Still | Burton LLP
CERTIFIED PUBLIC ACCOUNTANTS

# NORTH TEXAS PERFORMING ARTS

Financial Statements
(With Independent Auditor's Report Thereon)

September 30, 2022

**NORTH TEXAS PERFORMING ARTS**
Index to Financial Statements
September 30, 2022

**Still | Burton LLP**
**CERTIFIED PUBLIC ACCOUNTANTS**

# Independent Auditor's Report

To the Governing Board of Directors of
North Texas Performing Arts

### *Opinion*

We have audited the accompanying financial statements of North Texas Performing Arts (a nonprofit organization), which comprise the statement of financial position as of September 30, 2022 and the related statements of activities and changes in net assets, functional expense, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North Texas Performing Arts as of September 30, 2022 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.

### *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 North Texas Performing Arts and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of 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.

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 North Texas Performing Arts' ability to continue as a going concern for one year after the date that the financial statements are issued.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about North Texas Performing Arts' 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.

**STILL BURTON LLP**

Still Burton LLP

Farmers Branch, Texas
March 31, 2023

**NORTH TEXAS PERFORMING ARTS**
Statement of Financial Position
September 30, 2022

| | | |
|---|---|---|
| **ASSETS** | | |
| **Current Assets:** | | |
| Cash and cash equivalents | $ | 571,935 |
| Accounts receivable | | 75,849 |
| Contributions receivable | | 64,675 |
| Prepaid expenses | | 122,578 |
| Total current assets | | 835,037 |
| **Non-Current Assets:** | | |
| Cash restricted for long-term purposes | | 40,320 |
| Property and equipment, net | | 748,529 |
| Security deposits | | 25,085 |
| Total non-current assets | | 813,934 |
| Total assets | $ | 1,648,971 |
| **LIABILITIES AND NET ASSETS** | | |
| **Current Liabilities:** | | |
| Accounts payable and accrued expenses | $ | 164,242 |
| Deferred program fees | | 178,381 |
| Current portion of long-term debt | | 3,640 |
| Total current liabilities | | 346,263 |
| **Non-Current Liabilities:** | | |
| Deferred rent | | 143,155 |
| Deferred lease incentive | | 42,500 |
| Long-term debt | | 145,979 |
| Total non-current liabilities | | 331,634 |
| Total liabilities | | 677,897 |
| **Net Assets:** | | |
| Without donor restrictions | | 952,847 |
| With donor restrictions | | 18,227 |
| Total net assets | | 971,074 |
| Total liabilities and net assets | $ | 1,648,971 |

**NORTH TEXAS PERFORMING ARTS**

Statement of Activities and Changes in Net Assets

Year Ended September 30, 2022

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| **Support and Revenue:** | | | |
| Tuition and fees | $ 1,520,736 | $ - | $ 1,520,736 |
| Ticket sales | 1,202,423 | - | 1,202,423 |
| Government grant | 428,506 | - | 428,506 |
| PPP loan forgiveness | 240,527 | - | 240,527 |
| General contributions | 239,391 | - | 239,391 |
| Concessions and other sales, net | 214,369 | - | 214,369 |
| In-kind donations | 135,000 | - | 135,000 |
| Memberships | 39,101 | - | 39,101 |
| Directed funds campaign | 28,567 | | 28,567 |
| Special events, net of $92,004 direct costs | 27,728 | - | 27,728 |
| Theatre rentals | 20,244 | - | 20,244 |
| Other income | 18,076 | - | 18,076 |
| | 4,114,668 | - | 4,114,668 |
| **Net Assets Released-Purpose Restrictions:** | 40,000 | (40,000) | - |
| Total support and revenue | 4,154,668 | (40,000) | 4,114,668 |
| **Expenses:** | | | |
| Program services: | | | |
| Youth theatre | 2,012,093 | - | 2,012,093 |
| Academy | 557,764 | - | 557,764 |
| Starcatchers | 190,254 | - | 190,254 |
| Repertory theatre | 207,025 | - | 207,025 |
| Total program expenses | 2,967,136 | - | 2,967,136 |
| Supporting services: | | | |
| Management and general | 816,142 | - | 816,142 |
| Fundraising | 311,295 | - | 311,295 |
| Total supporting services | 1,127,437 | - | 1,127,437 |
| Total expenses | 4,094,573 | - | 4,094,573 |
| Change in net assets | 60,095 | (40,000) | 20,095 |
| Net assets at beginning of year | 892,752 | 58,227 | 950,979 |
| Net assets at end of year | $ 952,847 | $ 18,227 | $ 971,074 |

