

**NEXT ACT THEATRE, INC.**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT**

**JUNE 30, 2019 AND 2018**

# NEXT ACT THEATRE, INC.

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### Independent Auditor's Report

Board of Directors  
Next Act Theatre, Inc.  
Milwaukee, Wisconsin

We have audited the accompanying financial statements of Next Act Theatre, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.


An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor

considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Next Act Theatre, Inc. as of June 30, 2019 and 2018, 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.

A handwritten signature in black ink that reads "Krause & Associates, SC". The signature is written in a cursive style with a small mark above the 'i' in "Associates".

Krause & Associates, SC  
Grafton, Wisconsin  
December 17, 2019

**NEXT ACT THEATRE, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 301,492	\$ 354,526
Certificate of deposit	100,439	-
Restricted – equity bond	14,942	14,934
Grants receivable	10,072	10,422
Contributions receivable	-	6,113
Prepaid expenses	<u>42,260</u>	<u>37,296</u>
Subtotal	469,205	423,291
<b>PROPERTY AND EQUIPMENT</b>		
Office equipment and furniture	16,518	15,110
Production equipment	114,099	107,109
Leasehold improvements	<u>1,109,346</u>	<u>1,109,346</u>
Total property and equipment	1,239,963	1,231,565
Less: accumulated depreciation	<u>(343,627)</u>	<u>(310,026)</u>
Total property and equipment, net	<u>896,336</u>	<u>921,539</u>
<b>TOTAL ASSETS</b>	<u><b>\$1,365,541</b></u>	<u><b>\$1,344,830</b></u>
<u>LIABILITIES AND NET ASSETS</u>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 3,614	\$ 1,450
Deferred revenue	<u>153,107</u>	<u>146,321</u>
<b>TOTAL LIABILITIES</b>	156,721	147,771
<b>NET ASSETS</b>		
Without donor restrictions	1,070,168	1,066,397
With donor restrictions	<u>138,652</u>	<u>130,662</u>
Total net assets	<u>1,208,820</u>	<u>1,197,059</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><b>\$1,365,541</b></u>	<u><b>\$1,344,830</b></u>

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

**NEXT ACT THEATRE, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019**

	Without donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
<b>PUBLIC SUPPORT AND REVENUE</b>			
Public support			
Government grants	\$ 23,322	\$ -	\$ 23,322
United Performing Arts Fund	134,665	-	134,665
Donations	218,036	21,000	239,036
Foundation grants	77,500	2,000	79,500
Fund-raising events	<u>31,279</u>	<u>-</u>	<u>31,279</u>
 Total public support	 <u>484,802</u>	 <u>23,000</u>	 <u>507,802</u>
Performance and other revenue			
Ticket sales and contract income	293,877	-	293,877
Theatre rental	16,830	-	16,830
Interest income	613	-	613
Education	31,352	-	31,352
Other revenue	<u>21,249</u>	<u>-</u>	<u>21,249</u>
 Total performance and other revenue	 363,921	 -	 363,921
Released from restrictions	<u>15,010</u>	<u>(15,010)</u>	<u>-</u>
 Total public support and revenue	 <u>863,733</u>	 <u>7,990</u>	 <u>871,723</u>
<b>EXPENSES</b>			
Production and education	651,772	-	651,772
General and administrative	134,747	-	134,747
Fundraising	<u>73,443</u>	<u>-</u>	<u>73,443</u>
 Total expenses	 <u>859,962</u>	 <u>-</u>	 <u>859,962</u>
 Changes in net assets	 3,771	 7,990	 11,761
NET ASSETS, beginning of year	<u>1,066,397</u>	<u>130,662</u>	<u>1,197,059</u>
NET ASSETS, end of year	<u>\$ 1,070,168</u>	<u>\$ 138,652</u>	<u>\$ 1,208,820</u>

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

**NEXT ACT THEATRE, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Without donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
<b>PUBLIC SUPPORT AND REVENUE</b>			
Public support			
Government grants	\$ 26,972	\$ -	\$ 26,972
United Performing Arts Fund	139,224	9,596	148,820
Donations	185,264	4,000	189,264
Foundation grants	68,500	-	68,500
Fund-raising events	<u>39,348</u>	<u>-</u>	<u>39,348</u>
 Total public support	 <u>459,308</u>	 <u>13,596</u>	 <u>472,904</u>
Performance and other revenue			
Ticket sales and contract income	283,476	-	283,476
Theatre rental	26,104	-	26,104
Interest income	196	-	196
Education	18,678	-	18,678
Other revenue	<u>25,149</u>	<u>-</u>	<u>25,149</u>
 Total performance and other revenue	 353,603	 -	 353,603
Released from restrictions	<u>11,880</u>	<u>(11,880)</u>	<u>-</u>
 Total public support and revenue	 <u>824,791</u>	 <u>1,716</u>	 <u>826,507</u>
<b>EXPENSES</b>			
Production and education	654,943	-	654,943
General and administrative	125,738	-	125,738
Fundraising	<u>54,835</u>	<u>-</u>	<u>54,835</u>
 Total expenses	 <u>835,516</u>	 <u>-</u>	 <u>835,516</u>
 Changes in net assets	 (10,725)	 1,716	 (9,009)
NET ASSETS, beginning of year	<u>1,077,122</u>	<u>128,946</u>	<u>1,206,068</u>
NET ASSETS, end of year	<u>\$ 1,066,397</u>	<u>\$ 130,662</u>	<u>\$ 1,197,059</u>

