Berkeley Repertory Theatre

Financial Statements

August 31, 2023
(With Comparative Totals for 2022)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Berkeley Repertory Theatre
Berkeley, California

Opinion

We have audited the accompanying financial statements of Berkeley Repertory Theatre (the "Organization"), which comprise the statement of financial position as of August 31, 2023, and the related statements of activities, functional expenses, and cash flows 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 Berkeley Repertory Theatre as of August 31, 2023, 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 Berkeley Repertory Theatre 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 these 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 Berkeley Repertory Theatre'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 misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Berkeley Repertory Theatre'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 Berkeley Repertory Theatre'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.

Report on Summarized Comparative Information

We have previously audited Berkeley Repertory Theatre's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 31, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Armanino LLP

Armanino LLP
San Ramon, California

December 13, 2023

Berkeley Repertory Theatre
Statement of Financial Position
August 31, 2023
(With Comparative Totals for 2022)

	2023	2022
ASSETS		
Current assets		
Cash and cash equivalents	$ 936,942	$ 1,762,514
Operating investments	-	111,776
Accounts and contracts receivable	2,882,166	208,293
Contributions receivable, net	2,493,520	2,989,307
Prepaid expenses	476,828	1,383,835
Deposits and other assets	158,447	193,163
Restricted cash	150,123	3,101,522
Total current assets	7,098,026	9,750,410
Property and equipment, net	60,652,693	60,669,020
Other noncurrent assets		
Contributions receivable, noncurrent, net of discount	3,763,078	6,187,103
Long-term investments	426,502	416,337
Cash held for endowment	660,964	-
Endowment investments	3,885,242	4,339,445
Total other noncurrent assets	8,735,786	10,942,885
Total assets	$ 76,486,505	$ 81,362,315

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

Berkeley Repertory Theatre
Statement of Financial Position
August 31, 2023
(With Comparative Totals for 2022)

	2023	2022
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	$ 976,270	$ 2,048,962
Line of credit	3,125,000	-
Accrued construction costs	-	2,698,322
Current portion of long-term debt	1,029,167	968,246
Deferred production revenue	6,355,359	4,720,865
Total current liabilities	11,485,796	10,436,395
Long-term liabilities		
Executive retirement plan	133,042	156,353
Long-term debt, net of debt issuance cost of $596,087	42,584,785	40,688,279
Total long-term liabilities	42,717,827	40,844,632
Total liabilities	54,203,623	51,281,027
Net assets		
Without donor restrictions	11,440,227	14,644,140
With donor restrictions	10,842,655	15,437,148
Total net assets	22,282,882	30,081,288
Total liabilities and net assets	$ 76,486,505	$ 81,362,315

Berkeley Repertory Theatre
Statement of Activities
For the Year Ended August 31, 2023
(With Comparative Totals for 2022)

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
Revenues, gains (losses), and other support				
Admissions	$ 7,732,476	$ -	$ 7,732,476	$ 4,794,693
Education programs	319,531	-	319,531	264,252
Contributions, net	3,715,825	1,025,380	4,741,205	9,468,760
Donated goods and services	70,429	-	70,429	396,046
Conditional grant (Paycheck Protection Program)	-	-	-	13,746
Government grants	25,000	40,000	65,000	6,187,015
Fundraising and special events, net of expenses of $79,445	45,695	-	45,695	399,758
Co-production and enhancement funds	1,659,861	-	1,659,861	2,512,767
Concessions	265,622	-	265,622	95,855
Investment income (loss), net	56,959	260,793	317,752	(978,443)
Other income	777,624	-	777,624	622,248
Net assets released from restriction	5,920,666	(5,920,666)	-	-
Total revenues, gains (losses), and other support	20,589,688	(4,594,493)	15,995,195	23,776,697
Functional expenses				
Program services	19,335,275	-	19,335,275	15,680,671
General and administrative	3,300,828	-	3,300,828	3,499,393
Fundraising	1,157,498	-	1,157,498	1,037,965
Total functional expenses	23,793,601	-	23,793,601	20,218,029
Change in net assets	(3,203,913)	(4,594,493)	(7,798,406)	3,558,668
Net assets, beginning of year	14,644,140	15,437,148	30,081,288	26,522,620
Net assets, end of year	$ 11,440,227	$ 10,842,655	$ 22,282,882	$ 30,081,288

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

Berkeley Repertory Theatre
Statement of Functional Expenses
For the Year Ended August 31, 2023
(With Comparative Totals for 2022)

