



San Diego Repertory Theatre

FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019



Leaf & Cole, LLP
Certified Public Accountants

SAN DIEGO REPERTORY THEATRE, INC.
FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
Statements of Financial Position	3
Statements of Activities	4 - 5
Statements of Functional Expenses	6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 19
Supplementary Information: Schedules of Certain Operations	20



Leaf & Cole, LLP
Certified Public Accountants
A Partnership of Professional Corporations

Independent Auditor's Report

To the Board of Directors
San Diego Repertory Theatre, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of San Diego Repertory Theatre, Inc., which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 audit 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of San Diego Repertory Theatre, Inc. as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on page 20 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.

Leaf & Cole LLP

San Diego, California
October 20, 2020

SAN DIEGO REPERTORY THEATRE, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

ASSETS		
	<u>2020</u>	<u>2019</u>
<u>Current Assets:</u> (Notes 2 and 5)		
Cash and cash equivalents	\$ 550,947	\$ 191,095
Accounts receivable, net	-	38,419
Contributions receivable, net	435,248	251,128
Prepaid expenses	397,220	296,470
Deposits	13,851	15,931
Total Current Assets	<u>1,397,266</u>	<u>793,043</u>
<u>Noncurrent Assets:</u> (Notes 2, 4, 5, 6 and 7)		
Contributions receivable, net	153,157	332,884
Property and equipment, net	67,825	101,086
Beneficial interest in endowment funds	15,589	15,615
Total Noncurrent Assets	<u>236,571</u>	<u>449,585</u>
TOTAL ASSETS	<u>\$ 1,633,837</u>	<u>\$ 1,242,628</u>
LIABILITIES AND NET ASSETS		
<u>Current Liabilities:</u> (Notes 2, 8 and 12)		
Accounts payable	\$ 130,722	\$ 167,644
Accrued expenses	88,046	93,582
Deferred revenue	903,318	667,024
Current portion of loans payable	425,000	162,784
Total Current Liabilities	<u>1,547,086</u>	<u>1,091,034</u>
<u>Noncurrent Liabilities:</u> (Notes 2 and 8)		
Loans payable, net of current portion	<u>1,881,571</u>	<u>2,062,921</u>
Total Noncurrent Liabilities	<u>1,881,571</u>	<u>2,062,921</u>
Total Liabilities	<u>3,428,657</u>	<u>3,153,955</u>
<u>Commitments and Contingencies</u> (Note 12)		
<u>Net Assets (Deficit):</u> (Notes 2, 9, 10 and 11)		
Without Donor Restrictions:		
Undesignated	(2,820,302)	(2,830,507)
Board designated funds	474,069	-
Total Without Donor Restrictions	<u>(2,346,233)</u>	<u>(2,830,507)</u>
With Donor Restrictions:		
Purpose and time restrictions	535,824	903,565
Perpetual in nature	15,589	15,615
Total With Donor Restrictions	<u>551,413</u>	<u>919,180</u>
Total Net Assets (Deficit)	<u>(1,794,820)</u>	<u>(1,911,327)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,633,837</u>	<u>\$ 1,242,628</u>

The accompanying notes are an integral part of the financial statements.

SAN DIEGO REPERTORY THEATRE, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues From Operations:						
Admissions	\$ 1,468,915	\$ -	\$ 1,468,915	\$ 1,482,589	\$ -	\$ 1,482,589
Enhancement/Co-production income	248,086	-	248,086	-	-	-
Management fees	180,000	-	180,000	180,000	-	180,000
Theatre management income	79,430	-	79,430	246,085	-	246,085
Concessions, net of costs	77,273	-	77,273	9,671	-	9,671
Ticket handling fees	74,785	-	74,785	108,178	-	108,178
Miscellaneous	1,095	-	1,095	1,793	-	1,793
Investment (loss) income	-	(26)	(26)	-	355	355
Total Revenues From Operations	<u>2,129,584</u>	<u>(26)</u>	<u>2,129,558</u>	<u>2,028,316</u>	<u>355</u>	<u>2,028,671</u>
Expenses of Operations:						
Production, artistic, and education	3,189,214	-	3,189,214	3,060,717	-	3,060,717
Marketing and subscription	801,516	-	801,516	833,681	-	833,681
General and administrative	586,702	-	586,702	544,955	-	544,955
Total Expenses of Operations	<u>4,577,432</u>	<u>-</u>	<u>4,577,432</u>	<u>4,439,353</u>	<u>-</u>	<u>4,439,353</u>
(Deficiency) From Operations	<u>(2,447,848)</u>	<u>(26)</u>	<u>(2,447,874)</u>	<u>(2,411,037)</u>	<u>355</u>	<u>(2,410,682)</u>
Support:						
Contributions	2,303,123	57,398	2,360,521	1,969,778	574,425	2,544,203
Government grants	430,983	-	430,983	208,171	-	208,171
In-kind contributions	139,511	-	139,511	132,707	-	132,707
Net assets released from restrictions	425,139	(425,139)	-	358,030	(358,030)	-
Total Support	<u>3,298,756</u>	<u>(367,741)</u>	<u>2,931,015</u>	<u>2,668,686</u>	<u>216,395</u>	<u>2,885,081</u>

