

AMERICAN ASSOCIATION OF COMMUNITY THEATRE

Financial Statements

For the Year Ended August 31, 2020

Charles O. Paul

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
American Association of Community Theatre

We have audited the accompanying financial statements of American Association of Community Theatre (the Association), which comprise the statement of financial position as of August 31, 2020, and the related statements of activities and cash flows and functional expenses 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 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 American Association of Community Theatre as of August 31, 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.

Report on Summarized Comparative Information

We have previously audited the American Association of Community Theatre's 2019 financial statements, and our report dated July 9, 2020, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.



CHARLES O. PAUL, CPA
North Richland Hills, Texas
June 17, 2021

AMERICAN ASSOCIATION OF COMMUNITY THEATRE
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2020
WITH COMPARATIVE SUMMARIZED INFORMATION AT
AUGUST 31, 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 716,274	\$ 663,125
Certificates of deposit	96,357	94,503
Pledges receivable	16,497	22,392
Accounts receivable	11,879	12,644
Inventory	273	524
Prepaid expense	600	3,587
TOTAL CURRENT ASSETS	<u>841,880</u>	<u>796,775</u>
 PROPERTY AND EQUIPMENT, NET	 2,290	 4,258
 OTHER ASSETS		
Website, net of accumulated amortization of \$40,855	-	5,958
Security deposit	-	400
 RESTRICTED ASSETS		
Restricted cash	73,799	85,924
Restricted long-term investments	452,391	374,135
	<u>526,190</u>	<u>460,059</u>
 TOTAL ASSETS	 <u><u>\$ 1,370,360</u></u>	 <u><u>\$ 1,267,450</u></u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Paycheck Protection Program note payable	\$ 47,460	\$ -
Accounts payable	43,188	68,201
Deferred revenue	215,042	301,442
TOTAL CURRENT LIABILITIES	<u>305,690</u>	<u>369,643</u>
 NET ASSETS		
Without donor restrictions	513,982	415,356
With donor restrictions	550,688	482,451
TOTAL NET ASSETS	<u>1,064,670</u>	<u>897,807</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 1,370,360</u></u>	 <u><u>\$ 1,267,450</u></u>

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

AMERICAN ASSOCIATION OF COMMUNITY THEATRE
STATEMENTS OF ACTIVITIES
YEAR ENDED AUGUST 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Memberships	\$ 296,045	\$ -	\$ 296,045
Advertising - Spotlight	109,322	-	109,322
Corporate partners	25,750	-	25,750
Contributions and support	35,394	38,500	73,894
Education	18,719	-	18,719
ASCAP	47,308	-	47,308
Mailing list rental	4,434	-	4,434
Interest and dividends	2,250	8,870	11,120
New Play Fest	15,525	-	15,525
Other	2,106	(44)	2,062
Publications	682	-	682
Net realized and unrealized gains and losses on investments	-	47,496	47,496
Net assets released from restrictions	26,585	(26,585)	-
Total support and revenue	<u>584,120</u>	<u>68,237</u>	<u>652,357</u>
EXPENSES			
Program services	335,784	-	335,784
General and administrative	149,710	-	149,710
	<u>485,494</u>	<u>-</u>	<u>485,494</u>
CHANGE IN NET ASSETS	98,626	68,237	166,863
NET ASSETS - Beginning of Year	<u>415,356</u>	<u>482,451</u>	<u>897,807</u>
NET ASSETS - End of Year	<u>\$ 513,982</u>	<u>\$ 550,688</u>	<u>\$ 1,064,670</u>

The notes to financial statements are an integral part of this statement.

AMERICAN ASSOCIATION OF COMMUNITY THEATRE
STATEMENTS OF ACTIVITIES
YEAR ENDED AUGUST 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Memberships	\$ 294,765	\$ -	\$ 294,765
Advertising - Spotlight	80,697	-	80,697
Corporate partners	25,258	-	25,258
Contributions and support	17,514	61,910	79,424
Education	29,255	-	29,255
ASCAP	48,669	-	48,669
Mailing list rental	7,503	-	7,503
Interest and dividends	1,039	4,619	5,658
Festival income	136,733	24,400	161,133
Other	5,443	-	5,443
Publications	1,274	-	1,274
Net realized and unrealized gains and losses on investments	-	(2,362)	(2,362)
Net assets released from restrictions	92,795	(92,795)	-
Total support and revenue	<u>740,945</u>	<u>(4,228)</u>	<u>736,717</u>
EXPENSES			
Program services	554,734	-	554,734
General and administrative	178,306	-	178,306
	<u>733,040</u>	<u>-</u>	<u>733,040</u>
CHANGE IN NET ASSETS	7,905	(4,228)	3,677
NET ASSETS - Beginning of Year	<u>407,451</u>	<u>486,679</u>	<u>894,130</u>
NET ASSETS - End of Year	<u>\$ 415,356</u>	<u>\$ 482,451</u>	<u>\$ 897,807</u>

The notes to financial statements are an integral part of this statement.