	Program Services	Support Services: General and Administrative	Support Services: Fundraising	Support Services: Total Support Services	2023 Total	2022 Total
Salaries	$ 7,513,105	$ 1,275,741	$ 617,619	$ 1,893,360	$ 9,406,465	$ 8,823,062
Employee benefits	1,023,498	146,404	89,933	236,337	1,259,835	1,201,141
Payroll taxes	668,980	98,146	51,036	149,182	818,162	781,535
Professional fees	1,920,679	522,054	149,194	671,248	2,591,927	1,313,728
Personnel/hiring	24,897	-	25,891	25,891	50,788	136,732
Travel and housing	543,617	8,082	2,653	10,735	554,352	1,328,621
Space and equipment rental	218,311	-	-	-	218,311	269,688
Production materials	903,025	-	-	-	903,025	1,137,908
Royalties and commissions	520,514	-	-	-	520,514	487,328
Printing	32,008	-	12,122	12,122	44,130	38,209
Advertising	-	916,646	-	916,646	916,646	586,726
Insurance	558,317	8,510	6,722	15,232	573,549	514,508
Interest	1,576,675	25,851	25,851	51,702	1,628,377	439,972
Supplies and office	146,339	12,221	4,892	17,113	163,452	167,014
Telephone and IT	163,974	27,503	20,328	47,831	211,805	88,821
Postage	56,956	2,298	2,867	5,165	62,121	41,382
Hospitality	159,210	2,579	85,546	88,125	247,335	192,879
Maintenance	265,555	3,785	3,785	7,570	273,125	238,169
Cost of goods sold	147,716	-	-	-	147,716	67,189
Credit card fees and charges	331,434	118,020	17,820	135,840	467,274	293,262
Utilities	382,910	6,278	6,278	12,556	395,466	325,810
Miscellaneous	85,350	89,182	981	90,163	175,513	727,979
Bad debt and asset disposal	214,279	6,738	3,190	9,928	224,207	-
Depreciation	1,877,926	30,790	30,790	61,580	1,939,506	1,016,366
	$ 19,335,275	$ 3,300,828	$ 1,157,498	$ 4,458,326	$ 23,793,601	$ 20,218,029

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

Berkeley Repertory Theatre
Statement of Cash Flows
For the Year Ended August 31, 2023
(With Comparative Totals for 2022)

	2023	2022
Cash flows from operating activities		
Change in net assets	$ (7,798,406)	$ 3,558,668
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	1,939,506	1,016,366
Non-cash interest expense	23,376	23,376
Realized and unrealized losses (gains) on investments	(192,648)	1,075,658
Loss on disposal of property and equipment	14,279	-
Changes in operating assets and liabilities		
Accounts and contracts receivable	(2,673,873)	231,310
Contributions receivable, net	2,919,812	(3,240,345)
Prepaid expenses	907,007	(853,269)
Deposits and other assets	34,716	(133,137)
Accounts payable and accrued expenses	(1,072,692)	999,595
Deferred production revenue	1,634,494	1,123,581
Refundable advance	-	(3,343,808)
Executive retirement plan	(23,311)	5,613
Net cash provided by (used in) operating activities	(4,287,740)	463,608
Cash flows from investing activities		
Purchase of investments	(162,099)	(190,184)
Proceeds from sale of investments	910,559	95,926
Purchases of property and equipment and construction in progress payments	(4,635,780)	(21,001,791)
Net cash used in investing activities	(3,887,320)	(21,096,049)
Cash flows from financing activities		
Advances on line of credit	6,425,000	-
Repayment of line of credit	(3,300,000)	-
Issuance of long-term debt	2,907,130	-
Repayment of long-term debt	(973,079)	(513,626)
Net cash provided by (used in) financing activities	5,059,051	(513,626)
Net decrease in cash	(3,116,009)	(21,146,067)
Cash, cash equivalents and restricted cash, beginning of year	4,864,036	26,010,103
Cash, cash equivalents and restricted cash, end of year	$ 1,748,027	$ 4,864,036

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

Berkeley Repertory Theatre
Statement of Cash Flows
For the Year Ended August 31, 2023
(With Comparative Totals for 2022)

	2023	2022
Cash, cash equivalents and restricted cash consisted of the following:		
Cash and cash equivalents	$ 936,942	$ 1,762,514
Restricted cash	150,123	3,101,522
Cash held for endowment	660,961	-
	$ 1,748,026	$ 4,864,036