(Continued)

The accompanying notes are an integral part of the financial statements.

**SAN DIEGO REPERTORY THEATRE, INC.
STATEMENTS OF ACTIVITIES (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Expenses of Support:						
Fundraising	\$ 366,634	\$ -	\$ 366,634	\$ 368,637	\$ -	\$ 368,637
Total Expenses of Support	<u>366,634</u>	<u>-</u>	<u>366,634</u>	<u>368,637</u>	<u>-</u>	<u>368,637</u>
Increase From Support	<u>2,932,122</u>	<u>(367,741)</u>	<u>2,564,381</u>	<u>2,300,049</u>	<u>216,395</u>	<u>2,516,444</u>
Change in Net Assets	484,274	(367,767)	116,507	(110,988)	216,750	105,762
Net Assets (Deficit) at Beginning of Year	<u>(2,830,507)</u>	<u>919,180</u>	<u>(1,911,327)</u>	<u>(2,719,519)</u>	<u>702,430</u>	<u>(2,017,089)</u>
NET ASSETS (DEFICIT) AT END OF YEAR	<u>\$ (2,346,233)</u>	<u>\$ 551,413</u>	<u>\$ (1,794,820)</u>	<u>\$ (2,830,507)</u>	<u>\$ 919,180</u>	<u>\$ (1,911,327)</u>

The accompanying notes are an integral part of the financial statements.

SAN DIEGO REPERTORY THEATRE, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020					2019				
	Production, Artistic and Education	Marketing and Subscription	General and Administrative	Fundraising	Total Expenses	Production, Artistic and Education	Marketing and Subscription	General and Administrative	Fundraising	Total Expenses
Salaries and Related Expenses:										
Salaries and wages	\$ 1,548,629	\$ 282,624	\$ 117,530	\$ 195,828	\$ 2,144,611	\$ 1,464,405	\$ 237,071	\$ 78,722	\$ 221,046	\$ 2,001,244
Other employee benefits	86,898	8,105	12,629	8,762	116,394	102,780	12,329	4,094	11,496	130,699
Payroll taxes	154,562	18,844	10,118	18,648	202,172	146,534	16,336	6,097	18,547	187,514
Pension	61,279	-	-	-	61,279	53,820	-	-	-	53,820
Total Salaries and Related Expenses	<u>1,851,368</u>	<u>309,573</u>	<u>140,277</u>	<u>223,238</u>	<u>2,524,456</u>	<u>1,767,539</u>	<u>265,736</u>	<u>88,913</u>	<u>251,089</u>	<u>2,373,277</u>
Operating Expenses:										
Advertising and promotion	-	193,626	-	250	193,876	-	267,624	-	-	267,624
Bad debts	-	-	(8,500)	-	(8,500)	-	-	39,887	-	39,887
Bank fees	13,078	5,473	44,613	-	63,164	27,039	306	32,898	-	60,243
Computer, website and internet	35,201	25,924	1,852	1,054	64,031	75,014	11,546	-	-	86,560
Conferences	383	100	13,225	2,755	16,463	75	-	6,544	2,741	9,360
Contract labor	173,969	58,816	54,083	57,664	344,532	122,140	66,913	48,574	62,141	299,768
Depreciation	15,024	-	18,237	-	33,261	15,173	-	15,597	-	30,770
Donor and audience	3,793	21,049	-	45,039	69,881	-	28,402	-	16,179	44,581
Equipment lease and maintenance	3,138	240	72,161	-	75,539	2,424	-	57,191	-	59,615
In-kind	8,430	-	131,081	-	139,511	5,000	-	127,708	-	132,708
Insurance	-	-	20,987	-	20,987	-	-	30,502	-	30,502
Interest	-	-	28,708	-	28,708	-	-	34,622	-	34,622
Membership	1,236	6,772	10,734	1,501	20,243	-	12,971	12,900	1,239	27,110
Miscellaneous	3,845	15,125	16,185	7,887	43,042	1,098	4,614	8,606	2,976	17,294
Occupancy	350,287	-	-	-	350,287	348,576	-	-	-	348,576
Postage and shipping	25	66,675	2,989	5,978	75,667	70	57,687	2,966	10,445	71,168
Printing and publication	-	96,332	1,684	18,146	116,162	121	95,958	4,915	19,540	120,534
Production costs	564,682	-	-	-	564,682	550,101	-	-	-	550,101
Professional fees	-	-	28,517	-	28,517	-	-	27,081	-	27,081
Programs	29,881	-	-	-	29,881	-	21,705	-	-	21,705
Supplies	23,806	268	5,923	469	30,466	17,126	-	5,969	612	23,707
Telephone	6,504	-	628	-	7,132	5,601	-	-	-	5,601
Travel, meals and entertainment	104,564	1,543	3,318	2,653	112,078	123,620	219	82	1,675	125,596
Total Operating Expenses	<u>1,337,846</u>	<u>491,943</u>	<u>446,425</u>	<u>143,396</u>	<u>2,419,610</u>	<u>1,293,178</u>	<u>567,945</u>	<u>456,042</u>	<u>117,548</u>	<u>2,434,713</u>
Total Expenses	<u>\$ 3,189,214</u>	<u>\$ 801,516</u>	<u>\$ 586,702</u>	<u>\$ 366,634</u>	<u>\$ 4,944,066</u>	<u>\$ 3,060,717</u>	<u>\$ 833,681</u>	<u>\$ 544,955</u>	<u>\$ 368,637</u>	<u>\$ 4,807,990</u>

