

DALLAS CHILDREN'S THEATER

FINANCIAL STATEMENTS

**Years Ended August 31, 2023 and 2022
with Report of Independent Auditors**

DALLAS CHILDREN’S THEATER

FINANCIAL STATEMENTS

Years Ended August 31, 2023 and 2022

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REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees of
Dallas Children's Theater

Opinion

We have audited the financial statements of Dallas Children's Theater (the "Organization"), which comprise the statements of financial position as of August 31, 2023 and 2022, 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 accompanying financial statements present fairly, in all material respects, the financial position of the Organization. as of August 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). 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 Organization 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 opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, 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 Organization's ability to continue as a going concern for one year after the date that the financial statements are 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 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 GAAS 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 GAAS, 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 Organization'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 Organization'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.

Whitley Penn LLP

Dallas, Texas
December 12, 2023

DALLAS CHILDREN'S THEATER
STATEMENT OF FINANCIAL POSITION
As of August 31, 2023

	Operations	Capital	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 2,360,231	\$ 459,080	\$ 2,819,311
Restricted cash and cash equivalents	19,276	-	19,276
Pledges receivable	122,182	50,000	172,182
Due from capital	29,171	-	29,171
Prepaid expenses and other assets	117,418	-	117,418
Total current assets	2,648,278	509,080	3,157,358
Other assets			
Investment	40,996	409,511	450,507
Other assets, net of amortization of \$55,000	-	18,979	18,979
Right of use asset - finance lease	8,729	-	8,729
Total other assets	49,725	428,490	478,215
Fixed assets			
Land	-	2,600,000	2,600,000
Land improvements	55,700	1,554,288	1,609,988
Building and improvements	183,493	6,384,679	6,568,172
Furniture, fixtures, and equipment	452,312	791,115	1,243,427
Construction in progress	-	32,333	32,333
Less accumulated depreciation	(506,734)	(4,893,493)	(5,400,227)
Net fixed assets	184,771	6,468,922	6,653,693
Total assets	\$ 2,882,774	\$ 7,406,492	\$ 10,289,266
Liabilities and Net Assets			
Current liabilities			
Accounts payable	\$ 28,999	\$ -	\$ 28,999
Due to operations	-	29,171	29,171
Accrued expenses	77,287	-	77,287
Contract liabilities	198,536	-	198,536
Current portion of finance lease liability	9,377	-	9,377
Note payable	5,693	-	5,693
Total current liabilities	319,892	29,171	349,063
Note payable, net of current portion	495	-	495
Total liabilities	320,387	29,171	349,558
Commitments and contingencies			
Net assets:			
Without donor restrictions	2,238,651	6,768,242	9,006,893
With donor restrictions	323,736	609,079	932,815
Total net assets	2,562,387	7,377,321	9,939,708
Total liabilities and net assets	\$ 2,882,774	\$ 7,406,492	\$ 10,289,266

See accompanying notes to financial statements.

DALLAS CHILDREN'S THEATER
STATEMENT OF FINANCIAL POSITION
As of August 31, 2022

	<u>Operations</u>	<u>Capital</u>	<u>Total</u>
Assets			
Current assets			
Cash and cash equivalents	\$ 2,457,239	\$ 304,267	\$ 2,761,506
Restricted cash and cash equivalents	19,049	-	19,049
Pledges receivable, net	77,653	-	77,653
Prepaid expenses and other assets	107,574	899	108,473
Total current assets	<u>2,661,515</u>	<u>305,166</u>	<u>2,966,681</u>
Other assets			
Investment	39,254	392,112	431,366
Other assets, net of amortization of \$55,000	-	18,279	18,279
Total other assets	<u>39,254</u>	<u>410,391</u>	<u>449,645</u>
Fixed assets			
Land	-	2,600,000	2,600,000
Land improvements	55,700	1,465,657	1,521,357
Building and improvements	183,493	6,377,831	6,561,324
Furniture, fixtures, and equipment	446,680	735,408	1,182,088
Construction in progress	-	26,250	26,250
Less accumulated depreciation	<u>(473,616)</u>	<u>(4,580,008)</u>	<u>(5,053,624)</u>
Net fixed assets	<u>212,257</u>	<u>6,625,138</u>	<u>6,837,395</u>
Total assets	<u>\$ 2,913,026</u>	<u>\$ 7,340,695</u>	<u>\$ 10,253,721</u>
Liabilities and Net Assets			
Current liabilities			
Accounts payable	\$ 60,343	\$ -	\$ 60,343
Accrued expenses	59,293	-	59,293
Contract liabilities	243,763	-	243,763
Notes payable	5,472	-	5,472
Total current liabilities	<u>368,871</u>	<u>-</u>	<u>368,871</u>
Note payable, net of current portion	<u>6,353</u>	<u>-</u>	<u>6,353</u>
Total liabilities	<u>375,224</u>	<u>-</u>	<u>375,224</u>
Commitments and contingencies			
Net assets:			
Without donor restrictions	2,255,262	6,936,428	9,191,690
With donor restrictions	282,540	404,267	686,807
Total net assets	<u>2,537,802</u>	<u>7,340,695</u>	<u>9,878,497</u>
Total liabilities and net assets	<u>\$ 2,913,026</u>	<u>\$ 7,340,695</u>	<u>\$ 10,253,721</u>

See accompanying notes to financial statements.

