

CHATTANOOGA THEATRE CENTRE

ANNUAL FINANCIAL REPORT

YEAR ENDED AUGUST 31, 2022

**JOHNSON, MURPHEY & WRIGHT, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CHATTANOOGA, TENNESSEE**

I. INTRODUCTORY SECTION

CHATTANOOGA THEATRE CENTRE
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II. FINANCIAL SECTION



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Chattanooga Theatre Centre

Opinion

We have audited the accompanying financial statements of the Chattanooga Theatre Centre, which comprise the Statement of Financial Position as of August 31, 2022, and the related Statements of Activities, Cash Flows, and Functional Expenses for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Chattanooga Theatre Centre as of August 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Chattanooga Theatre Centre and to meet our other ethical responsibilities in accordance with the 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 audit opinion.

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 Chattanooga Theatre Centre's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, 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 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement 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 Chattanooga Theatre Centre'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Chattanooga Theatre Centre'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 Supplemental Information 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.

Johnson, Murphree & Wright, P.C.

Chattanooga, Tennessee
December 6, 2022

CHATTANOOGA THEATRE CENTRE
Statement of Financial Position
August 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
ASSETS			
Current assets			
Cash	\$ 479,359	\$ -	\$ 479,359
Investments	291,262	80,842	372,104
Prepaid expenses	18,985	-	18,985
Total current assets	<u>789,606</u>	<u>80,842</u>	<u>870,448</u>
Non-current assets			
Property and equipment - net	<u>2,705,303</u>	<u>-</u>	<u>2,705,303</u>
TOTAL ASSETS	<u>\$ 3,494,909</u>	<u>\$ 80,842</u>	<u>\$3,575,751</u>
 LIABILITIES AND NET ASSETS			
Liabilities			
Current liabilities			
Accounts payable	\$ 5,361	\$ -	\$ 5,361
Accrued expenses	12,450	-	12,450
Unearned revenue	49,702	-	49,702
Notes payable	3,548	-	3,548
Line of credit	252	-	252
Total current liabilities	<u>71,313</u>	<u>-</u>	<u>71,313</u>
Non-current liabilities			
Notes payable	<u>154,993</u>	<u>-</u>	<u>154,993</u>
Total liabilities	<u>226,306</u>	<u>-</u>	<u>226,306</u>
Net assets			
Without donor restrictions			
Undesignated	3,268,603	-	3,268,603
With donor restrictions	<u>-</u>	<u>80,842</u>	<u>80,842</u>
Total net assets	<u>3,268,603</u>	<u>80,842</u>	<u>3,349,445</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,494,909</u>	<u>\$ 80,842</u>	<u>\$3,575,751</u>

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

CHATTANOOGA THEATRE CENTRE
Statement of Activities
Year Ended August 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT			
Season tickets	\$ 28,780	\$ -	\$ 28,780
Single tickets	179,473	-	179,473
Special events	15,733	-	15,733
Classes and workshops	65,603	-	65,603
Advertising	1,000	-	1,000
Concessions and gift shop	10,459	-	10,459
Miscellaneous	1,905	-	1,905
Credit card processing fees	11,228	-	11,228
Rental income	352,337	-	352,337
PPP loan forgiveness	133,097	-	133,097
Employee retention tax credit	32,451	-	32,451
Contributions and grants	622,296	-	622,296
Investment return, net	34,966	-	34,966
	<u>1,489,328</u>	<u>-</u>	<u>1,489,328</u>
EXPENSES			
Program services			
Productions	1,027,937	-	1,027,937
Promotions	60,372	-	60,372
Front of house	40,877	-	40,877
Total program expenses	<u>1,129,186</u>	<u>-</u>	<u>1,129,186</u>
Supporting services			
Management and general	132,152	-	132,152
Fund-raising	3,625	-	3,625
Total supporting services	<u>135,777</u>	<u>-</u>	<u>135,777</u>
Total expenses	<u>1,264,963</u>	<u>-</u>	<u>1,264,963</u>
Change in net assets	224,365	-	224,365
Net assets - beginning	<u>3,044,238</u>	<u>80,842</u>	<u>3,125,080</u>
Net assets - end	<u>\$ 3,268,603</u>	<u>\$ 80,842</u>	<u>\$ 3,349,445</u>

