The Children's Theatre of Cincinnati

Financial Statements

Year Ended May 31, 2019

With Independent Auditors' Report

KPC CPA & Advisors Ltd.

Quality Every Time

The Children's Theatre of Cincinnati

Financial Statements

Year Ended May 31, 2019

With Independent Auditors' Report

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Independent Auditors' Report

To the Board of Trustees of
The Children's Theatre of Cincinnati
Cincinnati, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of The Children's Theatre of Cincinnati (a nonprofit organization), which comprise the statement of financial position as of May 31, 2019, and the related statements of activities and cash flows for the year then ended, and the related notes to 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.

Auditors' 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 auditors' 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 The Children's Theatre of Cincinnati as of May 31, 2019, 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.

KPC CPA + Advisors Ltd.

October 30, 2019

The Children's Theatre of Cincinnati
Statement of Financial Position
May 31, 2019

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Assets			
Current Assets			
Cash and cash equivalents	$ 487,287	$ 82,356	$ 569,643
Pledges, grants, and other receivables	161,900	8,400	170,300
Prepaid expenses and other assets	101,949	-	101,949
Total Current Assets	751,136	90,756	841,892
Noncurrent Assets			
Investments	4,966,898	1,923,599	6,890,497
Property and equipment, net	5,808,600	-	5,808,600
Intangible assets	8,000	-	8,000
Deposits	2,500	-	2,500
Total Noncurrent Assets	10,785,998	1,923,599	12,709,597
Total Assets	**$ 11,537,134**	**$ 2,014,355**	**$ 13,551,489**
Liabilities and Net Assets			
Current Liabilities			
Accounts payable and accrued expenses	$ 212,954	$ -	$ 212,954
Current portion of note payable	152,958	-	152,958
Deferred revenue	377,744	-	377,744
Total Current Liabilities	743,656	-	743,656
Long-Term Liabilities			
Note payable, net of current portion	1,582,603	-	1,582,603
Total Long-Term Liabilities	1,582,603	-	1,582,603
Total Liabilities	2,326,259	-	2,326,259
Net Assets			
Net assets without donor restrictions	9,210,875	-	9,210,875
Net assets with donor restrictions	-	2,014,355	2,014,355
Total Net Assets	9,210,875	2,014,355	11,225,230
Total Liabilities and Net Assets	**$ 11,537,134**	**$ 2,014,355**	**$ 13,551,489**

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

The Children's Theatre of Cincinnati
Statement of Activities
Year Ended May 31, 2019

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Support and Revenue			
Performance income	$ 1,319,604	$ -	$ 1,319,604
Academy income	383,534	-	383,534
Contributions, grants, and sponsorships	1,083,129	210,610	1,293,740
Event income, net of expenses	32,171	-	32,171
Investment earnings (losses), net	(56,480)	(10,927)	(67,407)
Other revenues	40,022	-	40,022
In-kind contributions	288,889	-	288,889
Net assets released from restrictions	340,593	(340,593)	-
Total Support and Revenue	**3,431,462**	**(140,910)**	**3,290,552**
Expenses			
Program			
TCT MainStage	2,554,430	-	2,554,430
TCT Academy	286,908	-	286,908
TCT on Tour	384,562	-	384,562
Summer Camps and Other Programs	257,538	-	257,538
Total Program Expenses	3,483,438	-	3,483,438
Support Services			
Management and general	489,936	-	489,936
Fundraising	212,887	-	212,887
Total Support Services Expenses	702,823	-	702,823
Total Expenses	**4,186,261**	**-**	**4,186,261**
Change in Net Assets	**(754,799)**	**(140,910)**	**(895,709)**
Net Assets—Beginning of Year	**9,965,674**	**2,155,265**	**12,120,939**
Net Assets—End of Year	**$ 9,210,875**	**$ 2,014,355**	**$ 11,225,230**

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

The Children's Theatre of Cincinnati
Statement of Cash Flows
Year Ended May 31, 2019