The accompanying notes are an integral part of the financial statements.

SAN DIEGO REPERTORY THEATRE, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<u>Cash Flows From Operating Activities:</u>		
Change in net assets	\$ 116,507	\$ 105,762
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	33,261	30,770
Endowment investment loss (income)	26	(355)
(Increase) Decrease in:		
Accounts receivable, net	38,419	24,113
Contributions receivable, net	(4,393)	(5,673)
Prepaid expenses	(100,750)	(87,984)
Deposits	2,080	(5,620)
Increase (Decrease) in:		
Accounts payable	(36,922)	(291,609)
Accrued expenses	(5,536)	37,227
Deferred revenue	236,294	235,011
Net Cash Provided by Operating Activities	<u>278,986</u>	<u>41,642</u>
<u>Cash Flows From Investing Activities:</u>		
Purchase of property and equipment	-	(13,037)
Change in beneficial interest in endowment funds	26	(355)
Net Cash Provided by (Used in) Investing Activities	<u>26</u>	<u>(13,392)</u>
<u>Cash Flows From Financing Activities:</u>		
Borrowings on loans payable, net	80,866	140,914
Endowment investment (loss) income	(26)	355
Net Cash Provided by Financing Activities	<u>80,840</u>	<u>141,269</u>
Net Increase in Cash and Cash Equivalents	359,852	169,519
Cash and Cash Equivalents at Beginning of Year	<u>191,095</u>	<u>21,576</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 550,947</u>	<u>\$ 191,095</u>
<u>Supplemental Disclosure of Cash Flow Information:</u>		
Cash paid for interest	<u>\$ 29,353</u>	<u>\$ 34,622</u>

The accompanying notes are an integral part of the financial statements.

SAN DIEGO REPERTORY THEATRE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 1 - Organization:

Founded in 1976, San Diego Repertory Theatre, Inc. (the “Theatre”) produces intimate, provocative, inclusive theatre. We promote an interconnected community through vivid works that nourish progressive political and social values, and celebrate the multiple voices of our region. The Theatre feeds the curious soul. To achieve our mission, we commission and produce bold new works by writers and composers of unique vision that speaks of and to the communities surrounding our unique border city. As the “Cultural Town Hall” of San Diego, we are a multicultural and multidisciplinary performing and visual arts center. Making theatre for and with our neighbors is an act of citizenship that promotes a more tolerant, wiser, progressive, and inclusive community.

