PLANO CHILDREN'S THEATRE
(DBA NORTH TEXAS PERFORMING ARTS)

FINANCIAL STATEMENTS
&
INDEPENDENT AUDITOR'S REPORT

SEPTEMBER 30, 2020

PLANO CHILDREN'S THEATRE
(DBA NORTH TEXAS PERFORMING ARTS)

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SEPTEMBER 30, 2020

CMROSEN

A Certified Public Accounting Firm

INDEPENDENT AUDITOR'S REPORT

To the Governing Board of Directors of
Plano Children's Theatre:

We have audited the accompanying financial statements of Plano Children's Theatre (a nonprofit organization dba North Texas Performing Arts), which comprise the statement of financial position as of September 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Basis for Qualified Opinion

We were unable to obtain sufficient appropriate audit evidence regarding receivables, consisting of accounts receivable and unconditional promises to give, as of September 30, 2020 and 2019, because reliable subsidiary schedules indicating balances by customer/donor were not available. Consequently, we were unable to determine whether any adjustments to those amounts and associated income and any bad debt write-offs as reflected in the changes in net assets without and with donor restrictions for the year ended September 30, 2020, were necessary.

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Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Plano Children's Theatre as of September 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, net assets as of September 30, 2019, have been restated to recognize a prior-period adjustment. Our opinion is not modified with respect to this matter.

CMRosen, LLC

Dallas, Texas
March 26, 2021

STATEMENT OF FINANCIAL POSITION

(As of September 30, 2020)

ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$	471,850
Accounts receivable		46,562
Contributions receivable		66,105
Prepaid expenses		99,738
		684,255
NON-CURRENT ASSETS		
Contributions receivable		40,000
Cash restricted for long-term purposes		25,077
Fixed assets, net		983,683
Security deposits		33,335
		1,082,095
Total assets		**1,766,350**
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses		118,997
Deferred revenue		188,114
Deferred lease incentive		8,500
Notes payable		368,449
		684,060
NON-CURRENT LIABILITIES		
Deferred rent		224,201
Deferred lease incentive		51,000
Notes payable		130,147
		405,348
Total liabilities		**1,089,408**
NET ASSETS		
Without donor restrictions		572,148
With donor restrictions		104,794
		676,942
Total liabilities and net assets		**1,766,350**

STATEMENT OF ACTIVITIES

(For the year ended September 30, 2020)

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Tuition and fees	$ 928,792	$ -	$ 928,792
Ticket sales	611,899	-	611,899
Government grant contributions	364,674	-	364,674
General contributions	240,756	266	241,022
In-kind donations	146,806	-	146,806
Memberships	100,007	-	100,007
Concessions and other sales, net	78,296	-	78,296
AMP events, net	70,678	-	70,678
Theatre rentals	34,041	-	34,041
Investment earnings	134	-	134
Other income	13,857	-	13,857
	2,589,940	266	2,590,206
Net assets released from restrictions	56,667	(56,667)	-
	2,646,607	(56,401)	2,590,206
EXPENSES			
Program services			
Youth theatre	1,868,269	-	1,868,269
Academy	260,948	-	260,948
Repertory theatre	224,651	-	224,651
Starcatchers	160,053	-	160,053
Total program services	2,513,921	-	2,513,921
Supporting services			
Management and general	359,630	-	359,630
Fundraising	165,878	-	165,878
Total supporting services	525,508	-	525,508
Total expenses	3,039,429	-	3,039,429
CHANGES IN NET ASSETS	**(392,822)**	**(56,401)**	**(449,223)**
Net assets at beginning of year	989,673	41,195	1,030,868
As restated	964,970	161,195	1,126,165
Net assets at end of year	**572,148**	**104,794**	**676,942**

STATEMENT OF FUNCTIONAL EXPENSES

(For the year ended September 30, 2020)