Cash Flows from Operating Activities:	
Change in net assets	$ (895,709)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	297,073
Net realized (gains) losses on investments	(54,226)
Net unrealized (gains) losses on investments	509,411
Changes in operating assets and liabilities:	
(Increase) decrease in pledges, grants, and other receivables	116,493
(Increase) decrease in prepaid expenses and other assets	9,122
Increase (decrease) in accounts payable and accrued expenses	109,926
Increase (decrease) in deferred revenue	(83,943)
Net Cash Provided (Used) by Operating Activities	**8,147**
Cash Flows from Investing Activities:	
Purchases of property and equipment	(71,974)
Proceeds from sale of investments	620,913
Purchases of investments	(549,658)
Net Cash Provided (Used) by Investing Activities	**(719)**
Cash Flows from Financing Activities:	
Principal payments on note	(152,958)
Net Cash Provided (Used) by Financing Activities	**(152,958)**
Net Increase (Decrease) in Cash and Cash Equivalents	**(145,530)**
Cash and Cash Equivalents—Beginning of Year	**715,173**
Cash and Cash Equivalents—End of Year	**$ 569,643**
Supplemental Cash Flow Disclosures:	
Cash paid for interest	$ 69,503

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

1. Organization and Nature of Activities

The Children's Theatre of Cincinnati (the Organization), is a 501(c)(3) organization based in Cincinnati, Ohio. The Organization's mission is to educate, entertain, and engage audiences of all ages through professional theatrical productions and arts education programming. The Children's Theatre of Cincinnati was incorporated under the laws of the state of Ohio in 1948 as a nonstock, nonprofit corporation.

The Children's Theatre of Cincinnati is an educational and performance-based organization. Performance income, academy income, contributions, grants, sponsorships, and in-kind contributions represent the majority of support and revenue received by the organization. Other support and revenue sources include; but are not limited to the following: event income and miscellaneous revenues. The Children's Theatre of Cincinnati conducts its operations primarily in the Greater Cincinnati area and, therefore, is subject to risks from changes in local economic conditions. A downturn in the local economy could cause a decrease in support and revenue.

The Children's Theatre of Cincinnati's vision is to awaken a lifelong love of theatre in children and the young at heart. Today, the Organization brings art to life for audiences through three key programs: TCT MainStage at the Taft Theatre (TCT MainStage); TCT Academy; and TCT on Tour, including WorkShops (TCT on Tour).

2. Summary of Significant Accounting Policies

The following is a summary of certain significant accounting policies followed in the preparation of the accompanying financial statements. They are presented to assist the reader in understanding the financial statements. The financial statements and notes are representations of the Organization's management which is responsible for the integrity and objectivity of the financial statements. The accounting policies described in the notes conform to accounting principles generally accepted in the United States of America as contained in the Accounting Standards Codification (ASC) issued by the Financial Accounting Standards Board (FASB), and have been consistently applied in the preparation of the accompanying financial statements.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets without Donor Restrictions—These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program-related services and performing administrative functions.

Net Assets with Donor Restrictions—These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished, the net assets are restricted.

2. Summary of Significant Accounting Policies—Continued

Income Tax Status

The Organization is a nonprofit organization that is exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code; therefore, no provision for income taxes has been made in these financial statements. The Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi).

The most significant tax positions of the Organization are its assertion that it is exempt from income taxes and its determination of whether any amounts are subject to unrelated business tax (UBIT). The Organization follows the guidance of Accounting Standards Codification (ASC) 740, *Accounting for Income Taxes*, related to uncertain income taxes, which prescribes a threshold of more likely than not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. All significant tax positions have been considered by management. It has been determined that it is more likely than not that all tax positions would be sustained upon examination by taxing authorities. The Organization's Forms 990 and 990-T for form years 2015 through 2018 are open to examination by the Internal Revenue Service as of October 30, 2019.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. Management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

Concentration of Business Risk

The Organization received approximately 11% of its total support and revenue from a single donor for the year ended May 31, 2019. The loss of this funding could adversely impact the Organization. Management continually considers ways to diversify its revenue streams and has access to cash and investment balances should supplementary operating funds be required. Management believes the Organization will not be adversely affected by this concentration of business risk in the near term.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity date of less than three months to be cash equivalents.

