The Children’s Theatre of Cincinnati

Financial Statements with Supplementary Information
May 31, 2022 and 2021, and
Independent Auditors’ Report

THE CHILDREN'S THEATRE OF CINCINNATI
May 31, 2022 and 2021

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Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of The Children's Theatre of Cincinnati (a nonprofit organization), which comprise the statements of financial position as of May 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years 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 The Children's Theatre of Cincinnati as of May 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 The Children's Theatre of Cincinnati 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 opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 The Children's Theatre of Cincinnati's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Independent Auditors' Report
(Continued)

Auditors' 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 generally accepted auditing standards and *Government Auditing Standards* 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 generally accepted auditing standards and *Government Auditing Standards*, 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 Children's Theatre of Cincinnati'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 The Children's Theatre of Cincinnati's 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and related notes on pages 25 - 26, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Independent Auditors' Report
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2023 on our consideration of The Children's Theatre of Cincinnati's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of The Children's Theatre of Cincinnati's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Children's Theatre of Cincinnati's internal control over financial reporting and compliance.

Barnes, Dennig & Co., Ltd.

January 23, 2023
Cincinnati, Ohio

THE CHILDREN'S THEATRE OF CINCINNATI

Statements of Financial Position
May 31, 2022 and 2021

	2022	2021
Assets		
Current assets		
Cash and cash equivalents	$ 2,144,927	$ 910,798
Pledges, grants, and other receivables, net	1,172,436	142,548
Pledges receivable from Board of Trustees	46,300	-
Prepaid expenses and other assets	118,337	127,691
Total current assets	3,482,000	1,181,037
Pledges, grants, and other receivables, net, less current portion	334,986	-
Pledges receivable from Board of Trustees, net, less current portion	105,383	-
Investments	4,007,215	4,442,426
Investments restricted by donors for endowment	2,252,466	2,579,489
Property and equipment, net	6,836,384	5,312,730
Other assets	10,500	10,500
Total assets	$ 17,028,934	$ 13,526,182
Liabilities and Net Assets		
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	$ 253,553	$ 194,672
Deferred revenue	481,577	353,002
Total current liabilities	735,130	547,674
Paycheck Protection Program loan	-	354,870
Total liabilities	735,130	902,544
Net Assets		
Without donor restrictions		
Undesignated	473,179	64,826
Net investment in property and equipment	5,154,011	5,312,730
Board-designated endowment	4,007,215	4,442,426
Total net assets without donor restrictions	9,634,405	9,819,982
With donor restrictions	6,659,399	2,803,656
Total net assets	16,293,804	12,623,638
Total liabilities and net assets	$ 17,028,934	$ 13,526,182

See accompanying notes to financial statements

THE CHILDREN'S THEATRE OF CINCINNATI

Statement of Activities
Year Ended May 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support			
Performance income	$ 860,218	$ -	$ 860,218
Academy income	409,080	-	409,080
Contributions, grants, and sponsorships	2,298,281	4,474,360	6,772,641
Event income, net of expenses	61,241	-	61,241
Other revenues	31,498	-	31,498
In-kind contributions	105,713	-	105,713
Net assets released from restrictions	375,594	(375,594)	-
Total revenues and other support	4,141,625	4,098,766	8,240,391
Expenses			
Program services			
TCT MainStage	2,128,450	-	2,128,450
TCT Academy	477,637	-	477,637
TCT on Tour	182,591	-	182,591
Summer camps and other programs	97,047	-	97,047
Total program services	2,885,725	-	2,885,725
Support services			
Management and general	900,300	-	900,300
Fundraising	460,835	-	460,835
Total support services	1,361,135	-	1,361,135
Total expenses	4,246,860	-	4,246,860
Change in net assets from operations	(105,235)	4,098,766	3,993,531
Non-operating income (loss)			
Investment return, net	(435,212)	(243,023)	(678,235)
Forgiveness of Paycheck Protection Program loan	354,870	-	354,870
Change in net assets	(185,577)	3,855,743	3,670,166
Net assets, beginning of year	9,819,982	2,803,656	12,623,638
Net assets, end of year	$ 9,634,405	$ 6,659,399	$ 16,293,804