Supplemental disclosure of cash flow information

Cash paid during the year for interest	$ 1,697,141	$ 1,516,594

1. NATURE OF OPERATIONS

Berkeley Repertory Theatre (the "Organization") is a professional, not-for-profit theatre company founded in 1968. Guided by core values of storytelling, rigor, innovation, equity, discovery, and sustainability, the Organization's mission is to create ambitious theatre that entertains and challenges its audiences, provokes civic engagement, and inspires people to experience the world in new and surprising ways. The Organization performs in its 400-seat thrust stage and its 600-seat proscenium stage in Berkeley, California. Over 5.5 million people have enjoyed nearly 500 shows produced by the Organization, which have gone on to win six Tony Awards, seven Obie Awards, nine Drama Desk Awards, one Grammy Award, one Pulitzer Prize, and many other honors. The Organization received the Tony Award for Outstanding Regional Theatre in 1997. To formalize, enhance, and expand the processes by which the Organization makes theatre, The Ground Floor: Center for the Creation and Development of New Work was launched in 2012. The School of Theatre engages and educates some 20,000 people each year and helps build the audiences of tomorrow with its nationally recognized programs. In 2021, the Organization launched In Dialogue, a program that places its theatre-making skills and resources in service of the community.

In 2020, the Organization launched the Resilience Campaign, a five-year, $20 million campaign to sustain the Organization through the COVID-19 pandemic and recovery and support the staff and artists behind its work on stage and in the community. As of August 31, 2023, approximately $15.5 million has been raised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

The accompanying financial statements have been prepared on the accrual basis of accounting. The Organization reports information regarding its financial position and activities according to the existence or absence of donor-imposed restrictions.

Net assets and changes therein are classified as follows:

- *Net assets without donor restrictions* - Net assets not subject to donor-imposed stipulations. The Organization's Board of Trustees may designate net assets without donor restrictions for specific purposes.
- *Net assets with donor restrictions* - Net assets subject to donor-imposed stipulations. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Net assets with donor restrictions also include the portion of donor-restricted endowment funds that are not required to be maintained in perpetuity until such funds are appropriated for expenditure by the Organization. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of accounting and financial statement presentation (continued)

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets and liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor restriction or by law. Expirations of restrictions on net assets (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as releases from net assets with donor restrictions and recognized as net assets without donor restrictions. Contributions that are restricted by the donor/grantor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

Cash and cash equivalents

For the purpose of the statement of cash flows, the Organization considers unrestricted highly liquid instruments with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents consist of cash on deposit and interest bearing money market funds.

Restricted cash represents a reserve established as a requirement under the real estate term loan with Flagstar Bank (see Note 9). Prior to the completion of the new 45-unit apartment building for artist housing, restricted cash included bond proceeds for construction in progress (see Note 10). Amounts included in restricted cash are expected to be released from restriction within the next fiscal year.

Cash deposits

The Organization places its cash and temporary cash investments with high credit quality institutions. Periodically, such investments may be in excess of federally insured limits.

Investments

Investments, which include securities, mutual funds, and certificates of deposits with an original maturity date of more than three months at the date of purchase, are recorded at fair value. Securities and mutual funds are traded on security exchanges and are valued at closing market prices on the dates closest to August 31, 2023. Investments received through gifts are recorded at estimated fair value at the date of donation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Organization determines the fair values of its assets and liabilities based on the fair value hierarchy that includes three levels of inputs that may be used to measure fair value (Level 1, Level 2, and Level 3). Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Level 2 inputs are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs reflect the Organization's own assumptions about the assumptions market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the Organization's own data.

The following methods and assumptions were used to estimate the fair value of financial instruments:

- Investments (Level 1): Investment securities traded on security exchanges are valued at closing market prices, or net asset value for mutual funds, on the date of business closest to August 31.
- Investments (Level 2): Fair values for fixed income investments consist primarily of investment grade instruments issued by corporations. The fair value of the Organization's investment in fixed income corporate bonds is measured on a recurring basis based on the cost of the investment plus accumulated fixed interest.

Management has elected, as a practical expedient, to measure the fair value of investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company, on the basis of the net asset value ("NAV") per share of the investment (or its equivalent) if the NAV of the investment (or its equivalent) is calculated in a manner consistent with the measurement principles of accounting for investment companies as of the entity's measurement date. Management has elected to adopt the practical expedient for its investments in real estate income trust funds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts and contracts receivable

Accounts and contracts receivable are stated at the amount management expects to collect from outstanding balances due. Based on prior write-off history, overall economic conditions, and the current aging status, the Organization establishes an allowance for doubtful accounts at a level considered adequate to cover anticipated credit losses on outstanding trade accounts receivable. The Organization determined that an allowance for doubtful accounts was not considered necessary at August 31, 2023.

Contributions and contributions receivable

Contributions received are recorded as net assets without donor restrictions or with donor restrictions, depending on the existence or nature of any donor restrictions.