2. Summary of Significant Accounting Policies—Continued

Concentration of Credit Risk

The Organization has cash in financial institutions that is insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 at each institution. At various times throughout the year, the Organization may have cash balances at financial institutions that exceed the insured amount. Management does not believe this concentration of cash results in a high level of risk for the Organization. At year end, May 31, 2019, the Organization had deposits in excess of FDIC limits of $85,508. Cash equivalents, other securities, and limited amounts of cash held in brokerage accounts are protected by the Securities Investor Protection Corporation (SIPC) in the event of broker-dealer failure, up to $500,000 of protection for each customer for all accounts at the same institution with a limit of $250,000 for claims of uninvested cash balances. The SIPC insurance does not protect against market losses on investments. At year end, May 31, 2019, the Organization had investment funds in excess of SIPC limits of $6,390,711.

Pledges, Grants, and Other Receivables

Accounts receivable consist of trade and other receivables granted on open account. Accounts receivable are considered past-due after the passage of thirty days from invoice date.

The Organization grants credit on open account to schools and various other patrons and corporations. The Organization has not experienced significant losses on its receivables and management believes the Organization is not exposed to significant adverse credit risk. An allowance for doubtful accounts is provided when significant risk exists that a receivable will not be collected. No such allowance was necessary as of May 31, 2019.

Pledges receivable, if any, represent unconditional promises to give and are recorded net of an allowance for estimated uncollectible accounts. Additionally, pledges to be collected in excess of one year are recorded net of an interest discount (time value of money).

Prepaid Expenses

Certain production expenditures for the upcoming season are reported as prepaid expenses in the accompanying financial statements. The expenses are recognized in the subsequent period when the related theatrical performances occur.

2. Summary of Significant Accounting Policies—Continued

Investments and Fair Value Measurements

Investments are reported at fair value.

Generally accepted accounting principles provide a framework for measuring fair value. That framework provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Assets and liabilities that are required to be recorded at fair value in the statement of financial position are categorized based on the inputs to valuation techniques as follows:

Level 1: These are assets and liabilities where values are based on unadjusted quoted prices for identical assets in an active market that the Organization has the ability to access. As of May 31, 2019, these assets include listed equity mutual funds and bond mutual funds.

Level 2: These are assets and liabilities where values are based on the following inputs:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices those are observable for the asset or liability.
- Inputs which are derived principally from or corroborated by observable market data by correlation or other means.

As of May 31, 2019, there are no *Level 2* assets or liabilities.

Level 3: These are assets and liabilities where inputs to the valuation methodology are unobservable and significant to the fair value measurement. As of May 31, 2019, there are no *Level 3* assets or liabilities.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Property and Equipment

Property and equipment are recorded at cost at the date of acquisition or at fair value at date of gift, if donated. Depreciation is provided on a straight-line basis over the estimated useful lives of the related assets. The Organization follows the policy of expensing its costs of new sets and props. Although the sets possibly may be re-used, it is uncertain which will be re-used and when re-use will occur. Production equipment used in more than one theatrical production is capitalized. The Organization has a capitalization limit of $500.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized as income or expense in the reporting period. The cost of maintenance and repairs is charged to expense as incurred. Significant improvements, betterments and major repairs are capitalized when they extend the related asset's useful life.

2. Summary of Significant Accounting Policies—Continued

Property and Equipment—Continued

In accordance with ASC 360, *Accounting for the Impairment and Disposal of Long-lived Assets*, the Organization assesses the recoverability of the carrying amount of property and equipment if certain events or changes occur, such as a significant decrease in market value of the assets or a significant change in operating conditions. An impairment assessment may be performed to assess future recoverability of asset net book values. No impairment losses were necessary in the accompanying financial statements.