DALLAS CHILDREN'S THEATER

STATEMENT OF ACTIVITIES

Year Ended August 31, 2023

	Operations		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains, and other support:			
Support			
Foundation	\$ 438,857	\$ 193,225	\$ 632,082
Corporation	317,427	-	317,427
Individuals	400,668	12,386	413,054
Special events, net of direct expenses of \$16,744	(4,475)	-	(4,475)
In-kind contributions	2,065	-	2,065
Government grants	252,322	-	252,322
Total support	<u>1,406,864</u>	<u>205,611</u>	<u>1,612,475</u>
Revenue			
Ticket sales	909,699	-	909,699
Tuition	511,704	-	511,704
Rental and other	259,900	-	259,900
Employee retention credit	467,807	-	467,807
Net unrealized gain on investment	3,676	-	3,676
Interfund transfer	(32,597)	-	(32,597)
Total revenue	<u>2,120,189</u>	<u>-</u>	<u>2,120,189</u>
Net assets released from restriction			
Expiration of time and purpose restrictions	164,415	(164,415)	-
Total revenue, gains, and other support	<u>3,691,468</u>	<u>41,196</u>	<u>3,732,664</u>
Expenses:			
Program services			
Production	2,202,241	-	2,202,241
Education	689,205	-	689,205
Total program services	<u>2,891,446</u>	<u>-</u>	<u>2,891,446</u>
Supporting services			
Management and general	545,268	-	545,268
Fundraising	271,365	-	271,365
Total supporting services	<u>816,633</u>	<u>-</u>	<u>816,633</u>
Total expenses	<u>3,708,079</u>	<u>-</u>	<u>3,708,079</u>
Changes in net assets	(16,611)	41,196	24,585
Net assets at beginning of year	<u>2,255,262</u>	<u>282,540</u>	<u>2,537,802</u>
Net assets at end of year	<u>\$ 2,238,651</u>	<u>\$ 323,736</u>	<u>\$ 2,562,387</u>

See accompanying notes to financial statements.

DALLAS CHILDREN'S THEATER

STATEMENT OF ACTIVITIES (continued)

Year Ended August 31, 2023

	Capital		Total	Total Funds
	Without Donor Restrictions	With Donor Restrictions		
Revenue, gains, and other support:				
Support				
Foundation	\$ -	\$ 255,000	\$ 255,000	\$ 887,082
Corporation	-	10,000	10,000	327,427
Individuals	-	10,000	10,000	423,054
Special events	-	-	-	(4,475)
In-kind contributions	-	-	-	2,065
Government grants	-	-	-	252,322
Total support	-	275,000	275,000	1,887,475
Revenue				
Ticket sales	-	-	-	909,699
Tuition	-	-	-	511,704
Rental and other	-	-	-	259,900
Employee retention credit	-	-	-	467,807
Net unrealized gain on investment	34,809	-	34,809	38,485
Interest income	(54)	9,303	9,249	9,249
Interfund transfer	(17,407)	50,004	32,597	-
Total revenue	17,348	59,307	76,655	2,196,844
Net assets released from restriction				
Expiration of time and purpose restrictions	129,495	(129,495)	-	-
Total revenue, gains, and other support	146,843	204,812	351,655	4,084,319
Expenses:				
Program services				
Production	227,841	-	227,841	2,430,082
Education	60,565	-	60,565	749,770
Total program expenses	288,406	-	288,406	3,179,852
Supporting services				
Management and general	15,674	-	15,674	560,942
Fundraising	10,949	-	10,949	282,314
Total supporting services	26,623	-	26,623	843,256
Total expenses	315,029	-	315,029	4,023,108
Changes in net assets	(168,186)	204,812	36,626	61,211
Net assets at beginning of year	6,936,428	404,267	7,340,695	9,878,497
Net assets at end of year	\$ 6,768,242	\$ 609,079	\$ 7,377,321	\$ 9,939,708

See accompanying notes to financial statements.

DALLAS CHILDREN'S THEATER

STATEMENT OF ACTIVITIES

Year Ended August 31, 2022

	Operations		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains, and other support:			
Support			
Foundation	\$ 500,183	\$ 120,000	\$ 620,183
Corporation	325,040	-	325,040
Individuals	140,143	13,005	153,148
Special events, net of direct expenses of \$41,390	69,067	-	69,067
In-kind contributions	34,273	-	34,273
Government grants	182,222	829,284	1,011,506
Total support	<u>1,250,928</u>	<u>962,289</u>	<u>2,213,217</u>
Revenue			
Ticket sales	519,020	-	519,020
Tuition	486,827	-	486,827
Rental and other	117,807	-	117,807
Net unrealized loss on investment	(6,754)	-	(6,754)
Interfund transfer	(53,139)	-	(53,139)
Total revenue	<u>1,063,761</u>	<u>-</u>	<u>1,063,761</u>
Net assets released from restriction			
Expiration of time and purpose restrictions	909,801	(909,801)	-
Total revenue, gains, and other support	<u>3,224,490</u>	<u>52,488</u>	<u>3,276,978</u>
Expenses:			
Program services			
Production	1,433,610	-	1,433,610
Education	607,670	-	607,670
Total program services	<u>2,041,280</u>	<u>-</u>	<u>2,041,280</u>
Supporting services			
Management and general	508,763	-	508,763
Fundraising	291,845	-	291,845
Total supporting services	<u>800,608</u>	<u>-</u>	<u>800,608</u>
Total expenses	<u>2,841,888</u>	<u>-</u>	<u>2,841,888</u>
Changes in net assets	382,602	52,488	435,090
Net assets at beginning of year	<u>1,872,660</u>	<u>230,052</u>	<u>2,102,712</u>
Net assets at end of year	<u>\$ 2,255,262</u>	<u>\$ 282,540</u>	<u>\$ 2,537,802</u>

See accompanying notes to financial statements.