**NORTH TEXAS PERFORMING ARTS**
Statement of Functional Expenses
Year Ended September 30, 2022

| | Programs | | | | | Management and General | Fund Raising | Total |
|---|---|---|---|---|---|---|---|---|
| | **Youth Theater** | **Academy** | **Starcatchers** | **Repertory Theater** | **Total** | | | |
| Employee Compensation | $ 383,278 | $ 209,332 | $ 45,798 | $ 72,419 | $ 710,827 | $ 559,133 | $ 150,891 | $ 1,420,851 |
| Occupancy | 509,913 | 40,793 | 40,793 | 27,195 | 618,694 | 34,273 | 27,196 | 680,163 |
| Office Expenses | 194,129 | 104,978 | 15,782 | 10,522 | 325,411 | 86,864 | 43,439 | 455,714 |
| Contract Labor | 302,584 | 92,028 | 15,475 | 38,410 | 448,497 | - | - | 448,497 |
| Royalties | 293,129 | 25,023 | 25,023 | 14,299 | 357,474 | - | - | 357,474 |
| Advertising & Promotion | - | - | - | - | - | 91,892 | 61,262 | 153,154 |
| Depreciation & Amortization | 102,993 | 8,351 | 8,351 | 5,567 | 125,262 | 8,351 | 5,567 | 139,180 |
| Other | 97,322 | 16,166 | 15,164 | - | 128,652 | - | - | 128,652 |
| Contract Service Fees | 14,738 | 42,468 | 4,335 | 6,069 | 67,610 | 26,234 | - | 93,844 |
| Information Technology | 16,853 | 15,321 | 16,853 | 16,853 | 65,880 | 7,661 | 3,065 | 76,606 |
| Sets, Costumes & Supplies | 37,227 | 1,248 | 624 | 14,350 | 53,449 | - | 18,718 | 72,167 |
| Travel | 34,765 | - | - | - | 34,765 | - | - | 34,765 |
| Insurance | 18,827 | 1,526 | 1,526 | 1,018 | 22,897 | 1,526 | 1,018 | 25,441 |
| Conferences & Meetings | 3,771 | 322 | 322 | 184 | 4,599 | - | - | 4,599 |
| Interest | 2,564 | 208 | 208 | 139 | 3,119 | 208 | 139 | 3,466 |
| **TOTAL EXPENSES** | $ 2,012,093 | $ 557,764 | $ 190,254 | $ 207,025 | $ 2,967,136 | $ 816,142 | $ 311,295 | $ 4,094,573 |

**NORTH TEXAS PERFORMING ARTS**

Statement of Cash Flows

Year Ended September 30, 2022

| | | |
|---|---|---|
| **Cash Flows from Operating Activities:** | | |
| Change in net assets | $ | 20,095 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | | |
| Depreciation and amortization | | 139,180 |
| PPP loan forgiveness | | (240,527) |
| (Increase) decrease in | | |
| Accounts receivable | | (7,811) |
| Contributions receivable | | 9,240 |
| Prepaid expenses | | 89,451 |
| Security deposit | | 8,250 |
| Increase (decrease) in | | |
| Accounts payable and accrued expenses | | 14,429 |
| Deferred program fees | | 78,470 |
| Deferred event revenue | | (33,860) |
| Deferred lease incentive | | (8,500) |
| Deferred rent | | (52,075) |
| Net cash provided by operating activities | | 16,342 |
| **Cash Flows from Investing Activities:** | | |
| Purchase of property and equipment | | (29,882) |
| Net cash used by investing activities | | (29,882) |
| **Cash Flows from Financing Activities:** | | |
| Payments on long-term debt | | (2,944) |
| Net cash used by financing activities | | (2,944) |
| Net decrease in cash and cash equivalents | | (16,484) |
| Cash and cash equivalents at beginning of year | | 628,739 |
| Cash and cash equivalents at end of year | $ | 612,255 |
| **Supplemental Disclosure:** | | |
| Cash paid for interest | $ | 3,466 |

See accompanying notes and independent auditor's report.