Deferred Revenue

Deferred revenue represents ticket subscriptions and performance deposits collected in advance of the upcoming season as well as current year receipts for production sponsorships occurring in the subsequent fiscal year. The revenue is recognized in the reporting period when the related theatrical performance occurs, and the revenue is earned.

Contributions Received

The Organization reports gifts of cash and other assets at their estimated fair value as of the date of contribution. Such donations are recorded as support without donor restrictions unless explicit donor restrictions specify how the donated assets must be used. The Organization's policy is to report contributions received with donor restrictions whose restrictions are met in the same reporting period as support within net assets without donor restrictions. Gifts of long-lived assets with explicit donor restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor restrictions about how long these long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated assets are placed in service.

Conditional promises, such as matching grants are recognized as income only when they become unconditional, that is, when all conditions have been substantially met.

Donated Services

The Organization records donated services as revenues in the period received only if the services received create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased with cash if not provided by donation.

Advertising

The Organization expenses advertising costs as incurred. For the year ended May 31, 2019, advertising expense was $264,512.

2. Summary of Significant Accounting Policies—Continued

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Salaries are allocated based on the type of duties of the Organization's employees. Educational sales, box office, and marketing salaries are generally allocated to program expenses. Other expenses are charged directly to an expense category whenever possible.

The table below presents expenses by both their nature and their function for the year ended May 31, 2019.

	Program					Support		
	TCT MainStage	TCT Academy	TCT on Tour	Summer Camps and Other Programs	Programs Subtotal	Management and General	Fundraising	Total Expenses
Wages and benefits	$ 913,876	$ 188,144	$ 275,009	$ -	$ 1,377,026	$ 284,726	$ 138,291	$ 1,800,043
Production labor	424,609	18,537	20,627	74,869	538,642	-	-	538,642
Production costs	327,304	758	25,452	10,139	363,653	-	22	363,675
Depreciation	142,906	37,374	21,022	37,374	238,676	32,702	25,695	297,073
In-kind gifts	232,889	-	-	56,000	288,889	-	-	288,889
Occupancy	217,197	11,454	8,668	18,215	255,534	20,589	6,960	283,083
Marketing	187,886	21,137	19,115	30,694	258,832	-	3,965	262,797
Administrative	106,702	9,320	14,608	28,828	159,458	43,980	7,429	210,867
Professional fees	1,061	187	61	1,419	2,728	38,436	30,525	71,689
Interest expense	-	-	-	-	-	69,503	-	69,503
Total Expenses	$ 2,554,430	$ 286,908	$ 384,562	$ 257,538	$ 3,483,438	$ 489,936	$ 212,887	$ 4,186,261

New Accounting Pronouncement

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The Organization has adjusted the presentation of its financial statements accordingly. The new standard changes the following aspects of the Organization's financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called *net assets with donor restrictions*.
- The unrestricted net asset class has been renamed *net assets without donor restrictions*.
- The financial statements include a new disclosure about liquidity and availability of resources.

2. Summary of Significant Accounting Policies—Continued

New Accounting Pronouncement—Continued

The changes have the following effect on net assets at May 31, 2018:

Net Asset Class	As Originally Presented	After Adoption of ASU 2016-14
Unrestricted net assets	$ 9,965,674	
Temporarily restricted net assets	836,489	
Permanently restricted net assets	1,318,776	
Net assets without donor restrictions		$ 9,965,674
Net assets with donor restrictions		2,155,265
Total Net Assets	$ 12,120,939	$ 12,120,939

New Accounting Pronouncements Issued, Not Yet Effective

FASB has issued a number of changes that will affect the future reporting of the Organization's financial statements. The Organization is evaluating the impact these changes will have on its financial statements.

ASU 2014-09, *Revenue from Contracts with Customers* – (as well as ASU's 2016-10 and 2016-12) – supersedes and replaces all existing revenue recognition guidance. The guidance establishes a new revenue recognition model, changes the basis for deciding when revenue is recognized, provides new and more detailed guidance on specific revenue topics, and expands and improves disclosures about revenue. These accounting revenue updates become effective in the year ending May 31, 2020 for the Organization.