Our activities include: (1) A six-play subscription season of world premieres, re-imagined classics, and contemporary pieces; (2) Residencies and commissions from a myriad of disciplines, cultures, and countries, leading to the creation of new works; (3) Three multi-cultural festivals: Kuumba Fest, an artistic collaboration of African American culture and history; Lipinsky Family San Diego Jewish Arts Festival, featuring plays, concerts, and exhibitions by Jewish artists from around the world; and San Diego REP Latinx New Play Festival, celebrating and premiering new Latinx plays and playwrights, (4) The Calafia Initiative, a bi-national, cross-disciplinary effort to create new regionally voiced works about the past, present, and future of the Californias, rooted in artistic and community partnerships; (5) Manager of the Lyceum theatre complex, where we co-produce and support events of local artistic organizations; (6) Arts Education Initiative includes internships, fellowships, engagement events, and Project Discovery student matinees for 7th - 12th grade students; (7) xChange xPerience, a unique partnership with performing arts high school students which embeds the students in a season production with professional actors, musicians, designers, directors, and choreographers; (8) Mutually beneficial partnerships with diverse community organizations which foster audience development.

Note 2 - Significant Accounting Policies:

Accounting Method

The financial statements of the Theatre have been prepared on the accrual basis of accounting, which is in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and, accordingly, reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation

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

- Net Assets Without Donor Restrictions - Net assets available for use in general operations, and not subject to donor (or certain grantor) restrictions.
- Net Assets With Donor Restrictions - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

SAN DIEGO REPERTORY THEATRE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 2 - Significant Accounting Policies: (Continued)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Fair Value Measurements

Fair value accounting standards define fair value, establish a framework for measuring fair value, outline a fair value hierarchy based on inputs used to measure fair value, and enhance disclosure requirements for fair value measurements. The fair value hierarchy distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Level 1 or 2 of the hierarchy), and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

- Level 1 inputs are quoted prices in active markets for identical investments that the investment manager has the ability to access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices, included within Level 1 that are observable for the investment, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the investment.

The Theatre's statements of financial position include the following financial instrument that is required to be measured at fair value on a recurring basis:

- Beneficial interest in endowment funds held at San Diego Foundation is considered a Level 3 asset, and is reported at the fair value of the underlying assets as reported by San Diego Foundation (Note 7).

Allowance for Doubtful Accounts

Bad debts are recognized on the allowance method based on historical experience and management's evaluation of outstanding receivables. The allowance for doubtful accounts receivable totaled \$23,668 at June 30, 2020 and 2019. The allowance for doubtful contributions receivable totaled \$-0- and \$8,500 at June 30, 2020 and 2019, respectively.

SAN DIEGO REPERTORY THEATRE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 2 - Significant Accounting Policies: (Continued)

Capitalization and Depreciation

The Theatre capitalizes all expenditures in excess of \$1,000 for property and equipment at cost, while donations of property and equipment are recorded at their estimated fair values. Such donations are reported as support without donor restrictions, unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment, are reported as support with donor restrictions. Absent donor stipulations regarding how those donated assets must be maintained, the Theatre reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Theatre reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Property and equipment are depreciated using the straight-line method over the estimated useful asset lives as follows:

Leasehold improvements	10 years
Office furniture and equipment	3 - 7 years
Theatre furniture and equipment	5 years

Depreciation totaled \$33,261 and \$30,770 for the years ended June 30, 2020 and 2019, respectively.

Maintenance and repairs are charged to operations as incurred. Upon sale or disposition of property and equipment, the asset account is reduced by the cost, and the accumulated depreciation account is reduced by the depreciation taken prior to the sale. Any resultant gain or loss is then recorded as income or expense.

The cost of constructed sets, costumes, and other properties are expensed in the period of the related production. Once a production is completed, the intention of the Theatre is to use items in future productions or rent them to other theatres; however, there is no certainty of future recovery of such costs.

Payroll and Compensated Absences

Salaries and wages are accrued in the period that they are earned. Accrued salaries and wages totaled \$42,753 and \$40,263 at June 30, 2020 and 2019, respectively. Vacation benefits are accrued in the period that they are earned. Accrued vacation totaled \$45,144 and \$37,818 at June 30, 2020 and 2019, respectively. These liabilities are included in accrued expenses.