See accompanying notes to financial statements

THE CHILDREN'S THEATRE OF CINCINNATI

Statement of Activities
Year Ended May 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support			
Performance income	$ 74,681	$ -	$ 74,681
Academy income	120,083	-	120,083
Contributions, grants, and sponsorships	1,435,907	228,973	1,664,880
Event income, net of expenses	15,928	-	15,928
Investment return appropriated from board-designated endowment	161,729	-	161,729
Other revenues	17,788	-	17,788
In-kind contributions	15,300	-	15,300
Net assets released from restrictions	159,927	(159,927)	-
Total revenues and other support	2,001,343	69,046	2,070,389
Expenses			
Program services			
TCT MainStage	1,388,339	-	1,388,339
TCT Academy	306,160	-	306,160
TCT on Tour	85,345	-	85,345
Summer camps and other programs	47,925	-	47,925
Total program services	1,827,769	-	1,827,769
Support services			
Management and general	542,505	-	542,505
Fundraising	276,553	-	276,553
Total support services	819,058	-	819,058
Total expenses	2,646,827	-	2,646,827
Change in net assets from operations	(645,484)	69,046	(576,438)
Non-operating income (loss)			
Investment return, net	1,216,341	707,092	1,923,433
Investment return appropriated for current operations from board-designated endowment	(161,729)	-	(161,729)
Forgiveness of Paycheck Protection Program loan	355,200	-	355,200
Change in net assets	764,328	776,138	1,540,466
Net assets, beginning of year	9,055,654	2,027,518	11,083,172
Net assets, end of year	$ 9,819,982	$ 2,803,656	$ 12,623,638

See accompanying notes to financial statements

THE CHILDREN'S THEATRE OF CINCINNATI

Statement of Functional Expense
Year Ended May 31, 2022

	Program Services					Support Services		
	TCT MainStage	TCT Academy	TCT on Tour	Summer Camps and Other Programs	Total Program Services	Management and General	Fundraising	Total Expenses
Wages and benefits	$ 1,029,288	$ 306,242	$ 45,865	$ 7,485	$ 1,388,880	$ 294,771	$ 265,688	$ 1,949,339
Production labor	124,247	30,528	65,358	16,700	236,833	5,000	150	241,983
Production costs	445,696	46,061	28,863	3,185	523,805	-	108	523,913
Depreciation	114,424	39,437	22,183	39,437	215,481	34,507	27,113	277,101
In-kind gifts	45,000	-	-	-	45,000	60,713	-	105,713
Occupancy	202,995	10,822	10,291	6,688	230,796	21,546	7,478	259,820
Marketing	-	-	-	-	-	169,224	6,886	176,110
Administrative	108,933	44,547	8,684	4,409	166,573	51,097	40,237	257,907
Professional fees	57,867	-	1,347	19,143	78,357	263,442	113,175	454,974
Total expenses	$ 2,128,450	$ 477,637	$ 182,591	$ 97,047	$ 2,885,725	$ 900,300	$ 460,835	$ 4,246,860

See accompanying notes to financial statements

THE CHILDREN'S THEATRE OF CINCINNATI

Statement of Functional Expense
Year Ended May 31, 2021

	Program Services					Support Services		
	TCT MainStage	TCT Academy	TCT on Tour	Summer Camps and Other Programs	Total Program Services	Management and General	Fundraising	Total Expenses
Wages and benefits	$ 1,009,747	$ 222,397	$ 36,120	$ -	$ 1,268,264	$ 256,931	$ 236,852	$ 1,762,047
Production labor	9,350	2,288	2,600	5,250	19,488	-	-	19,488
Production costs	61,733	4,686	9,646	1,829	77,894	-	-	77,894
Depreciation	120,905	38,990	21,932	38,990	220,817	34,116	26,805	281,738
In-kind gifts	15,300	-	-	-	15,300	-	-	15,300
Occupancy	100,574	15,780	9,129	584	126,067	15,795	6,638	148,500
Marketing	-	-	-	-	-	120,613	63	120,676
Administrative	60,636	20,812	2,920	1,272	85,640	32,165	6,195	124,000
Professional fees	10,094	1,207	2,998	-	14,299	82,564	-	96,863
Interest expense	-	-	-	-	-	322	-	322
Total expenses	$ 1,388,339	$ 306,160	$ 85,345	$ 47,925	$ 1,827,769	$ 542,505	$ 276,553	$ 2,646,827

See accompanying notes to financial statements

THE CHILDREN'S THEATRE OF CINCINNATI

Statements of Cash Flows
Years Ended May 31, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Change in net assets	$ 3,670,166	$ 1,540,466
Adjustments to reconcile change in net assets to net cash from operating activites:		
Depreciation	277,101	281,738
Net unrealized and realized (gains) losses on investments	1,033,004	(1,525,027)
Forgiveness of Paycheck Protection Program loan	(354,870)	(355,200)
Contributions received restricted for acquisition of long-lived assets	(4,238,500)	-
Changes in:		
Pledges, grants, and other receivables	30,987	(6,537)
Prepaid expenses and other assets	9,354	10,496
Accounts payable and accrued expenses	58,881	(44,219)
Deferred revenue	128,575	123,999
Cash provided by operating activities	614,698	25,716
Cash flows from investing activities		
Purchases of property and equipment	(1,800,755)	(12,981)
Proceeds from sale of investments	99,723	2,103,589
Purchases of investments	(370,493)	(2,267,665)
Cash used by investing activities	(2,071,525)	(177,057)
Cash flows from financing activities		
Proceeds from contributions received restricted for acquisition of long-lived assets	2,690,956	-
Borrowings on line of credit	-	100,000
Principal payments on line of credit	-	(100,000)
Borrowings of Paycheck Protection Program loan	-	354,870
Cash provided by financing activities	2,690,956	354,870
Net change in cash and cash equivalents	1,234,129	203,529
Cash and cash equivalents, beginning of year	910,798	707,269
Cash and cash equivalents, end of year	$ 2,144,927	$ 910,798

See accompanying notes to financial statements

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

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).