	Youth Theatre	Academy	Repertory Theatre	Starcatchers	Management and General	Fundraising	Total
Employee compensation	$ 845,802	$ 101,889	$ 101,189	$ 68,291	$ 203,757	$ 127,570	$ 1,448,498
Occupancy	340,497	36,953	39,593	31,674	25,636	11,185	485,538
Royalties	210,982	22,897	24,533	19,626	-	1,636	279,674
Contract service fees	128,620	53,902	8,113	3,910	47,526	-	242,071
Office expenses	124,536	13,516	14,481	11,585	9,376	4,091	177,585
Depreciation & amortization	95,306	10,343	11,082	8,866	7,176	3,131	135,904
Advertising & promotion	-	-	-	-	46,635	15,545	62,180
Information technology	8,482	10,878	8,482	8,482	15,911	897	53,132
Sets, costumes, & supplies	34,343	1,920	7,911	206	-	-	44,380
Conferences & meetings	31,706	3,441	3,687	2,949	-	246	42,029
Insurance	11,897	1,291	1,383	1,107	896	391	16,965
Interest	7,078	768	823	658	533	233	10,093
Travel	99	11	11	9	7	3	140
Other	28,921	3,139	3,363	2,690	2,177	950	41,240
	1,868,269	260,948	224,651	160,053	359,630	165,878	3,039,429
Other costs not reported previously							
Cost of goods sold	26,557	-	1,596	309	-	-	28,462
AMP expenses	8,447	-	-	-	-	-	8,447

STATEMENT OF CASH FLOWS

(For the year ended September 30, 2020)

CASH FLOWS FROM OPERATING ACTIVITIES		
RECONCILIATION OF CHANGE IN NET ASSETS TO NET OPERATING CASH FLOWS		
Change in net assets	$	(449,223)
Depreciation & amortization		135,903
Contributions restricted for long-term purposes		(266)
Noncash expenses by means of creating notes payble		-
Changes in operating assets and liabilities, net		
Accounts receivable		40,809
Contributions receivable		62,530
Prepaid expenses		53,307
Accounts payable and accrued expenses		(8,869)
Deferred revenue		86,644
Deferred lease incentive		(8,500)
Deferred rent		110,499
Security deposits		(15,885)
Net cash provided by (used in) operating activities		6,949
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets		(64,527)
Net cash provided by (used in) investing activities		(64,527)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contribution restricted for an endowment		266
Proceeds on notes payable		390,400
Payments on notes payable		(123,950)
Net cash provided by (used in) financing activities		266,716
INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS		**209,138**
Cash and cash equivalents, beginning of year		287,789
Cash and cash equivalents, end of year		**496,927**
SUPPLEMENTAL CASH FLOW DISCLOSURES		
Cash paid for interest (net of amounts capitalized of $0)		10,093

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

NOTES TO FINANCIAL STATEMENTS

1. BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Background

Plano Children's Theatre (the "Organization"), a Texas nonprofit corporation doing business as North Texas Performing Arts, was incorporated in 1991 and is dedicated to developing the character of youth through quality performing arts education and family entertainment. It serves a diverse community of adults, children, and artists primarily by means of four program segments at its four North Texas locations: Youth Theatre, NTPA Academy, Repertory Theatre, and Starcatchers.

The Youth Theatre provides youth ages 3 to 18 with opportunities to participate in a wide range of theatrical productions in front of live audiences through after-school programs and summer camps. NTPA Academy offers educational programming as an alternative to traditional schools to assist youth who have a passion for the performing arts. The Repertory Theatre provides theatrical experiences for adult actors, and Starcatchers provides children and adults who have special needs with opportunities to shine through drama, music, dance, and visual art.

The Organization's revenues are derived primarily from tuition, ticket sales, and contributions.

Tax-Exempt Status

The Organization has been determined by the Internal Revenue Service to be a Section 501(c)(3) charitable organization exempt from federal income taxes. Contributions to the Organization are considered tax-deductible under Section 170 of the Internal Revenue Code. The Organization did not have any unrelated business income for the year ended September 30, 2020.

Management has concluded that any tax positions which would not meet the more-likely-than-not criterion of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740-10, *Accounting for Income Taxes*, would be immaterial to the financial statements taken as a whole. Accordingly, the accompanying financial statements do not include any provision for uncertain tax positions, and no related interest or penalties have been recorded in the operating statement or accrued in the statement of financial position. Federal and state tax returns of the Organization are generally open to examination by the relevant taxing authorities for a period of three years from the date on which the returns are filed.

Estimates

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. This requires management to make estimates and judgments that affect the reported amount of assets, liabilities, and disclosures of contingencies at the date of the financial statements. Such estimates and judgments also affect the reported amounts of revenues and expenses recognized during the reporting period. Actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with a maturity of three months or less at time of purchase.