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until they become unconditional; that is when the barriers have been overcome and the right of return or right of release has been met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are recorded at the present value of their estimated future cash flows. The discount on these amounts is computed using risk adjusted market interest rates applicable to the years in which the promise was received. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is established based upon management's judgment including factors such as prior collection history, aging statistics of contributions, and the nature of the receivable. At August 31, 2023, management has determined that no allowance for uncollectible contributions was required.

Contributed goods and services

Contributed materials and equipment are reflected as contributions in the accompanying statements at their estimated fair values at date of receipt. Contributed services are reflected in the financial statements at the fair value of the services received. Contributions of services are recognized 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. The Organization received contributed material and services of $70,429 for the year ended August 31, 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

Property and equipment are stated at cost when purchased or constructed, or at the asset's estimated fair value at the time the donated property is received. Depreciation is provided using the straight-line method over the assets' estimated useful lives ranging from 4 to 40 years. The Organization capitalizes all property and equipment with a cost greater than $5,000 and an estimated useful life in excess of one year. Construction in progress and software installments in progress are depreciated only after the assets are completed and have been placed into service. Donated property and equipment is recorded at the estimated fair value at the date the contribution is received and considered to be unrestricted when placed into service by the Organization, unless restricted as to use by explicit donor stipulation.

Whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recovered, the Organization, using its best estimates and projections, reviews for impairment the carrying value of long-lived identifiable assets to be held and used in the future. Any impairment losses identified are recognized when determined.

Deferred production revenue

Ticket purchases received in advance of performances are included in deferred production revenue and recognized as admissions revenue at the time the applicable performance is given. Gift certificates purchased are recorded as deferred revenue and recognized upon the earlier of redemption or three years, where the likelihood of the gift certificates being redeemed by the customer based on historical redemption activity is remote.

Co-production and enhancement

Co-production and enhancement revenue represents income received by the Organization as reimbursement for or enhancement of production costs for plays and musicals. Co-production and enhancement funds received in advance of the production are included in deferred production revenue and are recognized as co-production and enhancement revenue at specific points in time based on the terms of the agreements.

Contracts receivable represent enhancement amounts due under fully executed and non-cancellable enhancement agreements for the upcoming performance season. Contractual unearned enhancement funds include unearned enhancement amounts that will be collected within the next twelve months and will be satisfied through the performance obligations of delivering performances under these agreements during the upcoming performance season. These amounts are included in deferred production revenue on the statement of financial position.

Net assets with donor restrictions

As of August 31, 2023, net assets with donor restrictions of $7,561,071 were available to support long range plan initiatives (covering production, operations, and capital), future performance seasons, other time restricted activities, and other specified purposes designated by the donors.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net assets with donor restrictions (continued)

As of August 31, 2023, net assets with donor restrictions of $3,281,583 are generally restricted by the donors for investment in perpetuity as an endowment. The terms of certain of the Organization's endowments allow for the usage of the corpus in the event that investment earnings do not provide for the required spending levels.

Net assets with donor restrictions include endowment income not yet appropriated for expenditure.

Admissions

The Organization's patrons have the option to purchase tickets well in advance of the performance or right before the performance, or at any point in between those two timeframes depending on seat availability. The Organization recognizes such admissions revenue when the performance has taken place. Concession revenues are recognized upon transfer of goods to the patrons. The Organization sells gift cards and discount ticket vouchers, the proceeds from which are recorded as deferred production revenue. Revenues for gift cards and discount ticket vouchers are recognized when they are redeemed for theatre tickets or concession items. The Organization offers multiple subscription packages, whereby patrons can pay a subscription fee to receive a credit for use towards a future ticket purchase for the Organization's productions. The Organization records the subscription program fees as deferred production revenue and records admissions revenues as the credits are redeemed for tickets or passage of time.

Investment income

Unrealized gains and losses that result from market fluctuations are recognized in the period such fluctuations occur. Realized gains or losses resulting from sales or maturities are determined using the specific identification method. Realized and unrealized gains (losses) on investments are reported as follows:

- as increases (decreases) in net assets with donor restrictions if the terms of the donor stipulations impose restrictions on the use of income or require that they be added to (deducted from) the principal of a permanent endowment fund;
- as increases (decreases) in net assets without donor restrictions in all other cases.

Expense recognition

Expenses related to future performances are recorded as prepaid expenses and charged to operating expense at the time the applicable performance is given.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional expenses

Expenses, such as depreciation, utilities, maintenance, telephone, interest, insurance, employee benefits, and occupancy costs are allocated among program services, general and administrative, and fundraising classifications on the basis of space usage and on estimates made by the Organization's management.