AMERICAN ASSOCIATION OF COMMUNITY THEATRE
STATEMENTS OF CASH FLOWS
YEAR ENDED AUGUST 31, 2020
WITH COMPARATIVE SUMMARIZED INFORMATION FOR THE
YEAR ENDED AUGUST 31, 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 166,863	\$ 3,677
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	2,368	1,453
Amortization	5,958	10,214
Net realized and unrealized (gains) and losses on investments	(47,496)	2,362
Change in operating assets and liabilities		
Pledges receivable	5,895	10,920
Accounts receivable	765	(4,572)
Prepaid expenses	2,987	17,478
Inventory	251	955
Accounts payable	(25,013)	2,712
Deferred revenue	(86,400)	3,635
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>26,178</u>	<u>48,834</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Equipment purchase	-	(2,721)
Purchase of certificate of deposit	(1,854)	-
Sale (Purchase) of investments	(30,760)	13,329
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(32,614)</u>	<u>10,608</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in PPP Loan	47,460	-
Change in cash restricted to endowment	12,125	(22,383)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>59,585</u>	<u>(22,383)</u>
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	53,149	37,059
CASH & CASH EQUIVALENTS - Beginning of year	<u>663,125</u>	<u>626,066</u>
CASH & CASH EQUIVALENTS - End of year	<u><u>\$ 716,274</u></u>	<u><u>\$ 663,125</u></u>
SUPPLEMENTAL CASH FLOW SCHEDULE:		
Interest received	\$ 2,250	\$ 1,755

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

AMERICAN ASSOCIATION OF COMMUNITY THEATRE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2020

	Program Services	General and Administrative	Total
Salaries and wages	\$ 135,799	\$ 55,959	\$ 191,758
Payroll taxes	10,389	4,281	14,670
Employee benefits	-	46,934	46,934
Total personnel costs	146,188	107,174	253,362
Printing	44,737	-	44,737
Postage	1,818	3,601	5,419
Marketing and promotion	4,370	-	4,370
Contract labor	45,007	-	45,007
Materials and supplies	-	5,374	5,374
Travel	10,831	-	10,831
Telephone and conference calls	-	4,440	4,440
Insurance	-	3,735	3,735
Accounting	-	7,834	7,834
Dues	612	-	612
Office rent	-	1,037	1,037
Merchant service fees	-	7,285	7,285
Miscellaneous	-	836	836
Software	-	1,511	1,511
Advocacy	1,679	-	1,679
Meetings	-	828	828
Website	31,924	-	31,924
Website amortization	5,958	-	5,958
Worldfest	4,000	-	4,000
Cost of books sold	251	-	251
Education	16,497	-	16,497
Festival	710	-	710
New play fest	5,202	-	5,202
JK Ayre distributions	16,000	-	16,000
Endowment distributions	-	-	-
Endowment management fee	-	3,687	3,687
	335,784	147,342	483,126
Depreciation	-	2,368	2,368
	<u>\$ 335,784</u>	<u>\$ 149,710</u>	<u>\$ 485,494</u>

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

AMERICAN ASSOCIATION OF COMMUNITY THEATRE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2019

	Program Services	General and Administrative	Total
Salaries and wages	\$ 160,037	\$ 70,158	\$ 230,195
Payroll taxes	12,363	5,050	17,413
Employee benefits	-	27,685	27,685
Total personnel costs	172,400	102,893	275,293
Printing	38,300	519	38,819
Postage	11,073	6,889	17,962
Regional representative	3,469	-	3,469
Marketing and promotion	6,904	-	6,904
Contract labor	37,294	-	37,294
Materials and supplies	-	10,829	10,829
Travel	13,884	5,671	19,555
Telephone and conference calls	-	1,398	1,398
Insurance	-	2,934	2,934
Accounting	-	6,628	6,628
Dues	409	-	409
Office rent	-	12,445	12,445
Merchant service fees	-	7,259	7,259
Internet	-	1,325	1,325
Miscellaneous	-	10,534	10,534
Software	-	1,693	1,693
Advocacy	2,012	-	2,012
Meetings	-	4,173	4,173
Website	34,009	-	34,009
Website amortization	10,214	-	10,214
Awards	2,370	-	2,370
AACT Fest	11,103	-	11,103
Cost of books sold	955	-	955
Education	23,484	-	23,484
Festival	98,653	-	98,653
New play fest	3,381	-	3,381
JK Ayre distributions	52,000	-	52,000
Endowment distributions	32,820	-	32,820
Endowment management fee	-	1,663	1,663
	554,734	176,853	731,587
Depreciation	-	1,453	1,453
	\$ 554,734	\$ 178,306	\$ 733,040

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

AMERICAN ASSOCIATION OF COMMUNITY THEATRE
Notes to Financial Statements

NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The American Association of Community Theatre (the "Association") was incorporated in 1986 in the State of Illinois under the General Not For Profit Act for the purpose of fostering and encouraging the development of excellence in community theatre throughout the United States.