DALLAS CHILDREN'S THEATER

STATEMENT OF ACTIVITIES (continued)

Year Ended August 31, 2022

	Capital		Total	Total Funds
	Without Donor Restrictions	With Donor Restrictions		
Revenue, gains, and other support:				
Support				
Foundation	\$ -	\$ 185,000	\$ 185,000	\$ 805,183
Corporation	-	25,000	25,000	350,040
Individuals	200	10,000	10,200	163,348
Special events	-	-	-	69,067
In-kind contributions	-	-	-	34,273
Government grants	-	-	-	1,011,506
Total support	200	220,000	220,200	2,433,417
Revenue				
Ticket sales	-	-	-	519,020
Tuition	-	-	-	486,827
Rental and other	-	-	-	117,807
Net unrealized loss on investment	(67,468)	-	(67,468)	(74,222)
Interfund transfer	-	53,139	53,139	-
Total revenue	(67,468)	53,139	(14,329)	1,049,432
Net assets released from restriction				
Expiration of time and purpose restrictions	279,177	(279,177)	-	-
Total revenue, gains, and other support	211,909	(6,038)	205,871	3,482,849
Expenses:				
Program services				
Production	208,111	-	208,111	1,641,721
Education	55,320	-	55,320	662,990
Total program expenses	263,431	-	263,431	2,304,711
Supporting services				
Management and general	14,316	-	14,316	523,079
Fundraising	10,299	-	10,299	302,144
Total supporting services	24,615	-	24,615	825,223
Total expenses	288,046	-	288,046	3,129,934
Changes in net assets	(76,137)	(6,038)	(82,175)	352,915
Net assets at beginning of year	7,012,565	410,305	7,422,870	9,525,582
Net assets at end of year	\$ 6,936,428	\$ 404,267	\$ 7,340,695	\$ 9,878,497

See accompanying notes to financial statements.

DALLAS CHILDREN'S THEATER
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended August 31, 2023

	<u>Program Services</u>			<u>Supporting Services</u>			<u>Total</u>
	<u>Production</u>	<u>Education</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	
Operations							
Salaries - staff	\$ 753,410	\$ 296,536	\$ 1,049,946	\$ 316,009	\$ 133,711	\$ 449,720	\$ 1,499,666
Professional services - artistic	213,867	191,294	405,161	-	-	-	405,161
Salaries - artistic	304,872	4,165	309,037	-	-	-	309,037
Legal and professional	43,960	7,899	51,859	81,930	4,497	86,427	138,286
Advertising	95,698	1,687	97,385	3,893	60,063	63,956	161,341
Supplies and materials	115,060	6,362	121,422	5,051	346	5,397	126,819
Travel	13,838	148	13,986	6,550	-	6,550	20,536
Building expense	142,514	32,256	174,770	28,382	11,055	39,437	214,207
Fringe benefits	96,253	58,213	154,466	34,677	29,126	63,803	218,269
Payroll taxes	76,084	39,201	115,285	36,237	14,676	50,913	166,198
Royalties and commissions	84,128	3,759	87,887	-	-	-	87,887
Utilities	55,622	13,905	69,527	3,779	2,267	6,046	75,573
Printing and publications	22,960	885	23,845	142	1,882	2,024	25,869
Insurance	82,746	20,687	103,433	5,621	3,373	8,994	112,427
Bank and credit card charges	3,544	886	4,430	5,098	1,613	6,711	11,141
Store	39,927	-	39,927	-	-	-	39,927
Postage and shipping	22,390	4,166	26,556	5,804	3,995	9,799	36,355
Depreciation	24,375	6,094	30,469	1,656	994	2,650	33,119
Telephone	3,170	792	3,962	3,962	1,981	5,943	9,905
Dues and subscriptions	-	-	-	6,043	-	6,043	6,043
Rent	6,672	-	6,672	-	-	-	6,672
Donor recognition	-	-	-	-	1,786	1,786	1,786
Miscellaneous	1,151	270	1,421	140	-	140	1,561
Interest	-	-	-	294	-	294	294
Total functional expenses for Operations	<u>2,202,241</u>	<u>689,205</u>	<u>2,891,446</u>	<u>545,268</u>	<u>271,365</u>	<u>816,633</u>	<u>3,708,079</u>
Capital							
Depreciation	227,841	60,565	288,406	15,674	9,405	25,079	313,485
Interest	-	-	-	-	1,544	1,544	1,544
Total functional expenses for Capital	<u>227,841</u>	<u>60,565</u>	<u>288,406</u>	<u>15,674</u>	<u>10,949</u>	<u>26,623</u>	<u>315,029</u>
Total functional expenses	<u>\$ 2,430,082</u>	<u>\$ 749,770</u>	<u>\$ 3,179,852</u>	<u>\$ 560,942</u>	<u>\$ 282,314</u>	<u>\$ 843,256</u>	<u>\$ 4,023,108</u>

See accompanying notes to financial statements.

DALLAS CHILDREN'S THEATER
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended August 31, 2022