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

CHATTANOOGA THEATRE CENTRE
Statement of Cash Flows
Year Ended August 31, 2022

Cash Flows from Operating Activities	
Change in net assets	\$ 224,365
Adjustments to reconcile change in net assets to net cash (used) by operating activities:	
Depreciation	150,990
Loan forgiveness	(133,097)
Net realized and unrealized (gains) losses on investments	(34,825)
(Increase) decrease in prepaid expenses	(18,985)
Increase (decrease) in accounts payable	(9,120)
Increase (decrease) in accrued expenses	8,611
Increase (decrease) in unearned revenue	<u>(281,524)</u>
Net cash provided (used) by operating activities	<u>(93,585)</u>
Cash Flows from Financing Activities	
Borrowings and payments on line of credit	(198,621)
Borrowings on notes	<u>4,243</u>
Net cash provided (used) by financing activities	<u>(194,378)</u>
Cash Flows from Investing Activities	
Purchase of investments	(1,140)
Purchase of fixed assets	<u>(31,060)</u>
Net cash provided (used) by investing activities	<u>(32,200)</u>
Net increase (decrease) in cash	(320,163)
Cash - beginning	<u>799,522</u>
Cash - end	<u>\$ 479,359</u>
Supplemental Disclosure of Cash Flow Information	
Interest paid	<u>\$ 11,846</u>

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

CHATTANOOGA THEATRE CENTRE
Statement of Functional Expenses
Year Ended August 31, 2022

	Program Services			Supporting Service		Total
	Productions	Promotions	Front of House	Management and General	Fund-Raising	
EXPENSES						
Salaries	\$ 373,803	\$ -	\$ -	\$ 41,534	\$ -	\$ 415,337
Payroll taxes	46,881	-	-	5,209	-	52,090
Employee benefits	20,495	-	-	2,277	-	22,772
Concessions	-	-	7,407	-	-	7,407
Costume and make-up	4,769	-	-	-	-	4,769
Bank and credit card fees	577	-	-	-	-	577
Depreciation	150,990	-	-	-	-	150,990
Dues and subscriptions	2,293	1,142	-	-	-	3,435
Education	6,828	-	-	-	-	6,828
Fund-raising	-	-	-	-	3,625	3,625
Insurance	-	-	-	38,610	-	38,610
Interest	-	-	-	11,846	-	11,846
Lights and sound	100	-	-	-	-	100
Maintenance and repairs	81,540	-	-	-	-	81,540
Miscellaneous	1,461	7,402	-	-	-	8,863
Postage and printing	8,371	35,201	-	-	-	43,572
Professional services	72,199	-	-	22,080	-	94,279
Program awareness	-	9,048	-	-	-	9,048
Receptions and meetings	2,323	1,076	-	-	-	3,399
Royalties and scripts	77,510	-	-	-	-	77,510
Security	-	-	3,271	-	-	3,271
Sets and props	16,672	-	-	-	-	16,672
Special events	14,686	-	-	-	-	14,686
Supplies and equipment	31,956	3,807	-	-	-	35,763
Taxes and licenses	-	-	-	10,596	-	10,596
Telephone and internet	-	2,696	-	-	-	2,696
Tickets	-	-	30,199	-	-	30,199
Utilities	114,483	-	-	-	-	114,483
Total	\$1,027,937	\$ 60,372	\$ 40,877	\$ 132,152	\$ 3,625	\$1,264,963

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

CHATTANOOGA THEATRE CENTRE
Notes to Financial Statements
August 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

A. Organization

The Chattanooga Theatre Centre is a non-profit entity in the Chattanooga, Tennessee area whose purpose is to enrich the cultural, emotional, and intellectual development of area residents of all ages by stimulating interest, appreciation, and participation in the theatre arts. Ticket sales and contributions are the Entity's primary sources of revenue.

B. Basis of Presentation - Net Assets Accounting

The Entity follows the recommendations of the Financial Accounting Standards Board (FASB) ASC 958-205-05-6. The Entity is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. Net assets without donor restrictions are available for use in general operations and are not subject to donor or grantor restrictions. The Board of Directors can designate, from net assets without donor restrictions, net assets for a specific purpose. The Entity reports contributions restricted by donors, including property and equipment, 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 classified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

C. Basis of Accounting

The financial statements are prepared on the accrual basis of accounting and in accordance with the AICPA Audit and Accounting Guide, *Not-for-Profit Organizations*, and Financial Accounting Standards Board (FASB) ASC 958-205-05-6. The Entity recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

The Entity follows FASB ASC Topic 606, *Revenue from Contracts with Customers*, which establishes a contract and control-based revenue recognition model, a basis for deciding when revenue is recognized over time or at a point in time, and expands disclosures about revenue. Concessions and gift shop sales are recognized at the time of purchase.

D. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Entity considers all unrestricted highly liquid investments purchased with a maturity date of three months or less to be cash equivalents.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Investments

Investments are carried at fair value, determined based on quoted market prices or estimated values provided by external investment managers or other sources. Realized and unrealized gains and losses are reflected within investment return, net, in the Statement of Activities. Donated investments are reflected as contributions at their market value at the date of receipt. In accordance with FASB 958-225-45-6, investment gains and income whose restrictions are met in the same reporting period are reported as support in net assets without donor restrictions.

F. Fair Value Measurement

The Entity adopted the provisions of ASC 820-10-50 applicable to financial assets and liabilities, as well as for other non-financial assets and liabilities that are carried at fair value on a recurring basis. Adoption of the provisions of ASC 820-10-50 did not have an impact on the measurement of the Entity's financial assets and liabilities, but did require additional disclosures contained in the footnotes herein.

G. Prepayment of Expenses

Expenses extending over more than one accounting period are allocated between accounting periods and reported as an expense of the period in which they relate.

H. Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. At year-end, there were no promises to give.

I. Inventory

Supplies are expensed when they are purchased, therefore, no inventory is maintained.

J. Property and Equipment

Property and equipment are valued at cost, if purchased, or fair value if contributed. The expenses for equipment in excess of \$1,000 are capitalized. Minor repairs and maintenance are expensed as incurred and additions and improvements that significantly extend the life of assets are depreciated over the remaining useful lives of the related fixed asset. At the time that assets are retired or disposed of, costs and accumulated depreciation are eliminated from the related accounts and gain or loss, if any, is credited or charged to income. Depreciation is computed on the straight-line method over the estimated useful lives of the assets as follows:

Buildings	10-40 years
Furniture and fixtures	5-20 years
Equipment	5-10 years

K. Compensated Absences

It is the policy of the Entity that no vacation or sick leave can be carried forward into the next fiscal year, therefore, no accrual is necessary.

L. Unearned Revenue

Income from membership dues, advertising and subscription fees is recognized over the periods to which the dues and fees relate.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. In-kind Contributions

Contributed nonfinancial assets, including donated professional services, donated equipment, and other in-kind contributions, are recorded at the fair value of the goods or services received. The Entity does not sell donated gifts-in-kind. In addition to contributed nonfinancial assets, volunteers contribute significant amounts of time to program and supporting services; 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. No significant contributions of such goods or services were received during the year.

N. Methods Used for Allocation of Expenses Among Functions

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, payroll taxes, and employee benefits, which are allocated on the basis of estimates of time and effort.

O. Description of Program and Supporting Services

Productions

Dedicated to the productions of the theatre.

Promotions

Dedicated to promoting the development of the theatre.

Front of House

Dedicated to operating the ticket booth and concessions.

Management and General

Includes the functions necessary to ensure an adequate working environment; provide coordination and articulation of the Entity's programs; and manage the functioning of the Board of Directors and financial and budgetary responsibilities.

Fund-raising

Provides the structure necessary to encourage and secure financial support from individuals, foundations, and corporations.

P. Advertising (Program Awareness)

The Chattanooga Theatre Centre's policy is to expense advertising in the year the related production occurs.

Q. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Uncertain Tax Position

The Entity accounts for the effect of any uncertain tax positions based on a more likely than not threshold to the recognition of the tax positions being sustained based on the technical merits of the position under examination by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefits are estimated based on the cumulative probability assessment that aggregates the estimated tax liability for all uncertain tax positions. Tax positions for the Entity include, but are not limited to, the tax-exempt status and determination of whether income is subject to unrelated business income tax. Based on its evaluation, the Entity has concluded that there are no significant uncertain tax positions requiring recognition in its financial statements. The Entity's evaluation was performed for tax years ended August 31, 2019 through August 31, 2022, for Federal income tax, the years that remain subject to examination by major jurisdictions as of August 31, 2022.