SAN DIEGO REPERTORY THEATRE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 2 - Significant Accounting Policies: (Continued)

Revenue and Expense Recognition

Admission revenue from ticket sales and expenses directly associated with future performances are deferred until the fiscal year in which the performances occur. Prepaid program expenses totaled \$302,526 and \$274,306 at June 30, 2020 and 2019, respectively, and are included in prepaid expenses. Deferred revenue from advance ticket sales totaled \$622,851 and \$667,024 at June 30, 2020 and 2019, respectively.

Revenue from operations consisting of theatre management income, management fees, ticket handling fees, concessions and enhancement/co-production income are recognized as revenue when the point of sale transaction occurs or as the revenue is earned in accordance with the contract.

Contributions are recognized when the donor makes a promise to give to the Theatre that is in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions to be received in future periods are discounted at an appropriate discount rate. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Donated Services and Support

The Theatre utilizes the services of many volunteers throughout the year. This contribution of services by the volunteers is not recognized in the financial statements unless the services received (a) create or enhance nonfinancial assets, or (b) require specialized skills which are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Donated services totaling \$139,511 and \$132,707 for the years ended June 30, 2020 and 2019, respectively, are included in in-kind contributions in the statements of activities.

Functional Allocation of Expenses

The statements of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas. A portion of expenses that benefit multiple functional areas have been allocated between programs and supporting services, based on a cost allocation plan that allocates costs based on time records, space utilized, and estimates made by the Theatre's management.

SAN DIEGO REPERTORY THEATRE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 2 - Significant Accounting Policies: (Continued)

Income Taxes

The Theatre is a nonprofit organization, and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. The Theatre believes that it has appropriate support for any tax positions taken, and, as such, does not have any uncertain tax positions that are material to the financial statements. The Theatre is not a private foundation.

The Theatre's Return of Organization Exempt from Income Tax for the years ended June 30, 2020, 2019, 2018, and 2017 are subject to examination by the Internal Revenue Service and State taxing authorities, generally three to four years after the returns are filed.

Concentrations

Credit Risk

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

Support

The Managing Director has donated his services with a fair value totaling \$131,081 and \$127,707 for the years ended June 30, 2020 and 2019, respectively. In addition, the Managing Director forgave \$181,000 of the outstanding loan (Note 8) during the year ended June 30, 2020, which has been recorded as contribution revenue.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Theatre considers all highly liquid investment instruments purchased with a maturity of three months or less to be cash equivalents.

Accounting Pronouncements Adopted

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). ASU 2014-09 outlines a single, comprehensive model for companies to use in accounting for revenue arising from contracts with customers. The core principle of the revenue model is that revenue is recognized when a customer obtains control of a good or service. The change in accounting principle was adopted on the retrospective basis, which resulted in no change to revenue previously reported and also had no effect on the revenue reported for the year ended June 30, 2020.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows*. ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The adoption of ASU 2016-18 for the year ended June 30, 2020 had no effect on the cash and cash equivalents for June 30, 2019.

SAN DIEGO REPERTORY THEATRE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 2 - Significant Accounting Policies: (Continued)

Subsequent Events

In preparing these financial statements, the Theatre has evaluated events and transactions for potential recognition or disclosure through October 20, 2020, the date the financial statements were available to be issued, and concluded that there were no events or transactions that needed to be disclosed.

Reclassification

The Theatre has reclassified certain prior-year information to conform with the current-year presentation.

Note 3 - Liquidity and Availability:

The Theatre regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Theatre considers investment income without donor restrictions, contributions without donor restrictions, and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Theatre considers all expenditures related to its ongoing activities, as well as the conduct of services undertaken to support those activities, to be general expenditures.

Financial assets available for general expenditure within one year are comprised of the following at June 30:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 550,947	\$ 191,905
Accounts receivable, net	-	38,419
Contributions receivable, net	435,248	251,128
Less: Board designated operating reserve	<u>(474,069)</u>	<u>-</u>
Financial assets available to meet cash needs within one year	<u>\$ 512,126</u>	<u>\$ 480,642</u>

In addition to financial assets available to meet general expenditures over the next 12 months, The Theatre has a line-of-credit agreement with available borrowings totaling \$500,000 as described in Note 8. The Theatre operates with a balanced budget, and anticipates collecting sufficient revenue to cover general expenditures.

The Theatre's governing board has designated a portion of its resources without donor restrictions for an operating reserve as described in Note 9. These funds are maintained in order to create an internal line of credit to manage cash flow and maintain financial flexibility and to enable the Theatre to sustain operations through delays in payments of committed funding. The funds remain available and may be used at the discretion of the Finance Committee.