	<u>Program Services</u>			<u>Supporting Services</u>			<u>Total</u>
	<u>Production</u>	<u>Education</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	
Operations							
Salaries - staff	\$ 384,257	\$ 255,713	\$ 639,970	\$ 337,533	\$ 195,063	\$ 532,596	\$ 1,172,566
Professional services - artistic	172,380	179,079	351,459	-	-	-	351,459
Salaries - artistic	206,424	2,255	208,679	-	-	-	208,679
Legal and professional	13,197	148	13,345	40,557	3,086	43,643	56,988
Advertising	14,432	1,304	15,736	2,833	37,166	39,999	55,735
Supplies and materials	102,839	5,553	108,392	3,591	81	3,672	112,064
Travel	6,642	130	6,772	1,251	195	1,446	8,218
Building expense	179,840	47,558	227,398	25,630	11,118	36,748	264,146
Fringe benefits	97,232	42,250	139,482	30,932	2,395	33,327	172,809
Payroll taxes	51,124	31,962	83,086	34,732	27,188	61,920	145,006
Royalties and commissions	40,719	2,328	43,047	-	-	-	43,047
Utilities	51,175	12,794	63,969	3,477	2,086	5,563	69,532
Printing and publications	3,070	1,100	4,170	238	1,759	1,997	6,167
Insurance	61,612	15,403	77,015	4,186	2,511	6,697	83,712
Bank and credit card charges	3,866	967	4,833	3,956	1,611	5,567	10,400
Store	942	-	942	-	-	-	942
Postage and shipping	5,750	1,586	7,336	6,710	2,430	9,140	16,476
Depreciation	22,012	5,503	27,515	1,495	897	2,392	29,907
Telephone	5,136	1,284	6,420	6,420	3,210	9,630	16,050
Dues and subscriptions	-	673	673	4,903	-	4,903	5,576
Rent	6,466	-	6,466	-	-	-	6,466
Donor recognition	1,049	-	1,049	-	1,049	1,049	2,098
Miscellaneous	3,446	80	3,526	25	-	25	3,551
Interest	-	-	-	294	-	294	294
Total functional expenses for Operations	<u>1,433,610</u>	<u>607,670</u>	<u>2,041,280</u>	<u>508,763</u>	<u>291,845</u>	<u>800,608</u>	<u>2,841,888</u>
Capital							
Depreciation	207,924	55,271	263,195	14,304	8,582	22,886	286,081
Interest	-	-	-	-	1,709	1,709	1,709
Supplies	187	49	236	12	8	20	256
Total functional expenses for Capital	<u>208,111</u>	<u>55,320</u>	<u>263,431</u>	<u>14,316</u>	<u>10,299</u>	<u>24,615</u>	<u>288,046</u>
Total functional expenses	<u>\$ 1,641,721</u>	<u>\$ 662,990</u>	<u>\$ 2,304,711</u>	<u>\$ 523,079</u>	<u>\$ 302,144</u>	<u>\$ 825,223</u>	<u>\$ 3,129,934</u>

See accompanying notes to financial statements.

DALLAS CHILDREN'S THEATER

STATEMENTS OF CASH FLOWS

	Year Ended August 31,	
	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 61,211	\$ 352,915
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	346,604	315,988
Amortization of finance lease	10,475	-
Net unrealized (gain) loss on investment	(38,485)	74,222
Non-cash interest expense	1,573	-
Contributions restricted for investment in capital assets	(275,000)	(273,139)
Changes in net assets and liabilities:		
Pledges receivable	(94,529)	53,150
Prepaid expenses and other assets	(8,945)	(18,123)
Accounts payable	(31,344)	(35,797)
Accrued expenses	17,294	(7,643)
Contract liabilities	(45,227)	53,332
Net cash provided by (used in) operating activities	(56,373)	514,905
Cash flows from investing activities:		
Proceeds from sale of investment	19,344	-
Purchases of fixed assets	(162,902)	(299,215)
Net cash used in investing activities	(143,558)	(299,215)
Cash flows from financing activities:		
Contributions restricted for investment in capital assets	275,000	273,139
Principal payments on note payable	(5,637)	(5,636)
Payments on lease liability	(11,400)	-
Net cash provided by financing activities	257,963	267,503
Net increase in cash, cash equivalents, and restricted cash	58,032	483,193
Cash, cash equivalents, and restricted cash at beginning of year	2,780,555	2,297,362
Cash, cash equivalents, and restricted cash at end of year	\$ 2,838,587	\$ 2,780,555
Supplemental Disclosure of Non-Cash Information		
Right of use asset assumed through lease liability	\$ 19,204	\$ -
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 1,838	\$ 3,381

See accompanying notes to financial statements.

DALLAS CHILDREN’S THEATER
NOTES TO FINANCIAL STATEMENTS

August 31, 2023 and 2022

A. Nature of Activities

Dallas Children’s Theater (the “Organization”) is a nonprofit organization incorporated under the laws of the State of Texas in 1984. The Organization is dedicated to providing professional quality theater to children and their families, especially to those who would not otherwise have an opportunity to experience live theater. The Organization’s principal activities include theater season productions, operation of a theatrical school, performances for children with special needs, and several educational extension programs in Dallas, Texas.

The Organization’s support comes from tuition and ticket sales as well as contributions from individuals, foundations, governments, and corporations. The Organization suspended its national tour in March 2020 due to the pandemic and expected to continue the national tour in 2021. However, due to the ongoing pandemic and rising costs the decision was made in January of 2022 to suspend the tour indefinitely.

The Organization owns the land and building upon which the theater is located. It is also responsible for, and has consistently funded through donations and grants, all improvements and other related land and building expenditures.

B. Summary of Significant Accounting Policies

A summary of the Organization’s significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect certain reported amounts in the financial statements and accompanying notes. Actual results could differ from these estimates and assumptions.

Basis of Accounting

The Organization’s financial statements are presented on the accrual basis of accounting in accordance with GAAP.

GAAP requires the Organization to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions — net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Trustees.

DALLAS CHILDREN’S THEATER

NOTES TO FINANCIAL STATEMENTS (continued)

B. Summary of Significant Accounting Policies – continued

Basis of Accounting – continued

Net assets with donor restrictions — net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time or net assets that are required to be maintained in perpetuity by the Organization. When a donor restriction expires, 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.

The Organization uses fund accounting to keep track of certain types of activities. Two funds are currently employed: Operations and Capital. The Operations fund represents the normal operating activity of the Organization. The Capital fund represents the amounts for capital development, including exterior enhancements, interior enhancements, property, and organizational capacity.