Financial Statement Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP). The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, which are available for use in general operations and not subject to donor restrictions; and net assets with donor restrictions, which are either temporary in nature, such as those that will be met by the passage of time or other events specified by the donor, or are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

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. At May 31, 2022 and 2021, cash equivalents consisted primarily of money market accounts. Cash in bank deposit accounts, at times, exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

Accounts Receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. If necessary, the Organization provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Accounts past due more than 30 days are considered to be delinquent. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer. No allowance for doubtful accounts has been recorded as of May 31, 2022 and 2021.

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

Under applicable GAAP for fair value measurements and disclosures, a three-level hierarchy is established for fair value measurements based on transparency of valuation inputs as of the measurement date. The hierarchy is based on the lowest level of input that is significant to the fair value measurement. The three levels are defined as follows: Level 1 – Inputs are unadjusted quoted prices for identical assets in active markets; Level 2 – Inputs are observable quoted prices for similar assets in active markets; Level 3 – Inputs are unobservable and reflect management's best estimates of what market participants would use as fair value.

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and all debt securities are carried at fair value. Investment return includes dividends, interest and realized and unrealized gains and losses on investments, net of fees.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is recorded as investment return and net assets with donor restrictions and then released from restrictions. Other investment return is reflected in the statement of activities as with donor restrictions or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

Property and Equipment

The Organization records property and equipment at cost or, if donated or impaired, at fair value at the time of the gift or determination. The Organization calculates depreciation 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 set possibly may be re-used, it is uncertain which will be re-used and when re-use with occur. Production equipment used in more than one theatrical production is capitalized. The Organization has a capitalization limit of $500.

In accordance with applicable GAAP for property and equipment, 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. Based on its most recent analysis, the Organization believes no impairments existed at May 31, 2022 and 2021.

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

The Organization identifies a contract with a customer for revenue recognition when there is approval and commitment from both parties, the rights of the parties and payment terms are identified, the contract has commercial substance and the collectability of consideration is probable. The Organization evaluates each contract to determine the number of distinct performance obligations in the contract, which requires the use of judgment. To determine the proper revenue recognition method, the Organization evaluates whether two or more contracts should be combined and accounted for as one single contract and whether the combined or single contract should be accounted for as a single or more than one performance obligation.

Revenue from customers is primarily recognized from performances and academy services. In 2022, approximately $839,000 of revenue from contracts with customers was recognized at a point in time and $430,000 was recognized over time. In 2021, approximately $33,000 of revenue from contracts with customers was recognized at a point in time and $162,000 was recognized over time.

Performances include single-performance sales and multiple-performance subscription sales for both live and digital shows. Contracts related to single performances consist of one performance obligation with revenue recognized at the time of performance delivery, for live shows, or over the available viewing period, for digital shows, using the time elapsed method. Contracts related to subscription sales consist of multiple performance obligations with revenue proportionally recognized for each show in the subscription series at the time of the performance delivery.

Academy services consist of performing arts instruction. Contracts contain a single performance obligation as the promise to transfer the service is not separately identifiable from other promises in the contract. Revenue is recognized as the service is provided to the customer using the time elapsed method, an input measure, as the Organization considers it to best depict the simultaneous consumption and delivery of its services. Academy services range from a single day to a multi-month period. The determination of the method by which the Organization measures it progress towards the satisfaction of its performance obligation requires judgment.

The transaction price for performances and academy services is stated in the contracts and known at time of contract inception. Variable consideration in the form of discounts and financial assistance is available to eligible customers and is reflected as a reduction of gross fees. Fees are typically collected in advance of performance or academy service date. Cancellation provisions vary by contract, but most transactions are cancellable, and refunds may be available for services not provided. The Organization has elected the policy to exclude from the measurement of the transaction price all taxes assessed by a government authority related to revenue-producing transactions and collected from a customer.

Fees paid in advance for customer contracts represent contract liabilities and are recorded as deferred revenues. Deferred revenues as of May 31, 2022, 2021 and 2020 were $481,577, $353,002, and $229,003, respectively. Amounts billed but unpaid are contract assets and recorded as accounts receivable. Accounts receivable related to performances and academy services as of May 31, 2022, 2021 and 2020 were $8,350, $1,920, and $14,682, respectively.