Accounts Receivable and Revenue Recognition from Contracts with Customers

The Organization assesses obligations promised in contracts and identifies performance obligations for each promise to transfer goods or services. To identify the performance obligations, the Organization considers all promises in each contract, whether explicitly stated or implied, based on customary business practices. Revenue is recognized when a performance obligation is satisfied by transferring control of promised goods or services to customers, which can occur over time or at a point in time. Associated contract revenue disaggregated based on the timing of the transfer of goods or services was as follows for the year ended September 30, 2020:

	Upon Delivery	Upon Shipment	As Service is Rendered	Upon Completion of the Service	Total
Tuition and fees	$ -	$ -	$ 928,792	$ -	$ 928,792
Tickets, concessions, and other	78,296	-	-	611,899	690,195
AMP events, net	-	-	-	70,678	70,678
Theatre rentals	-	-	34,041	-	34,041
	78,296	-	962,833	682,577	1,723,706

Receivables represent rights to consideration that are unconditional in accordance with contract terms, regardless of when revenue has been earned or performance obligations have been met. They are reported at net realizable value after considering allowances for uncollectible amounts based on historical experience. Any uncollectible accounts are directly written off upon discovery. Any revenue earned which is not yet receivable is reported as a contract asset. Any receivables recorded or payments collected before revenue is earned are represented by a contract liability in the form of obligations to perform or to refund the customer. As of September 30, 2020, the beginning and ending balances of these items were as follows:

	Beginning	Ending
Receivables	$ 87,371	$ 46,562
Contract assets	-	-
Contract liabilities	86,114	184,775

Any sales taxes collected on behalf of third parties are excluded from revenue and recorded as a liability until paid. No significant shipping fees are incurred. There are no significant performance obligations for warranties; returns and refunds are discussed in detail for each type of contract below. The Organization has elected to apply the practical expedient provided in FASB ASC 606-10-32-18 and therefore does not adjust the promised amount of consideration for the effects of significant financing components if it is

NOTES TO FINANCIAL STATEMENTS

expected, at contract inception, that the period between when the Organization transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less. The Organization has also elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a), and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The following describes additional revenue recognition details for each major type of contract:

Tuition and fees – These represent earned income for youth theatre productions and the academy, aside from ticket sales. Performance obligations are generally met throughout each production, class, or semester, which last no more than several months. Payments consist of fixed fees. As of September 30, 2020, unsatisfied performance obligations consisted of completing productions and classes in progress. Fees are due in advance unless a payment plan is agreed upon. The Organization advertises that tuition and fees are non-refundable, but they are transferrable if a student must drop a program or if it gets canceled, as was more frequent during the year ended September 30, 2020, due to COVID-19. Contract liabilities consisted of $11,103 in academy deposits, $53,871 in unearned tuition paid, and $57,641 in credits issued.

Tickets, concessions, and other sales – Performance obligations are met at the time of each performance. Payments consist of fixed fees and are due in advance. As of September 30, 2020, unsatisfied performance obligations consisted of unused tickets and gift cards sold. The Organization advertises that ticket sales are non-refundable, but they are transferrable to a different show. Contract liabilities consisted of $22,974 in unused tickets and $24,475 in gift cards.

AMP events, net – This represents ticket sales to annual AMP Award events. Performance obligations are met at the time of each event. Payments consist of fixed fees due in advance. The Organization advertises that ticket sales are non-refundable. As of September 30, 2020, there were no unsatisfied performance obligations.

Theatre rentals – This represents income on short-term subleases of its theatre space. Performance obligations are met at the time of each third party's event. Payments consist of fixed fees. As of September 30, 2020, there were no unsatisfied performance obligations.

Contributions Receivable and Contribution Revenue Recognition

Contributions are recognized as revenue in the period in which they are unconditionally made or promised, or in the case of conditional contributions, when the associated conditions have been met. Unconditional promises to give which are due within one year are reported at net realizable value, which approximates fair value. Promises with payments due after one year are initially reported at fair value computed using expected cash flows reflecting the credit worthiness of the donor and a discount rate adjusted to include a risk premium. No allowance for uncollectible accounts is recorded because the full amounts have been estimated to be collectable based upon historical experience.

Values of donated materials which are sold at auction during fundraising events are adjusted to the amounts of winning bids. Any donated services are recognized as revenue in the period in which they were performed if they either enhance the Organization's non-financial assets or if they require specialized skills, were performed by individuals possessing those skills, and would typically be purchased if not provided by donation. Any recognized revenue is offset by a corresponding expense or asset.

NOTES TO FINANCIAL STATEMENTS

Membership is offered to individuals with specific benefits attributable to membership. The Organization has calculated the contribution portion and exchange portion of each membership level. Each exchange portion is deferred and recognized as revenue evenly throughout a full twelve-month period beginning on the first day on which membership begins. Amounts not yet recognizable as revenue are included in deferred revenue.