Gifts of long-lived assets with explicit restrictions and gifts of cash that must be used to acquire long-lived assets are reported as temporarily restricted support. The Organization reports expirations of such donor restrictions when the donated assets are placed in service unless donor restrictions indicate otherwise.

Cash, Cash Equivalents, and Restricted Cash

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. At August 31, 2023 and 2022, the Organization had no such investments. The Organization maintains deposits primarily in two financial institutions, which may at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (“FDIC”). The Organization has not experienced any losses related to amounts in excess of FDIC limits.

The Organization considers cash held within the Actor’s Equity Association bond to be restricted cash for use in future activities. The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statements of financial position that sum to the total cash, cash equivalents, and restricted cash shown in the statements of cash flows for the years ended August 31, 2023 and 2022.

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents:		
Capital	\$ 459,080	\$ 304,267
Operating	2,195,817	2,274,699
Opera and artists fund	18,307	18,165
Purpose restricted	146,107	164,375
Restricted cash:		
Actor’s Equity Association bond	<u>19,276</u>	<u>19,049</u>
Total cash, cash equivalents and restricted cash	<u>\$ 2,838,587</u>	<u>\$ 2,780,555</u>

DALLAS CHILDREN'S THEATER

NOTES TO FINANCIAL STATEMENTS *(continued)*

B. Summary of Significant Accounting Policies – continued

Revenue Recognition

The Organization recognizes revenues from ticket sales, tuition, retail, and rental income. All of the Organization's revenues are comprised of exchange transactions based on the value of benefits provided to customers.

Performance Obligations

The performance obligations related to shows, educational classes, and rental income are transferred at a point in time when the show, class, or rental occurs. Fees received in advance are recorded as a contract liability until performance.

Other revenue relates primarily to unrealized gain or loss on investments throughout the year.

Contract Liabilities

Contract liabilities represent tickets, tuition payments, and rental payments received from customers prior to the satisfaction of the corresponding performance obligations. Contract liabilities are recognized as revenue once the corresponding performance obligations are satisfied based on the contract with the customer. Contract liabilities were \$198,536 \$243,763, and \$190,431, at August 31, 2023, 2022, and 2021, respectively.

Contributions and Pledges Receivable

Unconditional promises to give or pledges receivables 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 the present value of their estimated future cash flows. The discount on those amounts is computed using risk-free interest rates applicable to the years in which the promises are expected to be received. Amortization of the discount is included in contribution support revenue. Contributions are recorded as support revenue at the time an unconditional right to the gift has been established and the proceeds are measurable in amount. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

DALLAS CHILDREN'S THEATER

NOTES TO FINANCIAL STATEMENTS *(continued)*

B. Summary of Significant Accounting Policies – continued

Investments

Investments with readily determinable fair values are to be stated at fair value with unrealized gains and losses from fluctuations in market value included in the statement of activities. GAAP defines fair value, establishes a framework for measuring fair value, and expands disclosures about assets and liabilities measured at fair value.

GAAP defines fair value as 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 and establishes a three-tier hierarchy that is used to identify assets and liabilities measured at fair value. The hierarchy focuses on the inputs used to measure fair value and requires that the lowest level input be used. The three levels of the fair value hierarchy are described below:

- Level 1 — observable inputs that are based upon quoted market prices for identical assets or liabilities within active markets.
- Level 2 — observable inputs other than Level 1 that are based upon quoted market prices for similar assets or liabilities, quoted prices within inactive markets, or inputs other than quoted market prices that are observable through market data for substantially the full term of the asset or liability.
- Level 3 — inputs that are unobservable for the particular asset or liability due to little or no market activity and are significant to the fair value of the asset or liability. These inputs reflect assumptions that market participants would use when valuing the particular asset or liability.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value.

- *Annuity Contract*: valued based on generally observable inputs including yield curves, externally sourced credit spreads, and last trading prices. The annuity contract is classified within Level 2 of the valuation hierarchy.

The preceding methods described may produce fair value measurements that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

DALLAS CHILDREN'S THEATER

NOTES TO FINANCIAL STATEMENTS *(continued)*

B. Summary of Significant Accounting Policies – continued

Fair Value of Financial Instruments

The Organization calculates the fair value of its assets and liabilities which qualify as financial instruments and includes this information in the notes to financial statements when the fair value is different than the carrying value of those financial instruments.

The estimated fair value of cash equivalents, pledges receivable, prepaid expenses and other assets, accounts payable, and accrued expenses approximate the carrying amounts due to the relatively short-term maturity of these instruments. The carrying value of the note payable also approximates fair value since it bears a market interest rate. None of these instruments are held for trading purposes.

Fixed Assets

Fixed assets, other than land, are stated at cost less accumulated depreciation. Land is stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets for financial reporting purposes. The Organization capitalizes expenditures for fixed assets in excess of \$5,000 and with an estimated useful life greater than one year. Expenditures for major renewals and betterments that extend the useful lives are capitalized. Expenditures for normal maintenance and repairs are expensed as incurred. The cost of assets sold or abandoned and the related accumulated depreciation are eliminated from the accounts and any gains or losses are reflected in the accompanying statement of activities of the respective period. The estimated useful lives of land improvements range from 5 to 20 years, the estimated useful lives of building and improvements range from 7 to 40 years, and the estimated useful lives of furniture, fixtures, and equipment range from 3 to 10 years.

Contributed Assets and Services

Contributed assets are reflected as contributions in the accompanying financial statements at their estimated value at date of receipt. Contributed services are reflected in the financial statements at the fair value of the services received if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Many individuals volunteer their time and perform a variety of tasks that help the Organization's programs. The value of this contributed time is not reflected in the accompanying financial statements because it does not meet the above criteria.