Two other ASU's may impact the Organization in the future. ASU 2016-18, *Restricted Cash* becomes effective for the Organization's year ending May 31, 2020 and ASU 2016-02, *Leases* becomes effective for the Organization's year ending May 31, 2021.

3. Liquidity and Availability of Financial Assets

The Organization monitors its liquidity so that it is able to meet its operating needs and other contractual commitments while maximizing the investment of its operating cash. As shown on the face of the statement of financial position, and summarized below, most of the Organization's financial assets are not subject to donor-imposed restrictions on use:

Financial assets available within one year and free of donor restrictions:	
Cash and cash equivalents	$ 487,287
Pledges, grants, and other receivables	161,900
Available without restriction within one year	649,187
Financial assets with liquidity restrictions greater than one year:	
Investments	4,966,898
Financial assets available for expenditure, subject to donor restrictions:	
Cash and cash equivalents	82,356
Pledges, grants, and other receivables	8,400
Financial assets subject to donor-imposed endowment restrictions:	
Investments	1,923,599
Total Financial Assets	$ 7,630,440

4. Pledges, Grants, and Other Receivables

Pledges, grants, and other receivables are comprised of the following as of May 31, 2019:

Ohio Arts Council grant	$ 85,546
ArtsWave grant	55,250
Tickets, subscriptions, and other	29,504
Total pledges, grants, and other receivables	$ 170,300

5. Investments

The Organization's investments consist of a variety of equity and bond mutual funds. All of the investments are valued based on Level 1 pricing. The mutual funds are priced based upon published net asset value closing prices on the last day of the reporting period.

Charles Schwab is the custodian of the Organization's investments. Portfolio management is provided by Fourth Street Performance Partners who provides independent investment advice to the Organization. The portfolio is broadly diversified. Management believes the Organization is not subject to adverse credit risk on its investments.

5. Investments—Continued

The following are the major categories of investments measured at fair value on a recurring basis during the year ended May 31, 2019.

Mutual Fund	Cost	Fair Value Level 1
Equity funds	$ 5,393,040	$ 5,471,776
Bond funds	1,454,055	1,418,721
	$ 6,847,095	$ 6,890,497

Investment earnings are reported net of investment expenses and consist of the following:

Interest and dividends	$ 412,928
Realized gains (losses), net	54,226
Change in unrealized gains (losses), net	(509,411)
Gross investment earnings (losses)	(42,257)
Investment expenses	(25,150)
Investment earnings (losses), net	$ (67,407)

6. Property and Equipment, Net

Property and equipment consist of the following for the year ended May 31, 2019:

Building and building improvements	$ 5,588,429
Theatre production equipment	469,747
Land	389,640
Office furniture and equipment	316,825
Computer hardware and software	122,019
Leasehold improvements	24,390
Total, at cost	6,911,050
Less: accumulated depreciation	(1,102,451)
Property and equipment, net	$ 5,808,599

7. Note Payable

Subsequent to the construction of its new facility, the Organization executed a term note (amending and restating a previous convertible line of credit note), dated January 10, 2017, with PNC Bank. The balance of $2,842,461 as of that date is to be repaid in monthly principal payments of $12,746, plus interest, commencing February 2017. The final payment of the outstanding balance is due July 16, 2025. Interest payments are based upon a certain LIBOR rate plus 1.5% (approximately 3.938% at May 31, 2019), reset periodically. The Organization has pledged as collateral certain investment securities having a minimum "margin value" as defined in the agreement. The outstanding balance under this note payable was $1,735,561 as of May 31, 2019.

7. Note Payable—Continued

The minimum required future maturities of principal are as follows as of May 31, 2019:

Year Ending May 31,	Amount
2020	$ 152,958
2021	152,958
2022	152,958
2023	152,958
2024	152,958
Thereafter	970,771
Total	$ 1,735,561

Interest expense for the year ended May 31, 2019 is $69,503.