S. Non-profit Entity

The Entity 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 of the Code.

T. Events Occurring after Reporting Date

The Entity has evaluated events and transactions that occurred between August 31, 2022, and December 6, 2022, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE 2 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Entity's financial assets available within one year of the balance sheet date for general expenditures are as follows:

Cash	\$ 479,359
Investments	<u>372,104</u>
Total financial assets	851,463
Less: net assets with donor restrictions	<u>(80,842)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 770,621</u>

As part of the Entity's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Entity maintains resources to meet any donor-imposed restrictions, which makes those resources unavailable for general expenditures. To help manage unanticipated liquidity needs, the Entity maintains two lines of credit through First Horizon Bank which it could draw upon. The first credit line has a credit limit of \$50,000 with an interest rate of 6.50%. At year-end, \$252 was drawn on this line of credit. The second credit line has a credit limit of \$205,975 with an interest rate of 5.3%. At year-end, no funds were drawn against this line of credit.

The Entity's endowment funds consist of a donor-restricted endowment. Income from the donor-restricted endowment is restricted for a specific purpose and therefore, is not available for general expenditure.

NOTE 2 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (Continued)

The Entity may receive contributions and promises to give that are restricted by donors, and considers contributions restricted for programs that are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Entity manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

NOTE 3 - CASH

Chattanooga Theatre Centre has a cash carrying amount of \$479,359 and a bank balance of \$478,646. FDIC insures bank balances up to \$250,000. At year-end, \$159,702 was in excess of FDIC limits.

NOTE 4 - INVESTMENTS

Investments at August 31, 2022 are subject to market risk and are stated at fair value as follows:

	Cost	Fair Value	Net Unrealized Appreciation (Loss)
Cash and cash equivalents	*	\$ 7,034	\$ -
Small value	*	170	\$ -
Mid value	*	60,495	\$ -
Large value	*	1,171	\$ -
Large core	*	9,030	\$ -
Exchange traded funds	*	<u>294,204</u>	\$ -
Total investments		<u>\$ 372,104</u>	

* Cost information not available

NOTE 5 - FAIR VALUE MEASUREMENT

ASC 820-10-50 defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy which prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the assets or liability or, in the absence of a principal market the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

NOTE 5 - FAIR VALUE MEASUREMENT (Continued)

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Fund has the ability to access.
- 2) Level 2 inputs are inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly or indirectly.
- 3) Level 3 are unobservable inputs for the assets or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the assets or liability. (The unobservable inputs should be developed based on the best information available in the circumstances and may include the Entity's own data.)

The following table presents the fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of August 31, 2022.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments	<u>\$ 372,104</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 372,104</u>

NOTE 6 - PROPERTY AND EQUIPMENT - NET

Changes in property and equipment for the year ended August 31, 2022, were as follows:

	<u>Balance</u> <u>8-31-21</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>8-31-22</u>
Land	\$ 899,919	\$ -	\$ -	\$ 899,919
Buildings	4,878,126	-	-	4,878,126
Furniture and fixtures	448,045	-	(6,545)	441,500
Equipment	<u>179,553</u>	<u>31,060</u>	<u>(17,170)</u>	<u>193,443</u>
	6,405,643	31,060	(23,715)	6,412,988
Accumulated depreciation	<u>(3,580,410)</u>	<u>(150,990)</u>	<u>23,715</u>	<u>(3,707,685)</u>
Total	<u>\$ 2,825,233</u>	<u>\$(119,930)</u>	<u>\$ -</u>	<u>\$ 2,705,303</u>

Depreciation expense was \$150,990 for the year ended August 31, 2022.

NOTE 7 - NOTES PAYABLE

Small Business Administration loan, interest rate of 2.75% for 30 years, due 2050	\$ 158,541
Less: current portion	<u>(3,548)</u>
Long-term portion	<u>\$ 154,993</u>

NOTE 7 - NOTES PAYABLE (Continued)

Future maturities of debt are as follows:

<u>Year ending August 31.</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Requirements</u>
2023	\$ 3,548	\$ 3,978	\$ 7,526
2024	3,647	3,879	7,526
2025	3,749	3,777	7,526
2026	3,852	3,674	7,526
2027	3,960	3,566	7,526
2028-2032	21,518	16,112	37,630
2033-2037	24,687	12,943	37,630
2038-2042	28,319	9,311	37,630
2043-2047	32,490	5,140	37,630
2048-2050	<u>32,771</u>	<u>827</u>	<u>33,598</u>
Total	<u>\$ 158,541</u>	<u>\$ 63,207</u>	<u>\$ 221,748</u>

Interest paid for the year totaled \$11,846.