Bad Debts

Management periodically reviews pledges receivable on an account by account basis. Management considers the Organization's past history with the contributor and the size of the account in evaluating the reserve requirements for potentially uncollectible amounts. Accounts are written off when management determines that collection efforts will not be successful.

Allowance for doubtful accounts as of August 31, 2023 and 2022 was \$0. Bad debt expense for the years ended August 31, 2023 and 2022 was \$0.

DALLAS CHILDREN’S THEATER
NOTES TO FINANCIAL STATEMENTS (continued)

B. Summary of Significant Accounting Policies – continued

Functional Allocation of Expenses

Program services include expenses directly attributable to providing services to the Organization’s patrons. Supporting activities include those expenses not directly identifiable with any specific function but provide for the overall support and direction of the Organization. Directly identifiable expenses are charged to either program services or supporting activities. Expenses related to more than one function are allocated to program services or supporting activities based upon estimates of time spent in these activities by the Organization’s personnel or by square footage.

Advertising

The Organization expenses advertising costs as they are incurred. Advertising costs for the years ended August 31, 2023 and 2022, were \$161,341 and \$55,735, respectively.

Endowment Funds

The Organization operates under an enacted version of the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) since the Texas State Legislature enacted UPMIFA on September 1, 2007 (“TUPMIFA”). Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization’s management has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. Accordingly, the Organization classifies the original value of all endowment gifts as net assets with donor restrictions. Accumulated net earnings on endowment funds are classified as net assets with donor restrictions until those amounts are appropriated for expenditure in accordance with any applicable donor designations and in a manner consistent with the standard of prudence prescribed by the UPMIFA. The Organization had no accumulated earnings on endowment funds for the years ended August 31, 2023 and 2022, as the Organization appropriates earnings on the endowment funds to net assets without donor restrictions.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund,
- The purposes of the organization and the donor-restricted endowment fund,
- General economic conditions,
- The possible effect of inflation and deflation,
- The expected total return from income and the appreciation of investments,
- Other resources of the Organization, and
- The investment policies of the Organization.

DALLAS CHILDREN'S THEATER

NOTES TO FINANCIAL STATEMENTS *(continued)*

B. Summary of Significant Accounting Policies – continued

Endowment Funds – continued

The Organization's primary investment objectives are growth with income and preservation of capital. Management defines risk as the probability of not meeting these objectives. Accordingly, endowment assets are invested in a manner that is intended to minimize risk.

Federal Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except to the extent that they have unrelated business income. There was no material unrelated business income reflected in the accompanying financial statements for the years ended August 31, 2023 and 2022. Accordingly, no provision for income taxes has been provided in the accompanying financial statements.

GAAP prescribes a comprehensive model for the financial statement recognition, measurement, presentation, and disclosure of uncertain income tax positions taken or expected to be taken in income tax returns. Management believes that it has not taken a tax position that, if challenged, would have a material effect on the Organization's financial statements. The Organization files Form 990 in the United States federal jurisdiction and no tax returns are currently under examination by any tax authorities.

New Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued guidance Accounting Standards Codification ("ASC") 842, *Leases*, to increase transparency and comparability among organizations by requiring the recognition of right-of-use ("ROU") assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization elected the package of practical expedients permitted under the transition guidance, allowing the Organization to carry forward conclusions related to: (a) whether expired or existing contracts contain leases; (b) lease classification; and (c) initial direct costs for existing leases. The Organization has elected not to record operating lease right-of-use assets or lease liabilities associated with leases with durations of 12 months or less or with lease liabilities less than \$5,000. The Organization elected the practical expedient allowing aggregation of non-lease components with related lease components when evaluating the accounting treatment for all classes of underlying assets.

DALLAS CHILDREN'S THEATER

NOTES TO FINANCIAL STATEMENTS *(continued)*

B. Summary of Significant Accounting Policies – continued

New Accounting Pronouncements – continued

The accounting applied to lessors under ASC 842 is largely unchanged from previous GAAP. Some changes to lessor accounting guidance were made to align both of the following: (i) the lessor accounting guidance with certain changes made to the lessee accounting guidance and (ii) key aspects of the lessor accounting model with revenue recognition guidance.

The Organization adopted this standard effective September 1, 2022 using the modified retrospective approach. In transitioning to ASC 842, the Organization elected to use the practical expedient package available at the time of implementation and did not elect to use hindsight. These elections have been applied consistently to all leases existing at, or entered into after, September 1, 2022 (the beginning of the period of adoption). As a result of the adoption of the new lease accounting guidance, the Organization recognized on September 1, 2022, a right-of-use asset and lease liability of approximately \$19,000. The standard did not materially impact the change in net assets and had no impact on cash flows. Lease disclosures for the year ended August 31, 2022 are made under prior lease guidance in FASB ASC 840.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation. These reclassifications had no effect on previously reported change in net assets.

C. Availability and Liquidity

The following represents the Organization's financial assets available to meet cash needs for general expenditures within one year of August 31:

	<u>2023</u>	<u>2022</u>
Financial assets, at year end:		
Cash and cash equivalents	\$ 1,058,209	\$ 1,177,790
Pledges receivable	51,813	77,653
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,110,022</u>	<u>\$ 1,255,443</u>

The Organization is substantially supported by donations, production, and education fees that are not subject to restrictions. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be liquid and available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in short-term investments. The Organization also has a line-of-credit up to \$150,000 available for borrowing.

DALLAS CHILDREN'S THEATER

NOTES TO FINANCIAL STATEMENTS (continued)

C. Availability and Liquidity – continued

In November 2022, the Organization was awarded a total of \$1,096,000 in Shutter Venue Operations Grant funds from the Small Business Administration. These funds were used for salaries, benefits, and qualifying operating costs during the fiscal year ending August 31, 2022, enabling the Organization to maintain its liquidity going into the 2023 fiscal year. As of August 31, 2023, the Shutter Venue Operations Grant funds have been fully expended.