8. Retirement Plan

The Organization has a 403(b)-retirement plan that covers substantially all full-time employees. Plan participants may make voluntary tax-deferred contributions. Employees that elect to be in the Plan are also eligible for discretionary employer profit-sharing contributions after one year of service. The Organization's Board of Trustees approved a contribution equal to 2% for 2019. Expense related to the Plan was $17,636 for the year ending May 31, 2019.

9. Operating Leases

The Organization has a lease agreement that runs through January 2026 for the scene shop. Future lease payments are due as follows:

Year Ending May 31,	Amount
2020	$ 38,420
2021	39,596
2022	40,772
2023	41,980
2024	43,252
Thereafter	74,868
Total	$ 278,888

In addition to the above, the Organization also rents its performance hall based on actual usage for approximately $96,000 annually.

Total rent expense under all operating leases was approximately $157,000 for the year ended May 31, 2019.

10. Net Assets with Donor Restrictions

The Organization's restricted net assets are available for the following purposes:

Available for expenditure for:	
Net appreciation in donor-restricted endowment net assets (net of spending)	$ 605,354
New Facility Capital Campaign	14,450
Art Bus	23,000
Workshops	1,000
New Website	45,000
Diversity/Inclusion Initiative	4,000
Ticket Underwriting	975
Other	1,800
Donor-restricted endowments, available for appropriation for the following purposes:	
Arts Education Bequest	1,112,401
Jay Depenbrock Scenic Design Chair	131,375
Lottie Crane Choreography Chair	75,000
Total Net Assets with Donor Restrictions	$ 2,014,355

Restricted Endowment Funds:

Corbett Arts Education Bequest – Bequest of $1,112,401 from several years ago, whose principal is to be held in perpetuity. The underlying gift agreement allows for the related investment earnings to be used by the Organization for arts education (utilization of such earnings of $80,700 for the year ended May 31, 2019. The agreement also provides for an outside committee to periodically review the Organization's operations and, if not satisfied, request changes to the operations, which, if uncorrected, could potentially lead to a request for return of funds. The Organization has submitted quarterly reports to the committee and management has received no indications of dissatisfaction to date. Therefore, the bequest continues to be included in the financial statements at its full donated value as management believes the risk of a contingent liability is remote.

Jay Depenbrock Scenic Design Chair – Donations for this fund are intended to subsidize the cost of a staff scenic designer. The Organization may spend the related investment earnings.

Lottie Crane Choreography Chair – Donations for this fund are intended to subsidize the cost of a staff choreographer. The Organization may spend up to 5% of this fund annually.

10. Net Assets with Donor Restrictions—Continued

The activities in the Organization's endowments for the year ended May 31, 2019 are as follows:

	Corbett Arts Education Bequest	Jay Depenbrock Scenic Design Chair	Lottie Crane Choreography Chair	Total
Endowment net assets, beginning of year	$ 1,742,109	$ 137,522	$ 136,126	$ 2,015,757
Contributions	-	-	-	-
Investment return	(8,268)	(1,336)	(1,323)	(10,927)
Appropriation	(80,700)	-	-	(80,700)
Endowment net assets, end of year	$ 1,653,141	$ 136,186	$ 134,803	$ 1,924,130

11. Event Income

Net event income reported in the accompanying financial statements is comprised of:

Gross event income	$ 75,692
Event expenses	(43,521)
Net event income	$ 32,171

12. In-kind Gifts

In-kind gifts are as follows:

Advertising, airtime, and promotion	$ 224,822
Printing, paper, and supplies	1,095
Rentals and other	62,972
Total in-kind gifts	$ 288,889

13. Related-Party Transactions

Related parties are employees, former employees, Board Members, direct family members of those groups, or companies that are owned at least 35% by members of any of these groups in the aggregate.

For the year ended May 31, 2019, the Organization received revenues of $197,475 from related parties in the form of donations, sponsorships, and expense underwriting. The Organization also paid a total of $6,975 in expenditures for the year ended May 31, 2019 to related parties or companies significantly owned by related parties.

14. Subsequent Events

Management has evaluated subsequent events through October 30, 2019, the date on which the financial statements were available to be issued and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to financial statements.