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and Grants

The Organization records gifts of cash and other assets received without donor stipulations as revenues and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenues and net assets with donor restrictions. When a donor stipulated time restriction ends or purpose restriction is accomplished, 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. Unconditional gifts having donor restrictions which are satisfied in the period the gift is received are reported as revenue and net assets with donor restrictions and then released from restrictions. Conditional gifts having donor restrictions and for which the conditions and restrictions are met in the same period are recorded as net assets without donor restrictions.

The Organization reports gifts of long-lived assets with explicit 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 as restricted support. Absent explicit donor stipulations about how long-lived assets must be maintained, it reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Unconditional promises to give expected to be collected within one year are reported at their net realizable value. Unconditional promises to give expected to be collected in future years are reported at the present value of estimated future cash flows. The resulting discount is amortized and reported as contribution revenue.

Conditional promises to give are recognized as revenues when the conditions on which they depend are substantially met. Support funded by grants is recognized as the Organization incurs outlays eligible for reimbursement under the grant agreement. Grant funds received in excess of expenses incurred result in the recognition of a refundable advance (liability). Allowable expenses incurred in excess of grant funds received results in recognition of a grant receivable (asset). At May 31, 2022 and 2021, the Organization had conditional promises to give of $14,590,000 and $-0-, respectively, related to the Emery Theatre Project renovation.

Advertising

The Organization expenses advertising costs as incurred or donated. For the years ended May 31, 2022 and 2021, advertising expense was $236,823 and $120,676, respectively.

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

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 and a similar provision of Ohio law. However, the Organization is subject to federal income tax on any unrelated business taxable income.

The Organization's IRS Forms 990 and 990-T are subject to review and examination by federal and state authorities. The Organization believes it has appropriate support for any tax positions taken, and therefore, do not have any uncertain income tax positions that are material to the financial statements.

Functional Allocation of Expenses

The cost of program and supporting services activities have been summarized on a functional classification basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services. Such allocations are determined by management on an equitable basis. The most significant allocations were occupancy and depreciation, which were allocated based on utilization, and wages and related benefits, which were allocated based on time and effort.

Use of Estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities in the financial statements and accompanying notes. Actual results could differ from those estimates.

Effect of Adopting New Accounting Standard

During 2022, the Organization adopted Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This standard increases transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. These include separate presentation in the statement of activities, disaggregation by type, policy and qualitative information about monetization and utilization, description of valuation techniques and inputs used to arrive at a fair value measure, and donor-imposed restrictions associated with the contributed nonfinancial assets. The most significant impact of the adoption is expanded disclosures for contributed nonfinancial assets, which was applied retrospectively to all years presented.

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued Accounting Standards

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the Organization's year ending May 31, 2023. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

Reclassifications

Certain 2021 amounts have been reclassified to conform to the 2022 presentation.

Subsequent Event Evaluation

The Organization has evaluated subsequent events through January 23, 2023, which is the date the financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY

The Organization's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at May 31:

	2022	2021
Cash and cash equivalents	$ 2,144,927	$ 910,798
Pledges, grants, and other receivables, net	1,507,422	142,548
Pledges receivable from Board of Trustees	151,683	-
Investments	4,007,215	4,442,426
Investments restricted by donors for endowment	2,252,466	2,579,489
Total financial assets at year end	10,063,713	8,075,261
Less those unavailable for general expenditure within one year due to:		
Donor-imposed restrictions:		
Endowment funds	(2,252,466)	(2,579,489)
Time or purpose restrictions	(2,724,560)	(224,167)
Board designations - endowment	(4,007,215)	(4,442,426)
Plus endowment spending policy appropriated for use in the coming year:		
Board-designated endowment	225,108	208,000
Total financial assets available for expenditure	$ 1,304,580	$ 1,037,179

NOTE 2 LIQUIDITY AND AVAILABILITY (CONTINUED)

The Organization's endowment funds consist of donor-restricted endowments and funds designated by the Board of Trustees to serve as an endowment, as described in Note 9. Income from donor-restricted endowments is restricted for specific purposes and is not available for general expenditure. Although the Organization does not intend to spend from its Board-designated endowment fund, other than amounts appropriated for general expenditure as part of its annual appropriation and approval process, amounts from the Board-designated endowment could be made available, if necessary.

As part of the Organization's liquidity management, the Organization structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. To help manage liquidity needs, the Organization has a revolving line of credit in the amount of $500,000. See Note 6.

NOTE 3 PLEDGES, GRANTS, AND OTHER RECEIVABLES

Pledges, grants, and other receivables are expected to be collected as follows as of May 31:

	2022	2021
Due within one year	$ 1,218,736	$ 142,548
Due in one to five years	473,350	-
	1,692,086	142,548
Less unamortized discount	(32,981)	-
Total pledges, grants, and other receivables	$ 1,659,105	$ 142,548

The discount rate used on long-term pledges receivable was 2.68% for 2022. There is no allowance for uncollectible receivables at May 31, 2022 and 2021.