D. Pledges Receivable, Net

Discounted pledges receivable are amounts that comprise the following unconditional promises to give at August 31:

	<u>2023</u>	<u>2022</u>
Less than 1 year	\$ 172,182	\$ 77,653
1-5 years	<u>-</u>	<u>-</u>
Total pledges receivable	172,182	77,653
Unamortized discount to adjust pledges to net present value	<u>-</u>	<u>-</u>
Net pledges receivable	<u>\$ 172,182</u>	<u>\$ 77,653</u>

No pledge discount was necessary for the years ended August 31, 2023 and 2022 as all pledges were current. Pledges receivable at August 31, 2023 consist of \$88,232 due from 3 donors, and approximately \$15,700 in pledges receivable from related parties. Pledges receivable at August 31, 2022, consisted of \$56,922 due from 3 donors, and approximately \$4,550 in pledges receivable from related parties.

Pledges receivable are from donors located primarily in the Dallas area. Therefore, collection of pledges is subject to economic conditions in the area. Pledges restricted by time or purpose are reported as net assets with donor restrictions in the financial statements.

As of August 31, 2023 and 2022, there were no outstanding conditional promises to give.

DALLAS CHILDREN’S THEATER
NOTES TO FINANCIAL STATEMENTS (continued)

E. Investment

The Organization holds an investment in an annuity contract held by a master custodian and managed by Talcott Resolution. The master custodian and manager for the year ended August 31, 2022 was Merrill Lynch.

Investment in annuity contract consists of the following at August 31:

	<u>Cost</u>	<u>Unrealized Gain</u>	<u>Fair Value (Level 2)</u>
2023			
Endowment – investment in annuity	\$ 110,000	\$ 340,508	\$ 450,507
2022			
Endowment – investment in annuity	\$ 110,000	\$ 321,366	\$ 431,366

Investment income (loss) for the years ended August 31, 2023 and 2022, consists of an unrealized gain of \$38,485 and unrealized losses of \$74,222 , respectively.

F. Contributed Assets and Services

The Organization receives in-kind contributions from various donors. The estimated values of such in-kind contributions are as follows for the year ended August 31:

	<u>2023</u>	<u>2022</u>
Miscellaneous	\$ 2,065	\$ 4,273
Advertising	-	30,000
	<u>\$ 2,065</u>	<u>\$ 34,273</u>

The Organization has recognized the amounts indicated above as in-kind or special events contributions and expenses and is recorded at the market value of the service, as appropriate, in the accompanying financial statements.

DALLAS CHILDREN’S THEATER
NOTES TO FINANCIAL STATEMENTS (continued)

G. Endowments

Donor-restricted endowment activity is as follows for the year ended August 31:

	<u>2023</u>	<u>2022</u>
Operating		
Endowments beginning of year	\$ 10,000	\$ 10,000
Transfers to (from) endowment funds	-	-
Contributions to endowment funds	-	-
	<u> </u>	<u> </u>
Endowments end of year	<u>\$ 10,000</u>	<u>\$ 10,000</u>
Capital		
Endowments beginning of year	\$ 100,000	\$ 100,000
Transfers to (from) endowment funds	-	-
Contributions to endowment funds	-	-
	<u> </u>	<u> </u>
Endowments end of year	<u>\$ 100,000</u>	<u>\$ 100,000</u>

In 2015, the Organization established an endowment fund with the Dallas Foundation (the “Foundation”). The Foundation is a public charity that holds millions in trust for the public. The Foundation was granted variance power over these funds, and they are under the ultimate control of the Foundation’s Board of Governors. During the year ended August 31, 2023, no donor-restricted contributions were made to the endowment fund at the Foundation. During the year ended August 31, 2022, a donor-restricted contribution of \$200,000 was made to the endowment fund at the Foundation. During the years ended August 31, 2023 and 2022, the Organization received \$6,100 and \$5,700, respectively, from the Foundation in accordance with the distribution guidelines. These funds were available for general operations.

Due to the Foundation being granted variance power, the funds are not reflected in the financial statements of the Organization. As of August 31, 2023, the estimated value of the endowment fund held by the Foundation approximated \$369,000.

The Organization views its relationship with the Foundation as a long-term strategic alliance to create a substantial endowment.

DALLAS CHILDREN’S THEATER

NOTES TO FINANCIAL STATEMENTS (continued)

H. Net Assets

Net assets without donor restrictions are available for the following purposes as designated by the board of trustees at August 31:

	2023	2022
Designated for specific purpose:		
Artwork	\$ 124,333	\$ 124,333
Audience development (operations)	6,884	6,884
Undesignated funds:		
Operations	2,231,767	2,248,378
Capital	6,643,909	6,812,095
	\$ 9,006,893	\$ 9,191,690

Net assets with donor restrictions are available for the following purposes at August 31:

	2023	2022
Operations (time restricted)	\$ 70,000	\$ 40,000
Operations (purpose restricted)	225,429	214,375
Opera Fund	18,306	18,165
Capital Fund	509,080	304,267
Endowment – Capital	100,000	100,000
Endowment – Operations	10,000	10,000
	\$ 932,815	\$ 686,807

Investment income and capital appreciation may be used at the direction of the Finance Committee and the Executive Board.