Basis of Presentation

In accordance with FASB Accounting Standards Codification Section 958, the Association is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Net assets without donor restrictions are free of donor-imposed restrictions; all revenues, expenses, gains and losses that are not changes in temporarily or permanently restricted net assets are reported in this category.

Net assets with donor restrictions include gifts with donor-imposed restrictions that permit the donee organization to use up or expend as specified and is satisfied either by the passage of time or by actions of the Association and includes gifts with donor-imposed restrictions that stipulate that resources be maintained permanently but permit the Association to use up or expend part or all of the income (or other economic benefits) derived from the donated assets.

New Accounting Pronouncements

The FASB has issued accounting pronouncements that refine accounting for Not For Profit organizations and require the capitalization of long-term leases. It is the opinion of management that the pronouncement will have an immaterial impact upon the presentation of the financial statements of the Association.

Subsequent Events

As required by FASB Accounting Standards Codification Section 855, the Association values subsequent events for disclosure through the date that the financials are made available for issue. The date that the financial statements were made available for issue was June 17, 2021. As of that date, no significant subsequent events were known to exist that would materially affect the financial statements.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents consist of all highly liquid investments with an original maturity of three months or less when purchased.

AMERICAN ASSOCIATION OF COMMUNITY THEATRE
Notes to Financial Statements

NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restrictions on Revenue and Support

The Association accounts for contributions in accordance with the requirements of FASB Accounting Standards Codification Section 958. In accordance with those standards, contributions received are considered to be support without donor restrictions, unless explicit donor stipulations specify a use for the funds, and are recognized in the period received. When donors stipulate specific uses for their contributions, they are considered to be support with donor restrictions in the period received. When donors' stipulations are met, 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.

Pledges Receivable

Unconditional promises to give are recorded as pledges receivable and contribution revenue when received. All pledges are recorded at their fair value and due within a range of one to five years at the time of pledge. No allowance for uncollectible pledges has been recorded as all pledges were deemed collectible by management at August 31, 2020.

Accounts Receivable

Accounts receivable are stated at an amount management expects to collect from outstanding balances. The Association considers accounts receivable to be fully collectible; accordingly, no allowance has been recorded. If amounts become uncollectible, they will be charged to operations when that determination is made.

Donated Services

The Association recognizes the value of contributed services at estimated market value when meeting the criteria as set forth in FASB Accounting Standards Codification Section 958. These criteria include services that create or enhance non-financial assets or require specialized skills and would typically need to be purchased if not provided by donation. A significant amount of volunteer services received by the Association is currently not recognized in these financial statements as these services do not meet the criteria for recognition under FASB Accounting Standards Codification Section 958.

Inventory

Inventory consists of publications held for sale and is carried at the lower of cost or market value.

Deferred Revenue

Deferred revenue represents annual member dues collected for the next membership year, deferred advertising income and deferred program fees.

AMERICAN ASSOCIATION OF COMMUNITY THEATRE
Notes to Financial Statements

NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Investments

Investments are initially recorded at cost for purchased investments and fair value for contributed investments. Investments are presented in the financial statements at fair value. Unrealized and realized gains and losses are included in the statement of activities.

Property and Equipment

The Association capitalizes all property and equipment acquired over \$1,000 and that has a useful life over one year. Capitalized property and equipment are recorded at cost, while property contributed is recorded at its fair value on the date of contribution. Expenditures for maintenance and repair which do not extend the life of the applicable assets are charged to expense as incurred. Assets are being depreciated over estimated useful lives of three to five years using a straight-line method.

Use of Estimates

In preparing the financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect (1) the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements; and (2) revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Association is exempt from Federal income taxes under Section 501(c) 3 of the Internal Revenue Code. Net income from publication advertising is subject to taxation as unrelated business income.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Website

The Association's website is being amortized over its expected life of sixty months.

Comparative Prior Year Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended August 31, 2019 from which the summarized information was derived.

AMERICAN ASSOCIATION OF COMMUNITY THEATRE
Notes to Financial Statements

NOTE B — FAIR VALUES OF FINANCIAL INSTRUMENTS

In accordance with FASB Accounting Standards Codification Section 820, the Association classifies its financial assets and liabilities into Level 1, which refers to assets and liabilities with quoted prices in an active market; Level 2, which refers to assets and liabilities not traded on an open market but for which other observable inputs are available; and Level 3, which refers to assets and liabilities not traded in active markets which require significant unobservable inputs to value. Currently, all of the Association's financial assets and liabilities are classified as Level 1.