## NOTE 1 – BACKGROUND

North Texas Performing Arts (the "Organization" formerly known as Plano Children's Theatre) 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, Starcatchers, and Repertory Theatre.

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. Starcatchers provides children and adults who have special needs with opportunities to shine through drama, music, dance, and visual art, and the Repertory Theatre provides theatrical experiences for adult actors.

## NOTE 2 –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Accounting**
The financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America ("GAAP").

**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, 2022.

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 statement of activities and changes in net assets 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**
Management uses estimates and assumptions in preparing the financial statements that affect the reported amount of assets, liabilities, and disclosures of contingencies at the date of the financial statements. Such estimates and assumptions also affect the reported amounts of revenues and expenses recognized during the reporting period. Actual results could differ materially from those estimates.

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

## NOTE 2 –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

**Program and Services Receivable and Revenue Recognition**
The Organization's revenues are derived primarily from tuition, ticket sales, and contributions.

Contributions are recognized when the donor makes an unconditional pledge to the Organization. Contributions that are restricted by the donor, for either purpose or time, are reported as increases in net assets without donor restrictions if the restrictions are satisfied 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. When a restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions.

The Organization uses the direct write off method to determine pledges and accounts receivable which are potentially uncollectible. The write off method is based on prior years' experience and management's analysis of the collectability of specific amounts due to the Organization. No allowance for doubtful accounts is necessary for accounts receivable or the pledge receivable.

The revenue recognition policies are derived from evaluating the Organization's contracts through the following five-step process:

- Identification of the contract with the customer
- Identification of the performance obligation(s) in the contract
- Determine the transaction price
- Allocation of the transaction price to the performance obligation in the contract
- Recognition of revenue when, or as, the Organization satisfies its performance obligations

Performance obligations are a promise in a contract to provide a distinct product or service to a customer. A contract's transaction price is allocated to each distinct performance obligation within the contract. 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. The Organization's contracts have a single performance obligation in any instances where multiple obligations may exist, due to the short duration of the arrangement, or the insignificance of certain performance obligations, in substantially all instances, it is not necessary to allocate the transaction price to the distinct performance obligations as the allocation would not result in a different accounting outcome.

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 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.

## NOTE 2 –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

**Program and Services Receivable and Revenue Recognition– Continued**

The Organization's primary programs and services include the following:

***Tuition and fees*** – These represent earned income for youth theatre productions and the academy, aside from ticket sales. Payments consist of fixed fees which are due in advance unless a payment plan is agreed upon. The Organization advertises that any paid tuition and fees are non-refundable, but they are transferrable if a student must drop a program or if it gets canceled. Performance obligations are generally met throughout each production, class, or semester, which last no more than several months.

***Tickets, concessions, and other sales*** – Payments consist of fixed fees and are due in advance. The Organization advertises that ticket sales are non-refundable, but they are transferrable to a different show. Performance obligations are met at the time of each performance.

***AMP events, net*** – This represents ticket sales to the annual AMP award event. Payments consist of fixed fees due in advance, and the Organization advertises that ticket sales are non-refundable. Performance obligations are met at the time of each event.

***Theatre rentals*** – This represents income on short-term subleases of its theatre space, and payments consist of fixed fees. Performance obligations are met at the time of the sublessee's event.

***Membership*** - This is offered to individuals with specific benefits attributable to such 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.

**Contributions Receivable and 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 substantially 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.

## NOTE 2 –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

**Property and Equipment**

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 |

**Long-lived Assets**

Long-lived assets held and used by the Organization are reviewed for impairment whenever events or changes in circumstances indicate that their net book value may not be recoverable. When such factors and circumstances exist, the Organization compares the projected undiscounted future cash flows associated with the related asset or group of assets over their estimated useful lives against their respective carrying amounts. Impairment, if any, is based on the excess of the carrying amount over the fair value of the assets and is recorded in the period in which the determination was made. No indicators of impairment existed on September 30, 2022.