Income tax

The Organization is a qualified organization exempt from Federal income and California franchise taxes under the provisions of Sections 501(c)(3) of the Internal Revenue Code and 23701d of the California Revenue and Taxation Code, respectively.

The Organization has evaluated its current tax positions and has concluded that as of August 31, 2023, the Organization does not have any significant uncertain tax positions for which a reserve would be necessary.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Uses of estimates include, but are not limited to, accounting for allowances for doubtful account and contribution receivables, fair value measurements, functional expense allocations, and depreciation.

Risks and uncertainties

Occasionally, cash and cash equivalents maintained by the Organization are in excess of the federally insured limits. The Organization mitigates this risk by placing cash and cash equivalents with high credit quality institutions.

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the Organization's account balances and the amounts reported in the statement of financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Risks and uncertainties (continued)

The Organization is engaged in collective bargaining agreements with labor unions representing artists in theatre: the Actors' Equity Association, Stage Directors and Choreographers Society, and United Scenic Artists. Approximately 15% of the Organization's employees are covered by the collective bargaining agreements. Although staffing of artists in theatre is constantly revolving to fill the needs of each production, the staffing does remain fairly consistent year over year.

Change in accounting principle

In February 2016, the Financial Accounting Standards Board ("FASB") issued 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 statement of financial position. 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 adopted the standard effective September 1, 2022, and recognized and measured leases existing at, or entered into after, September 1, 2022, with certain practical expedients available. The adoption of ASC 842 on September 1, 2022, did not have a material impact on the Organization's financial statements.

Comparative financial information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements as of and for the year ended August 31, 2022, from which the summarized information was derived.

Reclassifications

Certain amounts presented in the prior year financial statements have been reclassified to conform to the current year presentation. Such reclassifications had no net effect on total assets, liabilities, net assets, changes in net assets, or cash flows from the amount previously presented.

3. CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following:

Due in less than one year	$ 2,493,520
Due in one to five years	3,772,250
Due in more than five years	326,504
Discounts on contributions receivable	(335,676)
	6,256,598
Less current portion	(2,493,520)
	$ 3,763,078

Contributions receivable expected to be collected in more than one year from August 31, 2023 are discounted at a rate of return respective to the year that the contribution was originally promised. Contributions receivable are recorded using a discount rate ranging from 0.28% to 4.23%.

As of August 31, 2023, current contributions receivable was comprised of approximately $2,100,000 and $390,000 of restricted and unrestricted contributions, respectively.

4. INVESTMENTS

Investments consisted of the following:

Long-term investments	$ 426,502
Endowment investments	3,885,242
	$ 4,311,744

Investments consisted of the following:

Treasury notes and bills	$ 354,789
Corporate bonds	800,595
Mutual funds	838,577
Stocks and options	936,847
Exchange traded funds	1,173,426
Alternative strategies fund	207,510
	$ 4,311,744

4. INVESTMENTS (continued)

Investment gain, net consisted of the following:

Interest and dividends	$ 157,817
Net realized and unrealized gains	192,648
Investment management fees	(32,713)
	$ 317,752

5. FAIR VALUE MEASUREMENTS

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of August 31, 2023:

	Level 1	Level 2	Level 3	Fair Value
Treasury notes and bill	$ 354,789	$ -	$ -	$ 354,789
Corporate bonds	-	800,595	-	800,595
Mutual funds	838,577	-	-	838,577
Stocks and options	936,847	-	-	936,847
Exchange traded funds	1,173,426	-	-	1,173,426
	$ 3,303,639	$ 800,595	$ -	4,104,234
Investments measured at net asset value				207,510
				$ 4,311,744

* In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) as a practical expedient to fair value have not been classified in the fair value hierarchy. This investment represents the real estate income trust fund. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statement of financial position.

6. PROPERTY AND EQUIPMENT

Property and equipment, net consisted of the following:

Land	$ 2,802,299
Building and improvements	74,758,369
Production equipment	2,772,398
Office and facilities equipment	156,696
Software	272,039
Construction in progress	16,309
	80,778,110
Accumulated depreciation	(20,125,417)
	$ 60,652,693

Depreciation expense totaled $1,939,506 for the year ended August 31, 2023.

In September 2022, the Organization completed the construction of a 45-unit apartment building intended to accommodate visiting artists. The cost of the project placed into service amounted to approximately $36,900,000.