I. Note Payable

The Organization has the following note payable at August 31:

	2023	2022
Note payable to Ford Motor Credit of \$28,182, collateralized by vehicle, interest rate at 1.99%, principal and interest payments payable monthly with final payment due September 2024.	\$ 6,188	\$ 11,825
Total note payable	6,188	11,825
Less current portion	(5,693)	(5,472)
Total long-term note payable	\$ 495	\$ 6,353

DALLAS CHILDREN’S THEATER

NOTES TO FINANCIAL STATEMENTS *(continued)*

I. Notes Payable – continued

The Organization also has a line-of-credit with a bank for up to \$150,000, with an interest rate at the prime rate plus 1.00% (4.25% at August 31, 2023). The line-of-credit matures on May 18, 2024. There were no amounts outstanding under the line-of-credit during the years ended August 31, 2023 and 2022.

On December 12, 2018, the March Family Foundation (“March Foundation”) originated a plan whereby the Organization’s then current debt would be completely paid off in three years. The March Foundation committed to be the lead funder, and the March Foundation secured the participation of four additional donors. During the year ended August 31, 2021, the March Foundation made contributions totaling \$161,655 thereby extinguishing the loan. The agreement requires that after the loan is paid off, the Organization commits to contributing quarterly payments of \$25,000 towards a capital reserve fund for future repairs of the building for the subsequent ten years.

The Organization also agreed not to use the property as collateral for any loan. Complete details are a part of the March Family Foundation Agreement. As of August 31, 2023, the Organization has continued to make the quarterly payments in accordance with the March Family Foundation Agreement.

Maturities of the outstanding note payable are as follows for the year ending August 31:

2024	\$ 5,693
2025	<u>495</u>
	<u>\$ 6,188</u>

Interest expense was \$294 and \$2,003 for the years ended August 31, 2023 and 2022, respectively.

J. Employee Retention Credit

The CARES Act provides an Employee Retention Credit (“CARES Employee Retention Credit”), which is a refundable tax credit against certain employment taxes. The Organization qualifies for the tax credit under the CARES Act and has received additional relief provisions for qualified wages through August 31, 2022. During the years ended August 31, 2023 and 2022, the Organization recorded \$467,807 and \$0 in income related to the CARES Employee Retention Credit included within the statements of activities, respectively.

DALLAS CHILDREN'S THEATER

NOTES TO FINANCIAL STATEMENTS (continued)

K. Rental Agreements

The Organization rented its facilities to a local church for a period of three years commencing on August 1, 2013, with automatic renewal for an additional three-year period unless the Organization receives at least a sixty-day notice of non-renewal. The Organization rents land usage for a cell tower under a five-year cancelable agreement dated May 2002, renewable for nine additional five-year terms, and cancellable by either party with a sixty-day notice prior to the renewal date. The Organization also rents the facility to various other entities. Rental income for the various activities is reflected in rental and other income in the accompanying financial statements.

At August 31, 2023, estimated future minimum payments to be received under non-cancelable operating leases with initial terms of one year or more consisted of the following:

Year Ending August 31:

2024	\$	71,238
2025		23,088
2026		23,088
2027		<u>17,316</u>
	\$	<u>134,730</u>

L. Leases

A lease provides the lessee the right to control the use of an identified asset for a period of time in exchange for consideration. Operating lease right-of-use assets and finance lease right-of-use assets (collectively "ROU assets") represent the Organization's right to use an underlying asset for the lease term. Operating lease liabilities and finance lease liabilities (collectively, "lease liabilities") represent the Organization's obligation to make lease payments arising from the lease. The Organization determines if an arrangement is a lease at inception. ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Organization excludes short-term leases having initial terms of 12 months or less from ROU assets and lease liabilities and recognizes rent expense on a straight-line basis over the lease term.

The Organization leases copiers under a non-cancelable operating lease that expires in June 2024. The discount rate used to determine the commencement date present value of lease payments is the interest rate implicit in the lease, or when that is not readily determinable, the Organization utilizes the practical expedient of the risk-free rate. ROU assets include any lease payments required to be made prior to commencement and exclude lease incentives. Both ROU assets and lease liabilities exclude variable payments not based on an index or rate, which are treated as period costs. The Organization's lease agreement does not contain significant residual value guarantees, restrictions, or covenants.

ROU asset obtained in exchange for finance lease liability during the year ended August 31, 2023 were \$19,204. As of August 31, 2023, the finance lease discount rate was 3.5% and the weighted average lease term is 0.71 years.

DALLAS CHILDREN’S THEATER

NOTES TO FINANCIAL STATEMENTS *(continued)*

L. Leases – continued

Total finance lease costs were \$12,048 for the year ended August 31, 2023. There were short-term lease costs of \$6,700 for the year ended August 31, 2023. There were no operating leases for the year ended August 31, 2023.

Maturities of lease liabilities as of August 31, 2023 are as follows:

2024	\$	9,500
Less present value discount		<u>(123)</u>
Lease liabilities	\$	<u>9,377</u>

Total rental expense for the year ended August 31, 2022 was approximately \$11,400.

M. Risks and Economic Outlook

The Organization operates in Dallas and, as such, is dependent upon the community’s interest in children’s theater and the willingness and ability of donors in the area to continue supporting the Organization. The ability of the Organization’s donors to continue giving amounts comparable with prior years may be dependent, among other things, upon current and future overall economic conditions and the continued deductibility for income tax purposes of donations to the Organization.

Management responded strategically to the pandemic with reductions in staff and other costs reductions and continuing their major gifts program to support the Organization. This combined with the utilization of government funds enabled the Organization to preserve cash to support its ongoing operations. It continues to monitor the economic environment for the performing arts.

N. Related Party Transactions

The Organization has pledges receivable due from board members of \$15,700 and \$4,550, which has been included within pledges receivable in the accompanying statements of financial position as of August 31, 2023 and 2022.

O. Subsequent Events

In preparing the financial statements, the Organization has evaluated all subsequent events and transactions for potential recognition or disclosure through December 12, 2023.