Fixed Assets

Expenditures for fixed assets are capitalized if each recorded value exceeds $1,000 and if each has an estimated useful life of greater than one year. They are recorded at cost, if purchased, or fair value at the date of gift, if donated. Depreciation and amortization are provided on a straight-line basis over the estimated useful lives of the assets or, in the case of leasehold improvements, over the life of each lease if shorter. Estimated useful lives are as follows:

Leasehold improvements	5 - 10 years
Theatre, sound, music, and lighting equipment	3 - 10 years
Signage and website	7 - 15 years
Office furniture and equipment	3 - 7 years
Other equipment	5 - 10 years

Loans

The Organization has elected to account for its loan under the Payroll Protection Program (PPP) of the Coronavirus Aid, Relief, and Economic Security (CARES) Act as debt in accordance with FASB ASC 470.

No interest is imputed on the PPP loan and its Economic Injury Disaster Loan (EIDL) from the U.S. Small Business Administration in accordance with FASB ASC 835-30-15-3e because the rates are affected by legal restrictions prescribed by the U.S. government.

Net Asset Classifications

Net assets, and changes in net assets by means of revenues, expenses, gains, and losses, are classified into the following categories:

Without donor restrictions – Those available for use in general operations and not subject to donor stipulations.

With donor restrictions – Those subject to donor-imposed stipulations. Some restrictions are temporary in nature, such as those which will be met by the passage of time or by other events specified by the donor. Other restrictions are perpetual in nature, whereby the donor stipulates that resources be maintained in perpetuity.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions which are not met in the current period. Expenses are reported as decreases in net assets without donor restrictions. Restrictions are released when the stipulated time has elapsed, the purposes for which the resources were restricted have been fulfilled, or both. Upon

NOTES TO FINANCIAL STATEMENTS

release, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. In the absence of explicit donor stipulations, gifts of both long-lived assets and other assets restricted for the acquisition of long-lived assets are released from restrictions when the long-lived assets are placed in service.

Functional Allocation of Expenses

The costs of program and supporting activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Many costs are identified with a specific program or supporting function when incurred and are reported accordingly. Certain costs are attributed to more than one program or supporting function and, therefore, require allocation among the functions benefited on a reasonable and consistent basis. Such conference, employee compensation, occupancy, and office expenses are allocated based on estimates of time and effort; and amortization, advertising, depreciation, promotion, and royalty expenses are allocated based on estimates of usage.

Advertising

Advertising costs are expensed as incurred. The Organization recognized $62,180 in advertising expenses during the year ended September 30, 2020.

Accounting Standards Updates

During the year ended September 30, 2020, the Organization adopted the Financial Accounting Standards Board's Accounting Standard Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and its related subsequent ASUs. They modify the rules for recognition of revenue related to exchange transactions. ASU 2014-09 was originally issued in 2014 and is effective for annual periods beginning after December 15, 2020, as amended, with early adoption permitted. Adopting this update resulted in re-evaluating revenue recognition and accounts receivable, contract assets, and contract liabilities, and adding new disclosures. There were no significant differences found, and therefore, no adjustments were entered.

2. RESTATEMENT OF NET ASSETS

The accompanying financial statements reflect a prior-period adjustment to restate previously issued financial statements, correcting net assets as of September 30, 2019. Ending net assets and the change in net assets by class and in total for FY19 were originally under-/(over-) stated as follows:

NOTES TO FINANCIAL STATEMENTS

Ending Net Assets			Change in Net Assets			
Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Description
$ -	$ 120,000	$ 120,000	$ -	$ 120,000	$ 120,000	A promise to give $40,000 each year for three years was received but not accrued.
(24,703)	-	(24,703)	-	-	-	Credits issued for canceled tuition were not reported as a liability.
(24,703)	120,000	95,297	-	120,000	120,000	

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Organization's financial assets which are available within one year at September 30, 2020, reduced by amounts not available for general use because of contractual or donor-imposed restrictions. Certain restrictions are not subtracted, such as those which stipulate the use of resources for specific general expenditures to be incurred within one year and those which are expected to be satisfied by the use of non-current or non-financial assets.