At May 31, 2022, approximately 51% of total undiscounted pledges, grants, and other receivables is due from a private foundation. There are no significant concentrations at May 31, 2021.

NOTE 4 INVESTMENTS AT FAIR VALUE

Investments at fair value consisted of the following as of May 31:

	2022	2021
Level 1:		
Equity mutual funds	$ 5,144,706	$ 5,860,939
Fixed income mutual funds	1,114,975	1,160,976
	$ 6,259,681	$ 7,021,915

NOTE 4 INVESTMENTS AT FAIR VALUE (CONTINUED)

The following table provides a reconciliation of investments reported within the statements of financial position to the total of the same such amounts shown in the investments at fair value table above as of May 31:

	2022	2021
Investments	$ 4,007,215	$ 4,442,426
Investments restricted by donors for endowment	2,252,466	2,579,489
	$ 6,259,681	$ 7,021,915

There were no valuations using Level 2 or Level 3 inputs.

Fair values for equity and fixed income mutual funds are determined by reference to quoted market prices and other relevant information generated by market transactions.

Investment securities are exposed to various risks, such as credit, market and interest rate. Due to the level of uncertainty related to changes in interest rates, market volatility and credit risks, it is at least reasonably possible that changes in these risks could materially affect the fair value of the investments reported in the statements of financial position at May 31, 2022 and 2021. However, the diversification of the Organization's investments among various asset classes should mitigate the impact of any adverse changes on any one asset class. Investments are managed by the Board of Trustees with advice and assistance from investment professionals.

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at May 31:

	2022	2021
Building and building improvements	$ 5,588,429	$ 5,588,429
Theatre productions equipment	529,944	481,413
Land	389,640	389,640
Office furniture and equipment	322,215	316,825
Computer hardware and software	202,461	179,896
Leasehold improvements	33,863	31,968
Emery Project construction in progress	1,732,374	10,000
	8,798,926	6,998,171
Less: accumulated depreciation	(1,962,542)	(1,685,441)
	$ 6,836,384	$ 5,312,730

NOTE 6 LINE OF CREDIT

The Organization has a $500,000 revolving line of credit agreement that expires on March 24, 2023. There was no outstanding balance on the line at May 31, 2022 and 2021. Interest accrues at Daily BSBY plus 2.50% and is payable monthly.

NOTE 7 PAYCHECK PROTECTION PROGRAM LOAN

On May 1, 2020, the Organization qualified for and received a loan pursuant to the Paycheck Protection Program, a program implemented by the U.S. Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender (the "PPP Lender"), for an aggregate principal amount of $355,200 (the "PPP Loan"). The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the SBA. The principal amount of the PPP Loan is subject to forgiveness under the Paycheck Protection Program upon the Organization's request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the Organization. The Organization elected to apply debt guidance pursuant to Accounting Standards Codification 470 to recognize the PPP Loan as debt until the loan is legally forgiven and made a policy election to classify the full amount of the PPP Loan as long-term debt. On January 15, 2021, the Organization received notification from the PPP Lender that the loan was fully forgiven, at which point the Organization recognized a gain on the extinguishment of debt in the statement of activities. The outstanding balance for this note payable was $-0- as of May 31, 2022 and 2021.

On January 29, 2021, the Organization qualified for and received a loan pursuant to the Economic Aid to Hard-Hit Small Business, Nonprofits, and Venues Act (Economic Aid Act) Paycheck Protection Program, from a qualified lender (the "PPP Lender"), for an aggregate principal amount of $354,870 (the "second PPP Loan"). The second PPP Loan bears interest at a fixed rate of 1.0% per annum, is unsecured and guaranteed by the SBA and has a term of five years with the first principal and interest payment due 10 months plus 24 weeks after the date the loan was received. The principal amount of the second PPP Loan is subject to forgiveness under the Paycheck Protection Program upon the Organization's request to the extent that the second PPP Loan proceeds are used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the Organization. The Organization elected to apply debt guidance pursuant to Accounting Standards Codification 470 to recognize the PPP Loan as debt until the loan is legally forgiven and made a policy election to classify the full amount of the second PPP Loan as long-term debt. On October 19, 2021, the Organization received notification from the PPP Lender that the loan was fully forgiven, at which point the Organization recognized a gain on the extinguishment of debt in the statement of activities. The outstanding balance for this note payable was $-0- and $354,870 as of May 31, 2022 and 2021, respectively.