NOTE 8 - LINE OF CREDIT

The Entity maintains two lines of credit through First Horizon Bank which it could draw upon. The first credit line has a credit limit of \$50,000 with an interest rate of 6.50%. At year-end, \$252 was drawn on this line of credit.

The second credit line has a credit limit of \$205,975 with an interest rate of 5.3%. At year-end, no funds were drawn against this line of credit.

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are subject to the following purpose restrictions:

Endowment, all earnings are to be spent during the year at the Board's discretion \$ 80,842

NOTE 10 - RISK MANAGEMENT

It is the policy of Chattanooga Theatre Centre to purchase commercial insurance for the risks of losses to which it is exposed. These risks include general liability, property and casualty, worker's compensation, employee health and accident. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 11 - PROGRAM AWARENESS

Chattanooga Theatre Centre had \$9,048 in program awareness expense.

NOTE 12 - ENDOWMENT

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

Interpretation of Relevant Law

The Entity is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Board of Directors appropriates such amounts for expenditure. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Board of Directors of the Entity has interpreted the UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Entity considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Entity has interpreted the UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with the UPMIFA, the Entity considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) the duration and preservation of the fund,
- (2) the purposes of the organization and the donor-restricted endowment fund,
- (3) general economic conditions,
- (4) the possible effect of inflation and deflation,
- (5) the expected total return from income and the appreciation of investments,
- (6) other resources of the organization and
- (7) the investment policies of the Entity.

Underwater Endowment Funds

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the UPMIFA requires the Entity to retain as a fund of perpetual duration. Deficiencies of this nature did not exist during the year.

Return Objectives and Risk Parameters

The Entity as adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Funds held for endowment purposes are monitored and directed by the Board of Directors. The Board has adopted a policy of allowing the endowment funds to grow, with low risk factors and average return objectives. Reasonable efforts to control risk shall be made and should be evaluated regularly to ensure that the risk assumed is commensurate with the given instrument style and objectives. The investment goal is to maintain the funds as follows:

- 1) Cash at 15%.
- 2) Equity at 25%.
- 3) Fixed income at 60%.

NOTE 12 - ENDOWMENT (Continued)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Entity relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Entity targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Entity has a policy of appropriating for distribution all the earnings of the donor-restricted endowment funds.

Endowment Net Asset Composition by Type of Fund

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board designated endowment funds	\$ -	\$ -	\$ -
Donor-restricted endowment funds	-	80,842	80,842
Total funds	<u>\$ -</u>	<u>\$ 80,842</u>	<u>\$ 80,842</u>

Reconciliation of the Beginning and Ending Balances of the Endowment in Total and by Net Asset Class

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 80,842	\$ 80,842
Investment return, net	-	-	-
Contributions	-	-	-
Appropriation of endowment assets	-	-	-
Other changes	-	-	-
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 80,842</u>	<u>\$ 80,842</u>

Description of Amounts Classified as Net Assets with Donor Restrictions (Endowment Only)

Original donor-restricted endowment gift amount and amounts required to be retained by donor	\$ 80,842
Term endowment funds	-
Accumulated investment gains on endowment funds:	
Without purpose restrictions	-
With purpose restrictions	-
Total endowment funds classified as net assets with donor restrictions	<u>\$ 80,842</u>

SUPPLEMENTAL SCHEDULES

CHATTANOOGA THEATRE CENTRE
Comparative Schedule of Financial Position
August 31, 2022 and 2021

	2022	2021
ASSETS		
Current assets		
Cash	\$ 479,359	\$ 799,522
Investments	372,104	336,139
Prepaid expenses	18,985	-
Total current assets	870,448	1,135,661
Non-current assets		
Property and equipment - net	2,705,303	2,825,233
TOTAL ASSETS	\$ 3,575,751	\$ 3,960,894
LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities		
Accounts payable	\$ 5,361	\$ 14,481
Accrued expenses	12,450	3,839
Unearned revenue	49,702	331,226
Notes payable	3,548	136,549
Line of credit	252	198,873
Total current liabilities	71,313	684,968
Non-current liabilities		
Notes payable	154,993	150,846
Total liabilities	226,306	835,814
Net assets		
Without donor restrictions:		
Undesignated	3,268,603	3,044,238
With donor restrictions	80,842	80,842
Total net assets	3,349,445	3,125,080
TOTAL LIABILITIES AND NET ASSETS	\$ 3,575,751	\$ 3,960,894