7. DEFERRED PRODUCTION REVENUE

Deferred production revenue consisted of the following:

Deferred performance revenue	$ 3,346,889
Unearned enhancement revenue	2,885,000
Deferred gift certificates	89,533
Other deferred income	33,937
	$ 6,355,359

8. LINE OF CREDIT

The Organization has a line of credit agreement with Flagstar Bank (formerly Signature Bank) in the amount of $4,000,000 established to finance operational needs and matures on January 31, 2024. The line of credit bears interest at a variable rate, as chosen by the Organization, of either the Prime rate or AMERIBOR plus 2.35% (8.50% at August 31, 2023). As of August 31, 2023, the outstanding balance on the line of credit was $3,125,000.

On December 6, 2022, the initial line of credit was increased from $3,000,000 to $5,000,000 to finance construction costs associated with completing the 45-unit apartment building for visiting artists while the Organization was in the process of securing a real estate term loan with Flagstar Bank. On May 16, 2023, the Organization secured a real estate term loan agreement and applied certain proceeds received to the line of credit. At this time, the borrowing capacity was reduced from $5,000,000 to $4,000,000 to support operations as initially intended (see Note 9).

9. LONG-TERM DEBT

On March 1, 2019, the Organization entered into financing agreements with Signature Bank, Signature Public Funding Corp., and the California Enterprise Development Authority to finance and refinance the cost of the acquisition, construction, development, equipping, and furnishing of theatrical, educational, and administrative facilities including the construction of 45 apartment units to house visiting artists (See Note 6). The agreements entered into had an aggregate principal of $37,695,650; $5,622,236 in the form of Series A Tax-Exempt Revenue Bonds ("Series A Bonds"), $27,418,480 in the form of Series B Tax-Exempt Revenue Bonds ("Series B Bonds") and $4,654,934 in form of Series C Taxable Revenue Bonds ("Series C Bonds"). The Series A Bonds and Series B Bonds bear interest at a rate of 3.25% per annum and mature on March 1, 2049. The Series C Bonds bear interest at a rate of 4.06% per annum and mature on March 1, 2049. The Series A Bonds principal and interest are due and payable monthly beginning May 1, 2019. The Series B Bonds and Series C Bonds are interest only notes through April 1, 2022, at which time principal and interest are due and payable monthly. As of August 31, 2023, $5,113,095, $26,506,935 and $4,518,004 were outstanding on the Series A Bonds, Series B Bonds, and Series C Bonds, respectively. The loan is secured by a deed of trust, the leasehold deed of trust, and personal property through a UCC-1 filing. During the year ended August 31, 2023, Signature Bank was acquired by Flagstar Bank.

On July 30, 2010, the Organization entered into a note payable agreement to finance the acquisition of real property. The note bears an interest at 4.45% and matures on December 1, 2050. The note requires monthly principal and interest payments and is secured by the real property acquired. Amounts outstanding under the note payable totaled $5,169,707 as of August 31, 2023.

On May 16, 2023, the Organization entered into a real estate term loan agreement with Flagstar Bank to finance completion of the artist housing project (see Note 10). The real estate term loan bears an interest at 5.40% and matures on March 1, 2029. The loan requires monthly payments of principal and interest beginning July 1, 2023, until maturity. The loan is secured by certain deeds of trust, including the new artist apartment building and theatre. Amounts outstanding under the real estate term loan totaled $2,204,167 as of August 31, 2023.

On June 22, 2023, the Organization entered into note agreement with the City of Berkeley (the "City") to finance inspection and permit fees related to the new artist apartment building placed into service during the year ended August 31, 2023 (see Note 6). The note bears interest at 2.00% and matures on May 11, 2033. The note requires annual interest only payments beginning April 25, 2024; upon maturity all outstanding principal and interest are due. Amounts outstanding under the note totaled $698,131 as of August 31, 2023.

9. LONG-TERM DEBT (continued)

The future maturities of the long-term debt are as follows:

Year ending August 31,	
2024	$ 1,029,167
2025	1,070,031
2026	1,108,694
2027	1,148,788
2028	1,198,870
Thereafter	38,654,489
	44,210,039
Less: debt issuance cost	(596,087)
Long-term debt, net	43,613,952
Current portion	(1,029,167)
	$ 42,584,785

Under the terms of the debt obligations and related credit line, the Organization has agreed to maintain specific financial covenants. For the year ended August 31, 2023, the Organization was not in compliance with the financial covenants, for which it obtained a waiver from the financial institution.

During the year ended August 31, 2023, the Organization incurred $1,720,517 of interest, of which $92,140 was capitalized and reported as additions to the construction in progress account after a reduction by $704 for interest received on the loan proceeds maintained in the bank. Net interest reported as expense for the year ended August 31, 2023 was $1,628,377.