**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 release, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets 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.

## NOTE 2 –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

### Functional Allocation of Expenses

The costs of program and supporting activities have been summarized on a functional basis in the statement of activities. 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 approximately $78,000 in advertising expenses during the year ended September 30, 2022.

### Accounting Pronouncements

In September 2020, the FASB issued ASU 2020-07, **Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets**, to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations through enhancements to presentation and disclosure. ASU 2020-07 was issued to address certain stakeholders' concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by not-for-profits, as well as the amount of those contributions used in an entity's programs and other activities. The ASU is effective for fiscal years beginning after June 15, 2021. During the Organization's fiscal year ended September 30, 2022, this ASU was implemented with no material impact to the financial statements.

In February 2016, the FASB issued ASU 2016-02, **Leases (Topic 842)**. This ASU requires a lessee to recognize on its balance sheet a right-of-use asset and a lease liability for all long-term leases. For private companies and not-for-profit entities, the ASU is effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. the Organization has elected not to early adopt this ASU as of September 30, 2022. Implementation will be required for the Organization's fiscal year ended September 30, 2023. The Organization does not expect this ASU to have a material impact on its financial statements.

## NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Organization's financial assets which are available within one year at September 30, 2022, 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 | $ 612,255 |
| Accounts receivable | 75,849 |
| Contributions receivable | 64,675 |
| | 752,779 |
| Less amounts unavailable for general expenditures within one year: | |
| Donor-restricted | 18,227 |
| Board-designated | 21,613 |
| Cash restricted or designated for long-term purposes | 40,320 |
| Total financial assets available to meet cash needs for general expenditures within one year | $ 672,619 |

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, or release the board-designated rainy-day fund of $21,613.

## NOTE 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, 2022:

| | |
|---|---|
| Cash and cash equivalents | $ 571,935 |
| Cash restricted for long-term purposes | 40,320 |
| | $ 612,255 |

Cash restricted for long-term purposes consist of $15,076 to function as an endowment and $25,244 as a rainy-day fund. The Organization has set up the endowment; accordingly, the development of spending and investing policies were approved by the Board of Directors in August of 2022.

## NOTE 5 – RECEIVABLES

As of September 30, 2022, all accounts and contributions receivable were due within one year, and no discount was considered to be significant.

## NOTE 6 – PROPERTY AND EQUIPMENT

All property and equipment are used for operating purposes and consist of the following at September 30, 2022:

| | | |
|---|---|---|
| Leasehold improvements | $ | 1,155,684 |
| Theatre, sound, music, and lighting equipment | | 126,471 |
| Signage and website | | 30,023 |
| Office furniture and equipment | | 71,592 |
| | | 1,383,770 |
| Less: accumulated depreciation and amortization | | (635,241) |
| | $ | 748,529 |

See Note 8 for discussion on property and equipment subject to a lien. Current year depreciation and amortization expense is $139,180.

## NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS AND BOARD DESIGNATED

Net assets with donor restrictions at September 30, 2022, consisted of $18,227 restricted to be invested in an endowment, the earnings of which are to be used to support creating performing and technical theatre opportunities at the Organization for underprivileged children and teens.

Net assets without donor restrictions at September 30, 2022, included $21,613 which are designated by the board to function as a rain-day reserve.

## NOTE 8 – NOTES PAYABLE

Notes payable consisted of the following as of September 30, 2022:

| | | |
|---|---|---|
| Economic Injury Disaster Loan ("EIDL") from the U.S. Small Business Administration, secured by all of the Organization's tangible personal property, requiring monthly payments of $641 of principal and interest at 2.75% through maturity on July 1, 2050. Payable upon demand in certain circumstances. | $ | 149,619 |
| Line of credit from a bank for up to $300,000, secured by all assets, requiring monthly interest payments at 4.25%, with a final payment of principal and interest due upon maturity in January 2023. Subsequent to year-end, this line of credit was renewed to mature in January 2024 with interest at the Wall Street Journal Prime Rate plus 1%. | | - |
| | | 149,619 |
| Less: current portion | | (3,640) |
| | $ | 145,979 |