CHATTANOOGA THEATRE CENTRE
Comparative Schedule of Activities
Years Ended August 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
REVENUES, GAINS AND OTHER SUPPORT		
Season tickets	\$ 28,780	\$ 32,277
Single tickets	179,473	100,853
Special events	15,733	2,912
Classes and workshops	65,603	32,631
Advertising	1,000	-
Concessions and gift shop	10,459	9,844
Miscellaneous	1,905	2,760
Credit card processing fees	11,228	4,974
Rental income	352,337	287,751
PPP loan forgiveness	133,097	133,098
Employee retention tax credit	32,451	-
Contributions and grants	622,296	405,523
Investment return, net	<u>34,966</u>	<u>90,979</u>
Total revenues, gains and other support	<u>1,489,328</u>	<u>1,103,602</u>
EXPENSES		
Program services		
Productions	1,027,937	663,963
Promotions	60,372	33,020
Front of house	<u>40,877</u>	<u>20,976</u>
Total program expenses	<u>1,129,186</u>	<u>717,959</u>
Supporting services		
Management and general	132,152	117,331
Fund-raising	<u>3,625</u>	<u>2,698</u>
Total supporting services	<u>135,777</u>	<u>120,029</u>
Total expenses	<u>1,264,963</u>	<u>837,988</u>
Change in net assets	224,365	265,614
Net assets - beginning	<u>3,125,080</u>	<u>2,859,466</u>
Net assets - end	<u>\$ 3,349,445</u>	<u>\$ 3,125,080</u>

CHATTANOOGA THEATRE CENTRE
Comparative Schedule of Functional Expenses
Years Ended August 31, 2022 and 2021

	Program Services			Supporting Service		2022 Total	2021 Total
	Productions	Promotions	Front of House	Management and General	Fund- Raising		
EXPENSES							
Salaries	\$ 373,803	\$ -	\$ -	\$ 41,534	\$ -	\$ 415,337	\$ 303,622
Payroll taxes	46,881	-	-	5,209	-	52,090	25,368
Employee benefits	20,495	-	-	2,277	-	22,772	18,415
Concessions	-	-	7,407	-	-	7,407	2,775
Costume and make-up	4,769	-	-	-	-	4,769	3,898
Bank and credit card fees	577	-	-	-	-	577	538
Depreciation	150,990	-	-	-	-	150,990	146,274
Dues and subscriptions	2,293	1,142	-	-	-	3,435	876
Education	6,828	-	-	-	-	6,828	3,228
Fund-raising	-	-	-	-	3,625	3,625	2,698
Insurance	-	-	-	38,610	-	38,610	33,415
Interest	-	-	-	11,846	-	11,846	17,825
Lights and sound	100	-	-	-	-	100	338
Maintenance and repairs	81,540	-	-	-	-	81,540	34,349
Miscellaneous	1,461	7,402	-	-	-	8,863	2,123
Postage and printing	8,371	35,201	-	-	-	43,572	32,606
Professional services	72,199	-	-	22,080	-	94,279	49,647
Program awareness	-	9,048	-	-	-	9,048	3,174
Receptions and meetings	2,323	1,076	-	-	-	3,399	1,697
Royalties and scripts	77,510	-	-	-	-	77,510	12,774
Security	-	-	3,271	-	-	3,271	274
Sets and props	16,672	-	-	-	-	16,672	5,129
Special events	14,686	-	-	-	-	14,686	1,505
Supplies and equipment	31,956	3,807	-	-	-	35,763	37,660
Taxes and licenses	-	-	-	10,596	-	10,596	11,034
Telephone and internet	-	2,696	-	-	-	2,696	1,342
Tickets	-	-	30,199	-	-	30,199	15,645
Utilities	114,483	-	-	-	-	114,483	69,759
Total	\$1,027,937	\$ 60,372	\$ 40,877	\$ 132,152	\$ 3,625	\$1,264,963	\$ 837,988