10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

Subject to expenditure for specified purpose:	
Strategic initiatives	$ 684,004
Resilience campaign	3,184,161
All others	436,492
	4,304,657
Subject to passage of time:	
For the period September 1, 2023 to August 31, 2024	1,576,417
For the periods after August 31, 2024	1,618,450
	3,194,867
Subject to spending policy and appropriation - investment in perpetuity (including original gift amount of $3,396,564), the income from which is expendable to support:	
Donor-restricted endowment funds	3,281,583
Unappropriated endowment earnings	61,548
	3,343,131
	$ 10,842,655

Net assets with donor restrictions released from restriction during the year were as follows:

Released from resilience campaign	$ 3,704,189
Expiration of time restrictions	1,257,846
Released for strategic initiatives	829,500
Approved expenditure of endowment earnings	96,906
Released for other purposes	32,225
	$ 5,920,666

11. ENDOWMENT

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

11. ENDOWMENT (continued)

Interpretation of relevant law

The Organization's Board of Trustees has interpreted the California enacted version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as allowing the Organization to appropriate for expenditure or accumulate so much of an endowment fund as the Organization determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets in an endowment fund shall be donor-restricted assets until appropriated for expenditure by the Board of Trustees. The remaining portion of the donor-restricted endowment fund is classified as with donor restrictions until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization 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

(7) The investment policies of the Organization

Funds with deficiencies

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 UPMIFA requires the Organization to retain as a fund of perpetual duration. At August 31, 2023, three funds with original gift values of $2,100,000, fair values of $1,985,019 and deficiencies of $114,981 were reported in net assets with donor restrictions. These deficiencies resulted from unfavorable market fluctuations for the donor-restricted endowment funds.

11. ENDOWMENT (continued)

Return objectives and risk parameters

The Organization has 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. Under this policy, as approved by the Board of Trustees, the Organization diversifies its investments, subject to practicality constraints, among a variety of asset classes so as to provide a balance that will enhance total real return while avoiding undue risk concentration in any single asset class or investment category. The Organization expects its endowment funds, over time, to generate a return of at least 5.00% per annum before taxes, management fees, and inflation over a market cycle.

Strategies employed for achieving objectives

To satisfy its long-term rate-of-return objectives, the Organization 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 Organization targets a diversified portfolio of equities, fixed income, and cash equivalents.

Spending policy and how the investment objectives related to spending policy

The Organization has a policy of appropriating for distribution each year at most 6.00% of its endowment fund's average fair value over the previous 12 quarters. In establishing this policy, the Organization considered the long-term expected return on its endowment. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Endowment composition

Endowment net asset composition by type of fund as of August 31, 2023 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 3,343,131	$ 3,343,131
Board-designated endowment funds	1,203,075	-	1,203,075
	$ 1,203,075	$ 3,343,131	$ 4,546,206

11. ENDOWMENT (continued)

Endowment composition (continued)

Changes in endowment net assets for the year ended August 31, 2023 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance, August 31, 2022	$ 1,129,908	$ 3,209,537	$ 4,339,445
Investment return			
Investment income	36,544	103,620	140,164
Net appreciation (realized and unrealized)	44,397	126,880	171,277
Total investment return	80,941	230,500	311,441
Contributions	29,329	-	29,329
Appropriation of net assets	(111,970)	(22,039)	(134,009)
Transfer to board reserve	74,867	(74,867)	-
	73,167	133,594	206,761
Balance, August 31, 2023	$ 1,203,075	$ 3,343,131	$ 4,546,206

12. RETIREMENT PLANS

Effective September 1, 1996, the Organization adopted a tax-sheltered annuity plan under Internal Revenue Code Section 403(b) (the "Plan") covering substantially all full-time employees, which provides for voluntary salary deferrals up to certain amounts. For each Plan year, the Board of Trustees of the Organization determines the amount (if any) to be contributed to the Plan by the Organization. Employer contributions totaled $208,948 to the Plan for the year ended August 31, 2023.

On April 19, 2004, the Organization adopted a supplemental executive retirement plan (the "SERP") for certain designated executive employees. In 2014, when the Organization adopted a 457(f) Deferred Compensation Plan, the SERP was amended and restated to be part of the 457(f) plan.

In 2014, the Organization adopted 457(b) and 457(f) Deferred Compensation Plans for certain executives. Under the plans, compensation, up to $2,000,000 was deferred within the plans to be paid, subject to vesting, on or after August 31, 2018. U.S. GAAP require deferred compensation benefits to be accrued in a systematic and rational manner over the period services are provided by the executives. Approximately $4,372 was accrued during the year ended August 31, 2023. The remaining deferred compensation accrued as of August 31, 2023 was $133,042. As of August 31, 2023, $133,042 was held in money market accounts and equity funds for the purpose of funding this deferred compensation obligation.

