purpose-		
Restoration and renovation	\$ 36,897	\$ -
Time	360,000	415,000
Purpose	<u>6,628</u>	<u>46,896</u>
Total subject to the passage of time or expenditure for specified purpose	403,525	461,896
Endowment funds-		
Original gifts and required retained earnings (corpus)	2,318,492	2,318,492
Accumulated (deficit) earnings on endowment	<u>(86,462)</u>	<u>321,459</u>
Total endowment funds	<u>2,232,030</u>	<u>2,639,951</u>
<b>Total Net Assets With Donor Restrictions</b>	<b><u>\$ 2,635,555</u></b>	<b><u>\$ 3,101,847</u></b>

#### Note 8 - Endowment Funds

The Theatre's endowment is 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.

## A CONTEMPORARY THEATRE, INC. AND AFFILIATES

### Notes to the Consolidated Financial Statements For the Year Ended June 30, 2022 and For the Period From January 1, 2020 to June 30, 2021

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#### Note 8 - Continued

Changes to endowment net assets are as follows for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Endowment net assets, beginning of year	\$ 2,639,951	\$ 2,308,087
Endowment investment return, net	(305,791)	480,509
Appropriation of endowment for expenditure	(100,000)	(148,000)
Other Foundation expenses	<u>(2,130)</u>	<u>(645)</u>
<b>Endowment Net Assets, End of Year</b>	<b><u>\$ 2,232,030</u></b>	<b><u>\$ 2,639,951</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, 2022 deficiencies of this nature existed, which included an original gift value of \$2,318,492, current fair value of \$2,232,030 and a deficit of \$86,462. There was no deficiency at June 30, 2021.

**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.

## A CONTEMPORARY THEATRE, INC. AND AFFILIATES

### Notes to the Consolidated Financial Statements For the Year Ended June 30, 2022 and For the Period From January 1, 2020 to June 30, 2021

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#### 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 - Collective Bargaining Agreements

The Theatre has several multi-year collective bargaining agreements with specific union locals that cover the work of their stage crews, costume shop and wardrobe, scenic painters, musicians and ushers. They also participate in three national labor agreements covering the work of their actors and stage managers, directors, and designers. All of these agreements include specific stipulations covering working conditions, wage rates and benefit percentages including health and welfare and pension. These agreements have various ending dates through June 2023 and 2025 and have addressed variances related to COVID-19 in specific memorandums of understanding. These relationships are core to the Theatre's ability to produce theatre, and management works closely with union representatives throughout the contract periods to facilitate timely renewal of all contracts.

#### Note 11 - Liquidity and Availability of Financial Assets

The Theatre'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 Theatre 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.

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>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,709,668	\$ 1,784,516
Accounts and interest receivable, to be collected in less than one year	445,940	
Pledges receivable, net, to be collected in less than one year and endowment pledges	715,615	298,918
Investments	<u>2,293,402</u>	<u>2,677,175</u>
Total financial assets, excluding noncurrent receivables	5,164,625	4,760,609
Less financial assets unavailable for general expenditures-		
Endowment fund investments	(2,240,389)	(2,646,157)
Pledges with donor purpose restrictions to be collected in less than one year	(35,307)	(46,896)
Actors Union Bond	<u>(53,016)</u>	<u>(31,023)</u>
Financial assets unavailable for general expenditures	<u>(2,328,712)</u>	<u>(2,724,076)</u>
<b>Total Financial Assets Available for General Expenditure Within One Year</b>	<b><u>\$ 2,835,913</u></b>	<b><u>\$ 2,036,533</u></b>

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

**Notes to the Consolidated Financial Statements  
For the Year Ended June 30, 2022 and  
For the Period From January 1, 2020 to June 30, 2021**

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**Note 12 - Federal COVID-Relief Funding**

The following reflects the federal COVID-19 relief funding presented in the consolidated statements of activities for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Paycheck Protection Program loan forgiveness	\$ 812,341	\$ -
Shuttered Venue Operators Grant	1,530,505	
Employee Retention Tax Credits	<u>365,935</u>	
<b>Total Federal COVID-Relief Funding</b>	<b><u>\$ 2,708,781</u></b>	<b><u>\$ -</u></b>

**Paycheck Protection Program** - 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 2022 through maturity on March 31, 2025. During the year ended June 30, 2022, \$812,341 of principal and interest was forgiven with the remaining loan balance of \$39,279 repaid by the Theatre.

On March 18, 2022, 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. Subsequent to year end on October 6, 2022, \$695,144 of principal and interest was forgiven with the remaining loan balance of \$185,225 repaid by the Theatre.

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.

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

For the Year Ending June 30,

2023	\$ 231,302
2024	231,302
2025	231,302
2026	<u>172,657</u>
	<b><u>\$ 866,563</u></b>

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

**Notes to the Consolidated Financial Statements  
For the Year Ended June 30, 2022 and  
For the Period From January 1, 2020 to June 30, 2021**

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**Note 12 - Continued**

**Shuttered Venue Operators Grant** - On July 8, 2021, the Theatre was awarded a Shuttered Venue Operators Grant (SVOG) of \$731,209 and on September 24, 2021, the Theatre was awarded a SVOG supplemental grant of \$799,296. Both grants were recognized as revenue during the year ended June 30, 2022. The SVOG program was established by the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act, and amended by the American Rescue Plan Act, and provides COVID-19 relief funding for operators of venues impacted by the pandemic. This grant program is administered by the Small Business Administration and will require compliance auditing in accordance with federal guidelines for the year ended June 30, 2022.