Financial assets available within one year:	
Cash and cash equivalents	$ 496,927
Accounts receivable (current)	46,562
Contributions receivable (current)	66,105
	609,594
Less amounts unavailable for general expenditures within one year:	
Cash restricted or designated for long-term purposes	(25,077)
Total financial assets available to meet cash needs for general expenditures within one year	584,517

General and capital expenditures, along with other liabilities and obligations, are anticipated to be funded primarily through cash received for services and by contribution. The Organization manages its liquidity by developing and adopting annual operating and capital budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations as they come due. Actual performance is reported and monitored monthly in comparison to the budgets. Adjustments are made to plan as needed to ensure adequate liquidity. In the event of an unanticipated liquidity need, the Organization could draw upon its unused $300,000 of an available line of credit (as further discussed in Note 7) or its rainy day fund.

NOTES TO FINANCIAL STATEMENTS

4. CASH, CASH EQUIVALENTS, AND RESTRICTED CASH

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position as of September 30, 2020, that sum to the total of the same such amounts shown in the statement of cash flows:

Cash and cash equivalenets	$ 471,850
Cash restricted for long-term purposes	25,077
	496,927

Cash restricted for long-term purposes consisted of $15,021 to function as an endowment and $10,056 as a rainy-day fund. The Organization is just beginning to set up these funds; accordingly, the development of spending and investing policies is in process.

5. RECEIVABLES

As of September 30, 2020, all accounts receivable were due within one year, and no discount was considered to be significant. Contributions receivable consisted of the following:

Unconditional promises expected to be collected in:	
Less than one year	$ 66,105
One to five years	40,000
More than five years	-
	106,105
Less:	
Unamortized discount	-
Allowance for uncollectible contributions	-
	106,105

6. FIXED ASSETS

All fixed assets are used for operating purposes and consisted of the following at September 30, 2020:

Leasehold improvements	$ 1,108,879
Theatre, sound, music, and lighting equipment	168,032
Signage and website	30,332
Office furniture and equipment	26,111
Other equipment	8,772
	1,342,126
Less: accumulated depreciation and amortization	(358,443)
	983,683

NOTES TO FINANCIAL STATEMENTS

See Note 7 for discussion on property and equipment subject to a lien.

7. NOTES PAYABLE

Notes payable consisted of the following as of September 30, 2020:

Loan from a commercial bank as part of the Payroll Protection Program. Under this program, borrowers may be eligible for loan forgiveness if the funds are used for eligible payroll costs, rent, and utilities during a specific covered period. This loan carries no interest if forgiven. Otherwise, monthly payments of $13,472.74 consisting of principal and interest at 1.00% are required beginning November 15, 2020, with a final payment due April 17, 2022. The Organization's application for forgiveness is currently pending.	$ 240,500
Economic Injury Distaster Loan from the U.S. Small Business Administration, secured by all of the Organization's tangible personal property, requiring monthly payments of $641 consisting of principal and interest at 2.75% beginning June 27, 2021, with all outstanding principal and interst due at maturity on July 1, 2050. Payable upon demand in certain circumstances.	149,900
Loan from the Organization's CEO, secured by the Organization's assets, requiring payments of interest at 5.50% quarterly until April 2020. Then, eight equal installments of principal and interest are due quarterly until maturity in April 2022.	73,924
Loan from the Organization's Vice President of Community Outreach, secured by the Organization's assets, requiring payments of interest at 5.50% quarterly until April 2020. Then, eight equal installments of principal and interest are due quarterly until maturity in April 2022.	34,272
Line of credit from a financial institution for up to $300,000, secured by the Organization's accounts receivable and equipment, requiring monthly payments of interest only at the greater of the Wall Street Journal Prime Rate plus 1.00 percentage point (resulting in a rate of 4.25% as of September 30, 2020) or 5.00%, with one final payment of principal and unpaid interest due upon maturity in December 2021.	-
	498,596
Less: current portion	(368,449)
	130,147

Maturities for each of the subsequent five years and thereafter as of September 30, 2020, are as follows:

NOTES TO FINANCIAL STATEMENTS

2021	$	368,449
2022		130,147
2023		-
2024		-
2025		-
Thereafter		-
Indefinite		-
		498,596

Interest of $10,093 was incurred and expensed during the year ended September 30, 2020.