SAN DIEGO REPERTORY THEATRE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 4 - Fair Value Measurements:

The following table summarizes assets measured at fair value on a recurring basis by classification within the fair value hierarchy at June 30:

	2020			Balance at June 30, 2020
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Beneficial interest in endowment funds (Note 7)	\$ -	\$ -	\$ 15,589	\$ 15,589
	\$ -	\$ -	\$ 15,589	\$ 15,589
	2019			Balance at June 30, 2019
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Beneficial interest in endowment funds (Note 7)	\$ -	\$ -	\$ 15,615	\$ 15,615
	\$ -	\$ -	\$ 15,615	\$ 15,615

The reconciliation for financial instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) are included in Note 7, as indicated above.

The following table represents the Theatre's Level 3 financial instrument, the valuation techniques used to measure the fair value of the financial instrument, and the significant unobservable inputs and the range of values for those inputs for the years ended June 30:

2020				
Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Significant Input Values
Beneficial interest in endowment funds	\$ 15,589	Valuation of underlying assets as provided by San Diego Foundation	Base price	N/A
2019				
Instrument	Fair Value	Principal Valuation Technique	Unobservable Inputs	Significant Input Values
Beneficial interest in endowment funds	\$ 15,615	Valuation of underlying assets as provided by San Diego Foundation	Base price	N/A

SAN DIEGO REPERTORY THEATRE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 5 - Contributions Receivable:

Contributions receivable consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Current:		
Due in less than one year	\$ 435,248	\$ 259,628
Less: Allowance for uncollectible	-	(8,500)
Total Current	<u>435,248</u>	<u>251,128</u>
Noncurrent:		
Due in one-to-five years	167,000	362,124
Less: Discounts to present value	<u>(13,843)</u>	<u>(29,240)</u>
Total Noncurrent	<u>153,157</u>	<u>332,884</u>
Total Contributions Receivable, Net	<u>\$ 588,405</u>	<u>\$ 584,012</u>

The contributions receivable have been discounted to their present value using a discount rate of 3% at June 30, 2020 and 2019.

Note 6 - Property and Equipment:

Property and equipment consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Leasehold improvements	\$ 104,350	\$ 104,350
Office furniture and equipment	175,463	175,463
Theatre furniture and equipment	<u>57,329</u>	<u>57,329</u>
Subtotal	337,142	337,142
Less: Accumulated depreciation	<u>(269,317)</u>	<u>(236,056)</u>
Property and Equipment, Net	<u>\$ 67,825</u>	<u>\$ 101,086</u>

Note 7 - Beneficial Interest in Endowment Funds:

The Theatre has a beneficial interest in endowment funds held at San Diego Foundation (the "Foundation"), which is classified as with donor restrictions and must be maintained in perpetuity. The beneficial interest in endowment funds held at the Foundation is invested in a portfolio of equity and debt securities, which is structured for long-term total return, consisting of 25% international equities, 28% domestic equities, 22% alternative investments, 17% fixed income, 6% real estate and 2% commodities.

The activity in the beneficial interest in endowment funds held at the Foundation consisted of the following for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Balance at Beginning of Year	\$ 15,615	\$ 15,260
Change in fair value	<u>(26)</u>	<u>355</u>
Balance at End of Year	<u>\$ 15,589</u>	<u>\$ 15,615</u>

SAN DIEGO REPERTORY THEATRE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 8 - Loans Payable:

Loans payable consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Line-of-credit with Northern Trust Bank in the amount of \$500,000. The line-of-credit provides for interest at LIBOR plus 3% (3.08% as of June 30, 2020). The line-of-credit is due September 19, 2021. The line-of-credit is secured by the personal guarantee of the Managing Director. The Theatre is required to maintain a \$21,701 deposit for the Theatre's AEA Bond, for which a portion of the line-of-credit is set aside.	\$ 469,571	\$ 469,921
Line-of-credit with Banner Bank in the amount of \$400,000. The line-of-credit provided for interest at the Wall Street Journal prime rate plus 1%, but not less than 5%. The line-of-credit was due July 12, 2020. The line-of-credit was secured by the personal guarantee of the Managing Director.	-	162,784
Note payable which was originated on August 29, 2015, held by the Theatre's Managing Director in the original amount of \$400,000. The loan bears interest at a rate of \$1 per year. Due June 30, 2033.	1,412,000	1,593,000
Note payable which was originated on February 11, 2020, held by the Theatre's Managing Director in the original amount of \$425,000. The loan bears interest at a rate of \$1 per year. Due June 30, 2020.	<u>425,000</u>	<u>-</u>
Total Loans Payable	2,306,571	2,225,705
Less: Current Portion	<u>(425,000)</u>	<u>(162,784)</u>
Loans Payable, Net of Current Portion	<u>\$ 1,881,571</u>	<u>\$ 2,062,921</u>