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes or periods as of May 31:

	2022	2021
Donor-restricted endowments (including appreciation above original gift amount of $1,328,776 and $1,318,776 at May 31, 2022 and 2021, respectively) subject to spending policy and appropriation for:		
Arts Education Bequest	$ 1,884,154	$ 2,182,087
Jay Depenbrock Scenic Design Chair	180,631	199,715
Lottie Crane Choreography Chair	178,796	197,687
Hoffman Scholarship Fund	8,885	-
Total endowments	2,252,466	2,579,489
Restricted as to purpose:		
Emery Theatre Project	4,338,500	100,000
Arts education	55,000	36,622
Other	12,000	28,000
Ticket underwriting	1,433	44,545
Tour underwriting	-	14,000
Workshops	-	1,000
Total restricted as to purpose	4,406,933	224,167
Total net assets with donor restrictions	$ 6,659,399	$ 2,803,656

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or the occurrence of other events specified by the donors during May 31, 2022 and 2021 as follows:

	2022	2021
Purpose restriction fulfilled:		
Arts education	$ 161,890	$ 87,075
Ticket underwriting	100,704	164
Tour underwriting	65,000	-
Other	46,000	42,688
Workshops	2,000	-
Re-imagined season	-	25,000
New website	-	5,000
	$ 375,594	$ 159,927

NOTE 9 ENDOWMENTS

The Organization's endowment consists of donor-restricted and board-designated endowment funds established for a variety of purposes. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Organization's Board of Trustees follows the Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA provides guidance on matters concerning the governance and management of donor-restricted endowment funds. Under UPMIFA, the original value of donated gifts to the donor-restricted endowment and the original value of subsequent gifts are classified as net assets with donor restrictions (a time restriction in perpetuity). Accumulated investment return from the donor-restricted endowment is classified as net assets with donor restrictions (a purpose restriction) until those amounts are appropriated for expenditure by the Board of Trustees.

The endowment net asset composition by type of fund is as follows as of May 31:

	2022	2021
Without donor restrictions:		
Board-designated endowment	$ 4,007,215	$ 4,442,426
With donor restrictions		
Donor-restricted endowments, at historical value required to be maintained in perpetuity	1,328,776	1,318,776
Accumulated net appreciation of endowments required to be maintained in perpetuity	923,690	1,260,713
Total with donor restrictions	2,252,466	2,579,489
Total endowments	$ 6,259,681	$ 7,021,915

The changes in endowment net assets for the years ended May 31 are as follows:

	Without Donor Restrictions	With Donor Restrictions
Endowment net assets - 5/31/2020	$ 3,387,815	$ 1,944,997
Contributions	-	-
Investment return, net	1,216,340	707,092
Appropriated earnings	(161,729)	(72,600)
Endowment net assets - 5/31/2021	4,442,426	2,579,489
Contributions	-	10,000
Investment loss, net	(435,211)	(243,023)
Appropriated earnings	-	(94,000)
Endowment net assets - 5/31/2022	$ 4,007,215	$ 2,252,466

NOTE 9 ENDOWMENTS (CONTINUED)

Investment Policy

The Organization has adopted an investment policy for endowment assets that attempts to provide for the preservation of capital with a reasonable amount of long-term growth without undue exposure risk. The overall financial objectives of the endowment are (1) to support the current and future operations of the Organization and (2) to preserve and enhance the purchasing power of the endowment. To accomplish these goals, the endowment aims to generate total annual returns from investments, net of fees, between 6-8% and preferably greater than its spending rate over the long term.

The Board intends to meet the stated long-term investment objectives through equity-focused allocation and broad diversification. The day-to-day management of the endowment will be delegated to professional managers to provide access to a wider investment opportunity and a deeper team of investment professionals. The professional managers will manage the endowment based on expected asset allocations and rebalancing identified by the Finance Committee of the Board of Trustees.

Spending Policies

The Corbett Arts Education donor-restricted endowment has a mandatory spending requirement under the gift agreement of five percent of the recent three-year average of the endowment's market value as calculated annually at the first day of the fiscal year. The appropriated earnings are to be used by the Organization to support arts education. The gift 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.

For the Jay Depenbrock Scenic Design Chair donor-restricted endowment, Lottie Crane Choreography Chair donor-restricted endowment, and Board-designated endowment, the Organization has a policy of appropriating for distribution up to five percent of the recent three-year average of the endowment's market value as calculated annually at the first day of the fiscal year. In establishing this policy, the Organization considers the long-term expected return on its endowment. The appropriated earnings from the donor-restricted endowment are to be used by the Organization to support specific staff positions while the Board-designated endowment earnings can be used to support any operating needs.

NOTE 10 RETIREMENT PLANS

The Organization has a 403(b)-retirement plan that covers substantially all full-time, non-union employees. Eligible participants may make voluntary tax-deferred contributions and are eligible for discretionary employer profit-sharing contributions after one year of service. The Organization's Board of Trustees approved a discretionary contribution equal to 2% of eligible compensation for 2022 and 2021. Expenses related to the 403(b) retirement plan were $12,312 and $23,242 in 2022 and 2021, respectively.