8. LEASE COMMITMENTS

The Organization entered into various operating lease agreements for office and performance space and a high-end copier. Its Fairview location is leased until December 2026, with a renewal option for an additional four years. Its Frisco rehearsal location is leased until November 2023 and has two options to renew for additional terms of five years each. Its other Frisco location is leased though 2036. Its Plano location is leased until October 2027 and originally included a cash incentive of $85,000 for leasehold improvements, recorded as a deferred lease incentive. Its copier is leased until August 2023, and was modified as a result of COVID-19, for which significant concessions were received in the form of rent reductions of about 60% on average beginning March 2020 and for the remainder of the lease term. Its Dallas location is leased until 2025, and was also modified by means of significant reductions in taxes, insurance, and maintenance costs by about $25,000 in total for January 2020 through May 2020. Other performance and rehearsal space is leased as needed on a short-term basis.

In accordance with FASB Staff Q&A dated April 2020, *Topic 842 and Topic 840: Accounting for Lease Concessions Related to the Effects of the COVID-19 Pandemic*, the Organization has elected to not evaluate whether the concessions are changes in the provisions of the leases. It has then elected to account for the concessions as if they are indeed changes in lease provisions. This reduced straight-line expenses during the period for these operations leases, as well as future minimum lease payments.

Future minimum lease payments consisted of the following at September 30, 2020:

2021	$	444,729
2022		544,542
2023		557,208
2024		513,196
2025		419,577
Thereafter		1,820,794
		4,300,046

The Organization recognized rental expenses of $475,604 during the year ended September 30, 2020. The Organization periodically rents out its theatre facilities to entities who use them for performing arts purposes. Such operating leases are short-term in nature and totaled $34,041 for the year ended

NOTES TO FINANCIAL STATEMENTS

September 30, 2020. There are no significant cash flows to be received in future years as a result of existing leases as of September 30, 3020.

9. NET ASSETS

Net assets with donor restrictions at September 30, 2020, included amounts restricted as follows:

Subject to the Organization's spending policy and appropriation:		
Investment in perpetuity which, once appropriated, is expendable to support creating performing and technical theatre opportunites at the Organization for underprivileged children and teens.	$	18,127
Subject to the passage of time:		
For periods after September 30, 2020		86,667
		104,794

Net assets without donor restrictions at September 30, 2020, included $10,056 which was designated by the board to function as a rain-day fund.

10. IN-KIND DONATIONS

The accompanying financial statements including the following recognized in-kind donations:

Contribution		Amount	Purpose
Volunteer chief executive officer	$	124,831	Administrative
Accounting services		20,000	Administrative
Legal services		1,975	Administrative
		146,806	

The Organization benefited from the services of many other volunteers throughout the year who assisted during performances. The value of this time has not been reflected in the financial statements because the criteria for recognition are not met. The fair value of such time has been impracticable to determine.

11. COMPENSATED ABSENCES

The Organization has a wide variety of policies applicable to different employees; as such no liability is reported on the accompanying financial statements because it is considered to be impracticable to determine.

NOTES TO FINANCIAL STATEMENTS

12. RELATED PARTY TRANSACTIONS

During the year ended September 30, 2020, related party transactions consisted of the following:

Relationship / Description	Transaction Value for the Year	Balance Due From / (To) as of Year-End
Directors and top management, their immediate family members, and associated entities:		
Donated services	$ 144,831	$ -
Loan principal repayment and outstanding, respectively	41,252	(108,195)

13. CONCENTRATIONS, RISKS, AND UNCERTAINTIES

The Organization maintains cash, cash equivalents, and restricted cash in bank accounts which, at times, may exceed federally insured limits. As of September 30, 2020, it had uninsured deposits of about $250,109. Such deposits are placed in established financial institutions to minimize any associated risk. There has been no need for a policy of requiring collateral or other security to support financial instruments subject to credit risk, or of a policy of entering into master netting arrangements to mitigate the credit risk of financial instruments.

In March 2020, stay-at-home orders in the United States of America began disrupting normal operations, resulting in substantial reductions in group gatherings and increases in job losses nationwide. The Organization's activities were significantly disrupted because they are heavily dependent upon live, social interaction in the DFW area. Relief was received in the form of a forgivable loan under the Payroll Protection Program of the Coronavirus Aid, Relief, and Economic Security (CARES) Act as well as an Economic Injury Disaster Loan from the U.S. Small Business Administration. The Organization pivoted to offer online programming for an alternative income stream, and beginning in June 2020, has once again opened its doors to in-person productions, subject to certain safety protocols. Although the Organization is continuing to monitor and assess the effects of this pandemic on its operations, considerable uncertainty remains due to the frequently changing environment. Therefore, while the Organization expects this matter to affect its ongoing performance and financial results, its ultimate impact cannot be reasonably estimated at this time.

14. SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 26, 2021. This is the date on which the financial statements were available to be issued.