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

**NEXT ACT THEATRE, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 11,761	\$ (9,009)
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation and amortization	33,601	34,340
(Increase) decrease in grants receivable	350	(10,422)
(Increase) decrease in pledges receivables	6,113	(5,313)
(Increase) decrease in prepaid expenses	(4,964)	(809)
Increase (decrease) in accounts payable	2,164	(2,391)
Increase (decrease) in deferred revenue	<u>6,786</u>	<u>(8,569)</u>
Total adjustments	<u>44,050</u>	<u>6,836</u>
Net cash provided by (used in) operating activities	55,811	(2,173)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
(Increase) decrease in certificate of deposit	(100,439)	-
(Increase) decrease in restricted – equity bond	(8)	(7)
Purchase of property and equipment	<u>(8,398)</u>	<u>(12,864)</u>
Net cash used in investing activities	<u>(108,845)</u>	<u>(12,871)</u>
Net increase (decrease) in cash and cash equivalents	(53,034)	(15,044)
Cash and cash equivalents at beginning of year	<u>354,526</u>	<u>369,570</u>
Cash and cash equivalents at end of year	<u>\$ 301,492</u>	<u>\$ 354,526</u>
 Supplemental disclosure of cash flow information:		
Cash paid for interest during the year	<u>\$ -</u>	<u>\$ -</u>
In-kind contributions received	<u>\$ -</u>	<u>\$ -</u>

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



NEXT ACT THEATRE, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2019

	Program Services	Supporting Services		Total
	Performance & Education	General & Administrative	Fundraising	
Advertising and promotion	\$ 47,739	\$ -	\$ -	\$ 47,739
Cost of goods sold	-	9,910	-	9,910
Depreciation	32,912	689	-	33,601
Education and outreach	8,099	-	-	8,099
Fundraising	-	-	10,710	10,710
Insurance	7,706	2,360	1,608	11,674
Interest	-	-	-	-
Office and supplies	8,455	8,519	-	16,974
Outside services	62,527	-	-	62,527
Payroll expenses:				
Salaries and wages	219,635	67,262	45,844	332,741
Employee benefits	23,296	7,134	4,862	35,292
Payroll taxes	30,718	9,407	6,412	46,537
Postage	4,266	4,266	449	8,981
Productions supplies	40,971	-	-	40,971
Professional fees	2,312	3,608	482	6,402
Rent	90,513	16,001	-	106,514
Royalties	20,871	-	-	20,871
Sales taxes	16,548	-	-	16,548
Services charges	20,465	1,077	-	21,542
Telephone and utilities	14,739	4,514	3,076	22,329
 Total Expenses	 <u>\$ 651,772</u>	 <u>\$ 134,747</u>	 <u>\$ 73,443</u>	 <u>\$ 859,962</u>

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

NEXT ACT THEATRE, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2018

	Program Services	Supporting Services		Total
	Performance & Education	General & Administrative	Fundraising	
Advertising and promotion	\$ 49,158	\$ -	\$ -	\$ 49,158
Cost of goods sold	9,456	-	-	9,456
Depreciation	33,651	689	-	34,340
Education and outreach	9,808	-	-	9,808
Fundraising	-	-	11,017	11,017
Insurance	7,828	2,749	1,226	11,803
Interest	-	-	-	-
Office and supplies	15,359	4,069	-	19,428
Outside services	62,852	-	-	62,852
Payroll expenses:				
Salaries and wages	208,721	73,300	32,680	314,701
Employee benefits	22,940	8,056	3,592	34,588
Payroll taxes	27,626	9,702	4,326	41,654
Postage	4,387	4,387	462	9,236
Productions supplies	43,687	-	-	43,687
Professional fees	3,077	3,856	482	7,415
Rent	85,096	13,596	-	98,692
Royalties	17,983	-	-	17,983
Sales taxes	16,008	-	-	16,008
Services charges	21,560	1,135	-	22,695
Telephone and utilities	15,746	4,199	1,050	20,995
<b>Total Expenses</b>	<b><u>\$ 654,943</u></b>	<b><u>\$ 125,738</u></b>	<b><u>\$ 54,835</u></b>	<b><u>\$ 835,516</u></b>

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

**NEXT ACT THEATRE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019 AND 2018**

**A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

**1. Organization and business activity**

Next Act Theatre, Inc. (Theatre) was incorporated in 1987 under the laws of the State of Wisconsin. The Theatre is in the business of the production and performance of dramatic plays for the general public and the operation of a theatre venue. The Theatre sponsors the Next Actors program, which is designed to provide youth the opportunity to experience the theater as well as other acting classes. Revenues and expenses directly related to educational programs have been recorded as such on the statements of activities.