The future minimum required payments on the loans payable are as follows:

<u>Years Ended</u> <u>June 30</u>	
2021	\$ 425,000
2022	469,571
2033	<u>1,412,000</u>
	<u>\$ 2,306,571</u>

Note 9 – Board Designated Funds:

The Theatre's governing board has designated a portion of funds without donor restrictions as an operating reserve fund. The operating reserve fund target minimum is equal to three months of average operating costs adjusted annually based on the annual budget. The funds are available in cash or cash equivalents and are held in the general cash accounts of the Theatre. The operating reserve policy governs the use and replenishment of the operating reserve funds. The operating reserve totaled \$474,069 and \$-0- at June 30, 2020 and 2019, respectively.

SAN DIEGO REPERTORY THEATRE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 10 - Net Assets With Donor Restrictions:

Net assets with donor restrictions represent contributions received or receivable by the Theatre, which are limited in their use by time or donor-imposed restrictions. Net assets with donor restrictions are available for the following purpose at June 30:

	<u>2020</u>	<u>2019</u>
Subject to Expenditure for Specified Purpose:		
Production and program	\$ -	\$ 304,165
Subject to the Passage of Time:		
Contributions receivable, net	535,824	599,399
Perpetual in Nature:		
Endowment (Note 11)	<u>15,589</u>	<u>15,615</u>
Total Net Assets with Donor Restrictions	<u>\$ 551,413</u>	<u>\$ 919,180</u>

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose, or by the occurrence of the passage of time or other events specified by the donors, are as follows for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Purpose Restrictions Accomplished:		
Production and program	\$ 263,352	\$ 192,250
Time Restrictions Fulfilled:		
Contributions receivable, net	<u>161,806</u>	<u>165,780</u>
Total Net Assets Released From Restrictions	<u>\$ 425,139</u>	<u>\$ 358,030</u>

Note 11 - Endowment Net Assets:

The endowment funds of the Theatre are held by the Foundation. The Foundation manages the funds in accordance with The Uniform Prudent Management of Institutional Funds Act of 2006 (“UPMIFA”). The Foundation’s objective is to maintain the purchasing power (real value) of the endowment funds. However, from time to time, the fair value of the assets in the endowment fund may fall below the level that the donors require the Theatre to retain as a fund of perpetual duration. The Theatre classifies donor restricted net assets of a perpetual nature held by the Foundation as:

- The original value of gifts donated to the fund
- The original value of Theatre funds transferred to the fund
- The original value of subsequent gifts donated to the fund
- Investment income and realized and unrealized gains and losses on investments
- Distributions from the fund in accordance with the spending policy

The Foundation has adopted investment and spending policies for endowment funds that:

- Protect the invested assets
- Preserve spending capacity of the fund income
- Maintain a diversified portfolio of assets that meet investment return objectives, while keeping risk at a level commensurate with that of the median fund in comparable foundations
- Comply with applicable laws

SAN DIEGO REPERTORY THEATRE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 11 - Endowment Net Assets: (Continued)

The Foundation's endowment funds are invested in debt, and other securities that are structured to satisfy its long-term rate-of-return objectives. To provide diversification to moderate risk, the investments are divided into carefully defined asset classes. Funding available for each asset classification is invested by professional money managers hired by the Foundation through a competitive process. The investment performance of each money manager is monitored by an independent consultant hired by the Foundation.

The Foundation's spending policy is to disburse 5% annually, based upon endowment principal market value over the last 36 months. These calculations are made on a monthly basis. If the market value of the Endowment Principal of any fund, at the end of each month, is less than the initial value of all contributions made to the Endowment Principal, then distributions will be limited to interest and dividends received. The Foundation's endowment funds distributions are approximately 2.5% of the endowment principal. The Theatre has elected not to take distributions for the years ended June 30, 2020 and 2019.