## NOTE 8 – NOTES PAYABLE - CONTINUED

Maturities for each of the subsequent five years and thereafter as of September 30, 2022, for the debt outstanding are as follows:

| | | |
|---|---|---|
| 2023 | $ | 3,640 |
| 2024 | | 3,741 |
| 2025 | | 3,845 |
| 2026 | | 3,952 |
| 2027 | | 4,062 |
| Thereafter | | 130,379 |
| | $ | 149,619 |

Interest of $3,466 was incurred and expensed during the year ended September 30, 2022.

## NOTE 9 – LEASE COMMITMENTS

The Organization entered into operating lease agreements for office and performance space and for a high-end copier. The Fairview location is leased until December 2026, with a renewal option for an additional four years. The Frisco rehearsal location is leased until November 2023 and has two options to renew for additional terms of five years each. The Plano location is leased until October 2027 and included a cash incentive for leasehold improvements, recorded as a deferred lease incentive with a remaining balance of $42,500 at September 30, 2022. The Dallas location is leased until February 2025. The copier is leased until August 2023. The Organization recognized rental expenses of $465,749 during the year ended September 30, 2022.

Future minimum lease payments consisted of the following at September 30, 2022:

| | | |
|---|---|---|
| 2023 | $ | 467,218 |
| 2024 | | 416,604 |
| 2025 | | 306,063 |
| 2026 | | 245,330 |
| 2027 | | 179,617 |
| Thereafter | | 13,048 |
| | $ | 1,627,880 |

## NOTE 10 – IN-KIND DONATIONS

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

| Contribution | | Amount | Purpose |
|---|---|---|---|
| Volunteer chief executive officer | $ | 125,000 | Admin/program |
| Accounting services | | 10,000 | Administrative |
| | $ | 135,000 | |

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 under GAAP are not met.

## NOTE 11 – RELATED PARTY TRANSACTIONS

During the year ended September 30, 2022, board members donated approximately $30,000 to the Organization.

## NOTE 12 – CONCENTRATIONS

The Organization maintains cash, cash equivalents, and restricted cash in bank accounts which, at times, may exceed federally insured limits. As of September 30, 2022, the Organization had uninsured deposits of approximately $219,000. 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.

## NOTE 13 - IMPACT OF COVID-19 AND THE PAYCHECK PROTECTION PROGRAM

During the spring of 2020 and into 2021, a worldwide pandemic related to COVID-19 caused significant disruption to the entire U.S. economy due to various shut down and shelter in place requirements, as well as significant changes to activities as driven by federal, state and local regulations. The Organization was negatively impacted by the pandemic but sustained limited operations. Additionally, events were cancelled or limited during the pandemic. During 2022, normal operations resumed.

The Organization obtained $240,527 from the federal government's payroll protection program ("PPP"). In January 2022, the entire balance of the PPP loan was forgiven by the federal government. The amount forgiven is shown as PPP loan forgiveness revenue on the statement of activities and changes in net assets for the year ended December 31, 2022.

## NOTE 14 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 31, 2023. This is the date on which the financial statements were available to be issued.

During the last quarter of fiscal year 2022, NTPA applied to the IRS for the Employee Retention Tax Credit ("ERTC"). This credit was created under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act, as modified by the Consolidated Appropriations Act of 2021 and the American Rescue Plan Act of 2021. The ERTC provides a refundable tax credit against certain employment taxes of up to $5,000 per employee. For the calendar year ended December 31, 2021, the ERTC provided a refundable tax credit against certain employment taxes of up to $7,000 per employee for each of the first three quarters of 2021.

It was determined NTPA was eligible for total tax credits of $366,955 through the ERTC for the quarters ending March 31, 2021, and June 30, 2021. Because all conditions associated with ERTC eligibility have been met, NTPA will recognize the total amount of $366,955 as revenue in the statement of activities and changes in net assets for the year ended September 30, 2023. NTPA is accounting for the credits as a conditional contribution under ASC 958-605.