**2. Cash and cash equivalents**

The Theatre considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

**3. Grants and contributions receivables**

The Theatre determines the allowance for uncollectible contributions receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Grants and contributions receivable are written off when deemed uncollectible. At June 30, 2019 and 2018, management determined that no allowance for uncollectible accounts receivable was required.

**4. Prepaid expenses**

Prepaid expenses represent disbursements paid in advance for the subsequent performance season.

**NEXT ACT THEATRE, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2019 AND 2018**

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

5. Property and equipment

Property and equipment are recorded at cost or fair market value if donated. The Theatre's policy is to capitalize all tangible assets which separately or in the aggregate have an acquisition cost of \$500 or greater. Major additions and improvements are capitalized. Property and equipment are depreciated over the estimated useful lives of the assets, ranging from 5 to 39 years, using the straight-line system. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently. Depreciation expense for the years ended June 30, 2019 and 2018 was \$33,601 and \$34,340, respectively.

The Theatre reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended June 30, 2019 and 2018.

6. Deferred revenue

Deferred revenue represents advance subscriptions and grants for the subsequent performance season.

7. Net assets

The Theatre follows the accrual method of accounting wherein revenues and expenses are recorded in the period earned or incurred. Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

**NEXT ACT THEATRE, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2019 AND 2018**

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

7. Net assets – continued

*Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

The Theatre reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

8. Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees and rental payments received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

9. Donated services and in-kind contributions

Volunteers contribute significant amounts of time to our program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. The Theatre records donated professional services at the respective fair values of the services received (Note K).

**NEXT ACT THEATRE, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2019 AND 2018**

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

10. Advertising costs

Advertising and marketing costs are expensed to general operations as incurred. Advertising costs totaled \$47,739 and \$49,158 for the years ended June 30, 2019 and 2018, respectively.

11. Production expenses

Production expenses consist of all direct costs associated with the production of the Theatre's performances. All other costs are considered operating expenses.

12. Allocation of functional expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, salaries and wages, benefits, payroll taxes, professional services, office expenses, supplies, insurance, and other, which are allocated on the basis of estimates of time and effort.

13. Use of estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles 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. Actual results could differ from those estimates.

14. Income taxes

The Theatre is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.

The Theatre evaluates its tax positions and assesses their uncertainty, if any, through review and application of various sources of tax authority including statutes, regulations, rulings, court cases and widely held administrative practices.

**NEXT ACT THEATRE, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2019 AND 2018**

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

14. Income taxes - continued

The Theatre's informational returns are subject to examination by the IRS, generally for three years after they were filed. Management believes that no uncertain tax positions exist for the Theatre at June 30, 2019 and 2018. The Theatre has not incurred any interest or penalties for income taxes for the years ended June 30, 2019 and 2018.

15. Change in accounting principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Theatre has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly.

16. Subsequent events

Management has evaluated subsequent events for recognition and disclosure in the financial statements through December 17, 2019, which is the date that the financial statements were available to be issued.

B – LIQUIDITY AND AVAILABILITY

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 of June 30, 2019, comprise the following:

Cash and cash equivalents	\$ 301,492
Certificate of deposit	100,439
Grants receivable	<u>10,072</u>
	<u>\$ 412,003</u>

As part of its liquidity plan, the Theatre invests cash in excess of daily requirements in short-term money market funds.

**NEXT ACT THEATRE, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2019 AND 2018**

C – RESTRICTED – EQUITY BOND

The Theatre employs individuals that are members of the Actors Equity Association (Association). Under the terms of the Security Agreement between the Theatre and the Association, the Theatre is required to deposit money for the protection of the actors covered under the agreement and performing in Theatre productions. As required by the agreement, the Theatre has deposited funds into a money market account. The account balance was \$14,934 and \$14,927 as of June 30, 2019 and 2018, respectively.

D – GRANTS RECEIVABLE

Grants receivable consists of the following amounts as of June 30, 2019 and 2018:

	2019	2018
Program activities	\$ 10,072	\$ 10,422

Management has determined that the contributions receivable are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary.