Endowment composition by type of fund and changes in endowment net assets as of and for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Endowment Net Assets at Beginning of Year	\$ 15,615	\$ 15,260
Change in fair value	<u>(26)</u>	<u>355</u>
Endowment Net Assets at End of year	<u>\$ 15,589</u>	<u>\$ 15,615</u>

Note 12 – Commitments and Contingencies:

Management Fee and Production Agreement

The Theatre has an agreement with Horton Plaza Theatres Foundation (Horton), which expires June 18, 2035. The agreement is subject to all of the terms, covenants, and conditions of a master lease between the Redevelopment Agency of the City of San Diego and Horton. In accordance with the agreement, the Theatre is required to annually produce or present a minimum of 375 theatrical presentations, without a lapse of presentations during any 45-day period. In connection with the agreement, the Theatre has management, operational, and production responsibilities for the entire theatre complex. The Theatre received a \$180,000 management fee for these services for each of the years ended June 30, 2020 and 2019. The Theatre is also entitled to receive a minimum of \$70,000 per year to be used for a production assistance fund (PAF). The PAF funds shall be used to pay a portion of co-production fees for PAF assistance recipients selected in accordance with the agreement. The Theatre received \$44,010 and \$101,325 in PAF funds for the years ended June 30, 2020 and 2019.

SAN DIEGO REPERTORY THEATRE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

Note 12 – Commitments and Contingencies: (Continued)

Lease

The Theatre has a lease agreement for storage space through August 2020, and rehearsal space through September 2022. Rent expense totaled \$110,515 and \$106,608 for the years ended June 30, 2020 and 2019, respectively and is included in occupancy expense.

The following is a schedule of future minimum lease payments under the leases:

Years Ended June 30		
2021	\$	92,588
2022		94,629
2023		23,787
Total	\$	210,984

Pension Plan

The Theatre participates in an actors’ pension and health trust fund. Contributions to the pension trust are 8% of gross payments to actors, and 2.5% of gross payments to interns. Contributions to the pension and health trust fund totaled \$61,279 and \$53,820 for the years ended June 30, 2020 and 2019, respectively.

Payroll Protection Program Loan

In May 2020, the Theatre received a loan totaling \$420,700 from the U.S. Small Business Administration under the CARES Act Paycheck Protection Program (“PPP”). The loan is forgivable to the extent that the Theatre meets the terms and conditions of the PPP. Any portion of the loan that is not forgiven bears interest at 1%, and is due in May 2022. The Theatre has recognized the \$140,233 as revenue for the year ended June 30, 2020, since they believe that they have satisfied the terms and conditions of forgiveness of the PPP. The remaining \$280,467 has been included in deferred revenue at June 30, 2020, and the Theatre expects to satisfy the terms and conditions of forgiveness of this portion of the PPP during the year ended June 30, 2021.

Coronavirus Pandemic Contingency

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic. On March 19, 2020, the Governor of California declared a health emergency and issued an order to close all nonessential businesses until further notice. The Theatre, as a nonessential business, was required to close the theatre and cease in-person operations. The potential impacts to the Theatre include disruptions or restrictions on employees’ ability to work, suspension of in-person programs, closure of the theatre, and reduction in contributions from donors. Changes to the operating environment may also be impacted, and may have an impact on operating costs. The future effects of these issues are unknown.

**SAN DIEGO REPERTORY THEATRE, INC.
SUPPLEMENTARY SCHEDULES OF CERTAIN OPERATIONS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
<u>Revenues:</u>		
Ticket sales	\$ 1,159,023	\$ 1,088,193
Subscription sales	308,548	394,396
Theatre management income	63,714	174,598
Concessions income	82,296	99,463
Equipment rental fee	270	10,601
Other revenue	3,495,700	3,236,988
Total Revenues	5,109,551	5,004,239
<u>Expenses:</u>		
Front of house expense	99,959	115,506
Box office expense	255,947	194,788
Facility repair and maintenance expense	123,676	142,032
Equipment depreciation	22,827	20,335
Utilities expense	190,597	192,176
Parking expense	50,627	69,230
Insurance expense	20,987	28,123
Concessions expense	47,964	91,758
Rental bad debt expense	-	2,733
Other expenses	4,180,460	4,041,796
Total Expenses	4,993,044	4,898,477
	\$ 116,507	\$ 105,762

The above details certain operations of premises pursuant to Section V. F. 2. of the agreement between Horton and the Theatre.