13. RELATED PARTY

During the year ended August 31, 2023, the Organization recognized contributions, including promises to give and gifts-in-kind, from members of its Board of Trustees of $649,061. As of August 31, 2023, there was $4,165,415 in contributions receivable from members of the Board of Trustees. Amounts received during the year from members of the Board of Trustees were $3,457,895 including payments received against promises to give that existed at August 31, 2022.

14. CONCENTRATIONS

Contributions from two donors totaling $1,325,000 comprised approximately 24% of the Organization's total contribution revenue for the year ended August 31, 2023. Promises to give from two donors totaling $2,060,000 comprised approximately 31% of the Organization's total contributions receivable.

15. DONATED GOODS AND SERVICES

Donated goods and services consisted of the following:

Program materials and equipment	$	23,597
Professional services		20,723
Catering services		18,561
Food, drink for fundraising events		7,548
	$	70,429

All donated goods and services received for the year ended August 31, 2023, were considered without donor restrictions.

16. CITY OF BERKELEY DONATION

In March 2001, the Organization completed construction of its $17.6 million proscenium stage adjacent to its thrust stage facility. The City provided $4,000,000 to the capital fundraising campaign that was received in 2001 as follows: the Organization sold the completed property to the City for $4 million and leases it back for $1 annually. The Organization has the option to purchase the new theatre building back from the City for $1 after the City retires the bonds issued to finance its contribution, expected to be in October 2029. In connection with the City providing this funding, the Organization must lease the use of its facilities to certain organizations located in Berkeley at market or discounted rates, up to 320 hours per year. Based upon the substance of this transaction, no sale of real property was recorded and the building is being depreciated in the Organization's financial statements.

17. SHUTTERED VENUE OPERATORS GRANT

On July 14, 2021 the Organization received grant proceeds of $3,335,384 under the Shuttered Venue Operators Grant ("SVOG") agreement granted by the SBA. The SVOG program provides funds to support the ongoing operations of eligible live venue operators or promoters, theatrical producers, live performing arts organization operators, relevant museum operators, motion picture theater operators, and talent representatives who have experienced significant revenue losses due to the effects of the COVID-19 pandemic. Funding was intended to support the ongoing operations of the Organization and could be used for payroll costs, rent payments, utility payments, scheduled mortgage payments, scheduled debt payments, worker protection expenditures, payments to independent contractors, and other ordinary and necessary business expenses. The initial grant provided recipients with funding equal to 45% of their gross earned revenue, up to a maximum of $10 million. On September 24, 2021, the Organization applied for a supplemental award of $2,586,631, which was approved and increased the total award amount under the SVOG to $5,922,015. Under the terms of the grant, the Organization was allowed to utilize the funds for qualifying expenditures of the program during the period September 1, 2021 through August 31, 2022, and recognized the entirety of the received funds as revenue during the year ended August 31, 2022 as government grant revenue in the accompanying statement of activities.

18. LIQUIDITY AND FUNDS AVAILABLE

As part of the Organization's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The following is a quantitative disclosure which describes assets that are available within one year of August 31, 2023 to fund general expenditures and other obligations when they become due:

Financial assets	
Cash and cash equivalents	$ 936,942
Accounts and contracts receivable	2,882,166
Contributions receivable, current portion	2,493,520
Cash held for endowment	660,964
Endowment investments	3,885,242
	10,858,834
Less: amounts unavailable for general expenditures within one year:	
Donor-restricted endowment funds	(3,343,131)
Board designated funds	(1,203,075)
	(4,546,206)
	$ 6,312,628

18. LIQUIDITY AND FUNDS AVAILABLE (continued)

Some of the Organization's financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. Certain contributions receivable are subject to implied time restrictions, however are expected to be available for general expenditures once collected. The Organization has board-designated endowment funds from various unrestricted bequests that could be made available if necessary. In addition, as part of its liquidity management, the Organization maintains a committed line of credit of $4,000,000 in order to manage predictable short-term cycles in which expenditures exceed revenues.

19. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through December 13, 2023, the date the financial statements were available to be issued. Through this date the Organization received contributions and pledges in excess of $26 million to fund the Resilience Campaign; fully pay down the line of credit; establish a fund to support the development and production of new musicals; reduce debt; and establish working capital reserves. Other than as previously disclosed, no subsequent events have occurred that would have a material impact on the presentation of the Organization's financial statements.