In addition, the Organization contributes to a multi-employer pension plan ("the Plan") (Legal Name: Cincinnati Stage Employees Local 5 Pension Plan, EIN: 31-0329926, Plan No. 001) under the terms of a collective bargaining agreement that covers employees of Cincinnati Stage Employees Local No. 5. The Plan provides fixed retirement payments on the basis of the credits earned by the participating employees. The risks of participating in multi-employer plans are different from those of a single-employer plan. Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers. If a participating employer stops contributing to the plan, then the unfunded obligations of the plan may be borne by the remaining participating employers. If the Organization chooses to stop participating in the multi-employer plan, then the Organization may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Organization operates under a collective bargaining agreement that expires on September 30, 2022 and requires 8% of union wages be made to this plan for 2022 and 2021. Subsequent to year end, the collective bargaining agreement was extended through September 30, 2024. The Organization's contributions to the Plan were $11,464 in 2022 and $-0- in 2021. There have been no significant changes that affect the comparability of the 2022 and 2021 contributions. Based on information as of December 31, 2021 and 2020, the year end of the plan, the Organization's contributions made to Cincinnati Stage Employees Local No. 5 were not more than 5% of the total contributions received by the plan. The Plan's funded status of 124% and 112% in 2021 and 2020, respectively, is for the years ended December 31, 2021 and 2020.

Under the same collective bargaining agreement, the Organization is required to contribute 5% of union wages to the International Alliance of Theatrical Stage Employees (I.A.T.S.E) Annuity Plan. Contributions were $6,265 in 2022 and $-0- in 2021.

NOTE 11 OPERATING LEASES

The Organization leases warehouse space under a non-cancelable operating lease that expires in January 2026. Rent expense under operating leases was $40,772 in 2022 and $39,596 in 2021.

Future minimum lease payments are as follows:

2023	$	41,980
2024		43,252
2025		44,556
2026		30,312
	$	160,100

NOTE 12 EVENT INCOME

The Organization reports event income net of direct costs as the events are not considered ongoing and major activities of the Organization. Event income, net of expenses consisted of the following for the years ending May 31:

	2022	2021
Event proceeds - gross	$ 101,554	$ 30,207
Direct costs of events	(40,313)	(14,279)
	$ 61,241	$ 15,928

NOTE 13 IN-KIND CONTRIBUTIONS

The Organization receives certain donated goods and services, which are recorded at fair value as in-kind revenue and an expense in the financial statements as follows for the years ending May 31:

	2022	2021
Rentals	$ 45,000	$ -
Media time and advertising	39,625	-
Other	21,088	15,300
	$ 105,713	$ 15,300

The Organization estimated the fair value of rentals based on amounts that would be charged for similar space that is rented under similar terms. The Organization estimated the fair value of media time and advertising based on current rates for similar service. All in-kind contributions are used in the Organization's general and administrative services and do not have donor restrictions.

NOTE 14 EMERY THEATER CAMPAIGN

During 2021, the Organization embarked on a $48,000,000 capital campaign to fund the purchase and renovation of the Emery Theater and to establish a donor-restricted endowment to assist in funding future operations and expanded programming. This includes a goal of $36,350,000 from private donors and $11,650,000 from a combination of city funding, state funding, and federal tax credits. Unconditional campaign pledges and contributions to date from private donors are $4,338,500 as of May 31, 2022. In addition to these donations, the Organization is in the process of securing financing through both the New Markets Tax Credit program as well as through Historic Tax Credits. The Organization plans to close on the property in the spring of 2023 with construction beginning in the fall of 2023.

NOTE 15 COMMITMENTS

The Organization plans to purchase and renovate a facility in Cincinnati to create a performance space for its productions ("Emery Theatre Project"). In April 2021, the Organization signed a purchase agreement for a building with an amount of $698,970 due at closing. The Organization has a one-year due diligence period, which can be extended for additional periods through October 24, 2023, during which time it can terminate the agreement and be released from all further obligations. The Organization entered into contracts for design and pre-construction of the facility with an estimated total cost of approximately $3,085,000. At May 31, 2022, remaining commitments of approximately $1,375,000 remain on these contracts.

NOTE 16 RELATED PARTY TRANSACTIONS

The Organization uses a corporation owned by a board member for the for the renovation of the Emery Theatre Project. Using a design build concept, the Organization pays this corporation for all expenses associated with the project, and the corporation then pays all other consultants and contractors. The Organization paid the corporation $1,662,374 and $-0- for fees and services in the years ended May 31, 2022 and 2021, respectively.

NOTE 17 CONDITIONAL CREDITS

The Organization has estimated its eligibility under the Employee Retention Tax Credit program (ERTC) created by the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). This program allows eligible employers to claim a credit on qualified wages for the periods March 12, 2020 through September 30, 2021. As of May 31, 2022, the Organization has estimated its eligibility under the program and filed with the Internal Revenue Service to claim credits in the amount of $759,282. The Organization determined it has not met the criteria for recognition of these credits in its financial statements as of May 31, 2022. It estimates that the probability of recovery and criteria for claiming the credits have not been substantially met until the point the credits have been received from the Internal Revenue Service. In June 2022, the Organization received $759,282 in credits from the Internal Revenue Service and recognized the revenues at that time.