E – CONTRIBUTIONS RECEIVABLE

The Theatre received unconditional promises to give in the amount of \$0 and \$6,113 for the year ended June 30, 2019 and 2018, respectively. Management has determined the contributions receivable to be fully collectible; therefore, accordingly, no provision for doubtful accounts is included. If amounts become uncollectible, they will be charged to operations when that determination is made. The contributions receivable balance consists of the following at June 30, 2019 and 2018:

	2019	2018
Promises to give (less than one year)	\$ -	\$ 6,113



**NEXT ACT THEATRE, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2019 AND 2018**

F – NET ASSETS

Contributions received are recorded as donor restricted net assets depending on the existence and or nature of any donor-imposed restrictions. As restrictions are met and funds expended, assets are released from restrictions. Net assets with donor restrictions are restricted for the following purposes as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Capital equipment and improvements	\$ 90,300	\$ 95,714
Performance – timing restriction	23,000	9,596
Education	<u>25,352</u>	<u>25,352</u>
Total	<u>\$ 138,652</u>	<u>\$ 130,662</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Capital equipment and improvements	\$ 5,414	\$ -
Performance – timing restriction	9,596	10,000
Education	<u>-</u>	<u>1,880</u>
Total	<u>\$ 15,010</u>	<u>\$ 11,880</u>

G – LEASE COMMITMENTS

On April 1, 2011, the Theatre entered into a noncancellable operating lease expiring on September 30, 2026, a period of 15 years and 6 months. The space includes, performance, administration and box office. In addition to the base monthly rent, the Theatre pays for additional rehearsal space as used and an allocation of common area maintenance fees. Future minimum lease payments are as follows:

2020	\$ 67,208
2021	69,285
2022	71,393
2023	73,501
2024	75,702
2025	77,934
2026	80,259
2027	20,212

Rent expense was \$106,514 and \$98,692 for the years ended June 30, 2019 and 2018, respectively.

**NEXT ACT THEATRE, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2019 AND 2018**

**H – EMPLOYEE RETIREMENT/BENEFIT PLAN**

The Theatre has a defined contribution salary deferral plan (401(k) Plan) covering substantially all non-union employees, who meet certain requirements. Eligible employees may defer compensation up to 100% of compensation not to exceed the maximum amount allowed by law. The Theatre did not make any employer contributions to the plan for the years ended June 30, 2019 and 2018.

The Theatre employs individuals that are members of a union. The union sponsors a retirement and benefit plan for its members. Under the plan, the Theatre contributes to the Actors' Equity Fund. Plan expenses incurred by the Theatre for the years ended June 30, 2019 and 2018 were \$30,217 and \$27,050, respectively.

**I – THEATRE CONSTRUCTION/LEASEHOLD IMPROVEMENTS**

In 2009, the Theatre began a fundraising campaign, successfully achieving its goal by the end of 2011. The Theatre negotiated a 15-year lease for ground floor space in the emerging Fifth Ward within a mixed-use development called South Water Works. The new, larger theatre, was completed in October 2011, holds 152 patrons, and provides production facilities and administrative space in support of the work onstage. This new, professional space is also available for rent by other performing arts groups, with rental subsidy funds available as necessary.

**J – CONCENTRATION OF CREDIT RISK FOR CASH AND CASH EQUIVALENTS**

The Theatre has deposits in financial institutions, which, at times, may exceed federally insured limits. The Theatre has not experienced any losses with these accounts and management believes the Theatre is not exposed to any significant credit risk. Amounts on deposit in excess of federally insured limits at June 30, 2019 and 2018 were \$165,224 and \$118,264, respectively.

**NEXT ACT THEATRE, INC.**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**JUNE 30, 2019 AND 2018**

**K – DONATED FACILITIES, SERVICES AND PERSONAL PROPERTY**

The Theatre receives various types of contributed goods and services support, including, professional services and auction items. Donated facilities are recognized at their fair value. Donated services are reported in the financial statements for voluntary donations of professional services when those services create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and typically would be purchased if not provided by donation.

A substantial number of unpaid volunteers have made significant contributions of their time to develop the Theatre’s programs. No amounts have been recognized in the statements of activities because the criteria for recognition under U.S. GAAP have not been satisfied.

The Theatre received donated personal property which the Theatre used as auction and raffle items and supplies for the charity events held during the years ended June 30, 2019 and 2018. Revenue received from the sale of the auction and raffle items is reflected in the statements of activities and no amounts have been reflected for the donation of supplies for the charity events in the statements of activities.

**L – RECONCILIATION OF ACTIVITIES TO OPERATIONS**

A reconciliation of functional operating revenue and expenses to operating results, including temporarily restricted activity, follows:

	<u>2019</u>	<u>2018</u>
Change in net assets	\$ 11,761	\$ (9,009)
Depreciation and amortization	<u>33,601</u>	<u>34,340</u>
Net operating surplus	<u>\$ 45,362</u>	<u>\$ 25,331</u>