Fair value for cash, cash equivalents, and accounts receivable approximate carrying value due to the short maturities of the instruments.

NOTE C -- ENDOWMENT

Effective June 1994, the Community Theatre Foundation was dissolved and the remaining net assets were contributed to the Association as an Endowment. The related net assets are temporarily restricted for the purpose of the Endowment, which is to provide mission support, to assist theatres advancing to the national festival with related expenses and to assist theatres producing in the new works play festival.

Interpretation of State Law

The Association's endowment fund includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowment funds. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Association have interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring preservation of the fair value of the original gift as of the date of the donor-restricted endowment absent explicit donor stipulations to the contrary. As a result of this interpretation, the Association classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment; and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowment funds is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

AMERICAN ASSOCIATION OF COMMUNITY THEATRE
Notes to Financial Statements

NOTE C – ENDOWMENT (Continued)

- 1) Duration and preservation of the fund.
- 2) Purposes of the Association and the fund
- 3) General economic conditions
- 4) Possible effect of inflation and deflation
- 5) Expected total return from investment income and appreciation or depreciation of investments
- 6) Other resources of the Association
- 7) Investment policies of the Association

The Association currently has no permanently restricted endowment funds.

Investment Policy

Under the Association's investment policy, endowment assets are invested in a manner that is intended to preserve inflation adjusted values and provide annual budgetary support that is both stable and growing.

To satisfy its long-term rate of return objectives, the Association relies on a total return strategy in which investment returns are achieved through both a current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The Association targets a diversified asset allocation to achieve these goals.

NOTE D – PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of August 31, 2020:

	<u>2020</u>
Office and computer equipment	\$17,966
Accumulated depreciation	<u>15,676</u>
	<u>\$ 2,290</u>

NOTE E – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at August 31, 2020:

Mission	\$ 87,027
Festival	455,661
JK Ayre Theatre Awards	<u>8,000</u>
Assets accumulated by Endowment as described in Note C:	<u>\$550,688</u>

AMERICAN ASSOCIATION OF COMMUNITY THEATRE
Notes to Financial Statements

NOTE E – TEMPORARILY RESTRICTED NET ASSETS (Continued)

Changes in the Temporarily Restricted Net Assets during the year ended August 31, 2020 are as follows:

Balance, August 31, 2019	\$482,451
Contributions	38,500
Investment income	8,870
Other	(44)
Net appreciation	47,496
Distributions	(22,898)
Management fees and expenses	<u>(3,687)</u>
Balance, August 31, 2020	<u>\$550,688</u>

NOTE F – LONG-TERM INVESTMENTS

Long-term investments consisted of the following as of August 31, 2020:

EQUITY SECUTITIES	COST	FAIR VALUE
August 31, 2020	\$ 235,250	\$ 452,391

NOTE G — CONCENTRATION OF CREDIT RISK

The Association's financial instruments that are exposed to concentration of credit risk consist primarily of cash and cash equivalents. At times, cash and cash equivalents may exceed FDIC limits. At August 31, 2020, there was \$407,631 in uninsured balances.

AACT also maintains cash in a money market fund and holds securities with an investment company which is not insured by the FDIC. At August 31, 2020, these balances totaled \$504,823.

NOTE H – EMPLOYEE BENEFIT PLAN

The Association adopted a 401 (k) plan for its employees which became effective in June 2015. The plan covers all full-time employees after a three month wait period. The plan provides for a 4% elective deferral from the employees with a 100% matching contribution by the Association. The plan allows for annual discretionary contributions to be made by the Association. Total retirement expense incurred by the Association for the year ended August 31, 2020 was \$9,911.

AMERICAN ASSOCIATION OF COMMUNITY THEATRE
Notes to Financial Statements

NOTE I – PAYCHECK PROTECTION PROGRAM NOTE PAYABLE

The Association received a loan from BBVA in the amount of \$47,460. The loan is under the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The loan is subject to a note dated May 4, 2020 and may be forgiven to the extent proceeds of the loan are used for eligible expenditures such as payroll and other expenses described in the CARES Act. Application for forgiveness of this loan has been made and is pending approval. The loan bears interest at a rate of 1% and is payable in monthly installments of principal and interest over 24 months beginning 6 months from the date of the note. The loan may be repaid at any time with no prepayment penalty. The loan was forgiven in April 2021 and will be recognized in the Statement of Activities in the year ended August 31, 2021.

NOTE J – UNCERTAINTY

In March 2020, the World Health Organization recognized the novel strain of coronavirus, COVID-19, as a pandemic. The coronavirus outbreak has severely restricted the level of economic activity worldwide. Given the level of uncertainty of the spread of the coronavirus, the long-term related financial impact to the Association, if any, cannot be determined at this time.