NOTE 18 COVID-19 PANDEMIC

On March 11, 2020, the World Health Organization ("WHO") recognized COVID-19 as a global pandemic, prompting many national, regional and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary store closures, and wide-sweeping quarantines and stay-at-home orders. As a result, COVID-19 and the related restrictive measures have had a significant adverse impact upon many sectors of the economy. Consequently, there was disruption in the Organization's programs resulting in negative impacts to its performance and academy revenues in 2022 and 2021.

The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on the Organization's business and financial results will depend on future developments, including the duration and spread of the outbreak within the market in which the Organization operates and the related impact on consumer confidence and spending, all of which are highly uncertain.

SUPPLEMENTARY INFORMATION

THE CHILDREN'S THEATRE OF CINCINNATI

Schedule of Expenditures of Federal Awards
Year Ended May 31, 2022

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Assistance Listing Number	Agreement Number	Federal Expenditures for FYE 05/31/2022	Passed Through to Subrecipients
National Endowment for the Humanities				
Passed through National Endowment for the Arts				
Promotion of the Arts Grants to Organizations and Individuals	45.024	1897809-66-22; 1889095-28-22	$ 60,000	$ -
Total National Endowment for the Humanities			60,000	-
Small Business Association				
Direct Program				
Shuttered Venue Operators Grant Program	59.075	SBAHQ21SV001198	772,581	-
Total Small Business Association			772,581	-
Total Expenditures of Federal Awards			$ 832,581	$ -

Notes to the Schedule of Expenditures of Federal Awards
Year Ended May 31, 2022

NOTE 1 BASIS OF PRESENTATION

The supplementary schedule of expenditures of federal awards includes the federal grant activity of The Children's Theatre of Cincinnato for the year ended May 31, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented on this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements. There were no awards passed through to subrecipients for the year ended May 31, 2022.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting in accordance with generally accepted accounting principles. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 INDIRECT COST RATE

The Children's Theatre of Cincinnati has elected not to use the 10% de minimus indirect cost rate allowed under Uniform Guidance.

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Children's Theatre of Cincinnati (a nonprofit organization), which comprise the statement of financial position as of May 31, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 23, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Children's Theatre of Cincinnati's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Children's Theatre of Cincinnati's internal control. Accordingly, we do not express an opinion on the effectiveness of The Children's Theatre of Cincinnati's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Children's Theatre of Cincinnati's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (CONTINUED)

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of The Children's Theatre of Cincinnati's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Children's Theatre of Cincinnati's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Barnes, Dennig & Co., Ltd.

January 23, 2023
Cincinnati, Ohio

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited The Children's Theatre of Cincinnati's ("a nonprofit organization") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of The Children's Theatre of Cincinnati's major federal programs for the year ended May 31, 2022. The Children's Theatre of Cincinnati's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, The Children's Theatre of Cincinnati complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended May 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of The Children's Theatre of Cincinnati and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of The Children's Theatre of Cincinnati's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to The Children's Theatre of Cincinnati's federal programs.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE (CONTINUED)

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on The Children's Theatre of Cincinnati's compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about The Children's Theatre of Cincinnati's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Children's Theatre of Cincinnati's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of The Children's Theatre of Cincinnati's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of The Children's Theatre of Cincinnati's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE (CONTINUED)

Report on Internal Control over Compliance (Continued)

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Barnes, Dennig & Co., Ltd.

January 23, 2023
Cincinnati, Ohio

THE CHILDREN'S THEATRE OF CINCINNATI

Schedule of Findings and Questioned Costs
Year Ended May 31, 2022

Section I - Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

• Material weakness(es) identified?		Yes	X	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?		Yes	X	None noted
Noncompliance material to financial statements noted?		Yes	X	No

Federal Awards:

Internal control over major programs

• Material weakness(es) identified?		Yes	X	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?		Yes	X	None noted

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516 (a)?		Yes	X	No

Identification of Major Program(s):

Assistance Listing Number	Name of Federal Programs or Clusters
59.075	Shuttered Venue Operators Grant Program

Dollar threshold used to distinguish between Type A and Type B programs: $750,000

Auditee qualified as low-risk auditee?		Yes	X	No

Section II - Financial Statement Findings

No matters are reportable

Section III - Federal Award Findings and Questioned Costs

No matters are reportable.

THE CHILDREN'S THEATRE OF CINCINNATI

Summary Schedule of Prior Audit Findings
Year Ended May 31, 2022

Reference Number	Summary of Finding	Status

No matters are reportable.