**Employee Retention Tax Credit (ERTC)** - In response to the COVID-19 pandemic, the U.S. Congress passed the CARES Act. Included in the CARES Act was the ERTC to encourage businesses and not-for-profit organizations impacted by COVID-19 to keep employees on their payroll. The ERTC is a refundable tax credit computed based on wages paid by the Theatre. The Theatre's accounting policy for the ERTC is to record revenue when the tax returns indicating refundable tax credits are filed. Total ERTC revenue recognized during the year ended June 30, 2022, was \$365,935.

**SUPPLEMENTARY INFORMATION**

A CONTEMPORARY THEATRE, INC. AND AFFILIATES

Consolidating Statement of Financial Position  
June 30, 2022

	ACT	ETC	Foundation	Consolidated Total
<b>Assets</b>				
<b>Current Assets:</b>				
Cash and cash equivalents	\$ 1,709,487	\$ 181	\$ -	\$ 1,709,668
Accounts and interest receivable	445,940			445,940
Current portion of pledges receivable, net	715,615			715,615
Prepaid expenses and deposits	47,700			47,700
<b>Total Current Assets</b>	<b>2,918,742</b>	<b>181</b>		<b>2,918,923</b>
Long-term pledges receivable, net	223,599			223,599
Investments	53,016		2,240,386	2,293,402
Property and equipment, net	790,414	9,578,001		10,368,415
Interorganization receivables (payables)	166,452	(158,096)	(8,356)	
<b>Total Assets</b>	<b>\$ 4,152,223</b>	<b>\$ 9,420,086</b>	<b>\$ 2,232,030</b>	<b>\$ 15,804,339</b>
<b>Liabilities and Net Assets</b>				
<b>Current Liabilities:</b>				
Accounts payable	\$ 115,427	\$ -	\$ -	\$ 115,427
Accrued expenses	204,796			204,796
Advance ticket sales	210,193			210,193
Paycheck Protection Program loans current portion	231,302			231,302
<b>Total Current Liabilities</b>	<b>761,718</b>			<b>761,718</b>
Paycheck Protection Program loans, net of current portion	635,261			635,261
Deferred revenue	332,255			332,255
<b>Total Liabilities</b>	<b>1,729,234</b>			<b>1,729,234</b>
<b>Net Assets:</b>				
Without donor restrictions	2,019,464	9,420,086		11,439,550
With donor restrictions	403,525		2,232,030	2,635,555
<b>Total Net Assets</b>	<b>2,422,989</b>	<b>9,420,086</b>	<b>2,232,030</b>	<b>14,075,105</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 4,152,223</b>	<b>\$ 9,420,086</b>	<b>\$ 2,232,030</b>	<b>\$ 15,804,339</b>

See independent auditor's report.



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	\$ 1,784,335	\$ 181	\$ -	\$ 1,784,516
Current portion of pledges receivable, net	298,918			298,918
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 Activities and Changes in Net Assets  
For the Year Ended June 30, 2022

	ACT	ETC	Foundation	Eliminating Entries	Consolidated Total
<b>Activities Without Donor Restrictions</b>					
<b>Revenue and Support:</b>					
Subscriptions and single tickets	\$ 1,123,248	\$ -	\$ -	\$ -	\$ 1,123,248
Contribution revenue	2,048,904			(100,000)	1,948,904
Contributions released from restriction	161,896		102,130		264,026
Government grants	2,035,696				2,035,696
Paycheck Protection Program loan forgiven	811,685				811,685
In-kind contributions	500				500
Other revenue	535,937				535,937
<b>Total Revenue and Support</b>	<b>6,717,866</b>		<b>102,130</b>	<b>(100,000)</b>	<b>6,719,996</b>
<b>Expenses:</b>					
Artistic and production	2,850,541		100,000	(100,000)	2,850,541
Audience development and services	1,052,998				1,052,998
Development	430,557				430,557
Administration	639,717	2,506	2,130		644,353
<b>Total Expenses</b>	<b>4,973,813</b>	<b>2,506</b>	<b>102,130</b>	<b>(100,000)</b>	<b>4,978,449</b>
<b>Change in Net Assets Without Donor Restrictions Before Depreciation</b>	<b>1,744,053</b>	<b>(2,506)</b>			<b>1,741,547</b>
Depreciation	106,299	502,934			609,233
<b>Change in Net Assets Without Donor Restrictions</b>	<b>1,637,754</b>	<b>(505,440)</b>			<b>1,132,314</b>
<b>Activities With Donor Restrictions</b>					
Contributions	103,525				103,525
Endowment investment return			(305,791)		(305,791)
Contributions released from restriction	(161,896)		(102,130)		(264,026)
<b>Change in Net Assets With Donor Restrictions</b>	<b>(58,371)</b>		<b>(407,921)</b>		<b>(466,292)</b>
<b>Total Change in Net Assets</b>	<b>1,579,383</b>	<b>(505,440)</b>	<b>(407,921)</b>		<b>666,022</b>
Net assets, beginning of year	843,606	9,925,526	2,639,951		13,409,083
<b>Net Assets, End of Year</b>	<b>\$ 2,422,989</b>	<b>\$ 9,420,086</b>	<b>\$ 2,232,030</b>	<b>\$ -</b>	<b>\$ 14,075,105</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 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 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.