Berkeley Repertory Theatre

Financial Statements

August 31, 2024
(With Comparative Totals for 2023)

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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, which comprise the statement of financial position as of August 31, 2024, 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, 2024, 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 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 13, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2023, 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, 2024

Berkeley Repertory Theatre
Statement of Financial Position
August 31, 2024
(With Comparative Totals for 2023)

	2024	2023
ASSETS		
Current assets		
Cash and cash equivalents	$ 2,369,632	$ 1,038,988
Accounts and contracts receivable	29,721	2,882,166
Contributions receivable, net	2,373,821	2,493,520
Prepaid expenses	724,440	533,229
Deposits and other assets	95,433	-
Restricted cash	-	150,123
Total current assets	5,593,047	7,098,026
Property and equipment, net	58,645,131	60,652,693
Other noncurrent assets		
Contributions receivable, noncurrent, net of discount	2,197,624	3,763,078
Long-term investments	16,253,522	426,502
Cash held for endowment	28,754	660,964
Endowment investments	5,752,908	3,885,242
Total other noncurrent assets	24,232,808	8,735,786
Total assets	$ 88,470,986	$ 76,486,505

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

Berkeley Repertory Theatre
Statement of Financial Position
August 31, 2024
(With Comparative Totals for 2023)

	2024	2023
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	$ 1,165,841	$ 976,270
Line of credit	-	3,125,000
Current portion of long-term debt	1,038,080	1,029,167
Deferred production and education revenue	3,767,948	6,355,359
Total current liabilities	5,971,869	11,485,796
Long-term liabilities		
Executive retirement plan	78,888	133,042
Long-term debt, net of debt issuance cost of $572,711	39,407,631	42,584,785
Total long-term liabilities	39,486,519	42,717,827
Total liabilities	45,458,388	54,203,623
Net assets		
Without donor restrictions		
Undesignated	18,537,469	10,237,152
Board designated	13,743,802	1,203,075
Total without donor restrictions	32,281,271	11,440,227
With donor restrictions	10,731,327	10,842,655
Total net assets	43,012,598	22,282,882
Total liabilities and net assets	$ 88,470,986	$ 76,486,505

Berkeley Repertory Theatre
Statement of Activities
For the Year Ended August 31, 2024
(With Comparative Totals for 2023)

	Without Donor Restrictions	With Donor Restrictions	2024 Total	2023 Total
Revenues, gains, and other support				
Admissions	$ 8,242,925	$ -	$ 8,242,925	$ 7,732,476
Education programs	455,890	-	455,890	319,531
Contributions, net	27,594,834	1,465,885	29,060,719	4,741,205
Donated goods and services	128,005	-	128,005	70,429
Government grants	454,421	-	454,421	65,000
Fundraising and special events, net of expenses of $98,207	558,448	203,933	762,381	45,695
Co-production and enhancement funds	3,199,753	-	3,199,753	1,659,861
Concessions	311,063	-	311,063	265,622
Investment income, net	902,709	610,785	1,513,494	317,752
Other income	597,774	-	597,774	777,624
Net assets released from restriction	2,391,931	(2,391,931)	-	-
Total revenues, gains, and other support	44,837,753	(111,328)	44,726,425	15,995,195
Functional expenses				
Program services	19,488,709	-	19,488,709	19,335,275
General and administrative	3,044,089	-	3,044,089	3,300,828
Fundraising	1,463,911	-	1,463,911	1,157,498
Total functional expenses	23,996,709	-	23,996,709	23,793,601
Change in net assets	20,841,044	(111,328)	20,729,716	(7,798,406)
Net assets, beginning of year	11,440,227	10,842,655	22,282,882	30,081,288
Net assets, end of year	$ 32,281,271	$ 10,731,327	$ 43,012,598	$ 22,282,882

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

Berkeley Repertory Theatre
Statement of Functional Expenses
For the Year Ended August 31, 2024
(With Comparative Totals for 2023)

		Support Services				
	Program Services	General and Administrative	Fundraising	Total Support Services	2024 Total	2023 Total
Salaries	$ 8,120,805	$ 1,240,643	$ 760,729	$ 2,001,372	$ 10,122,177	$ 9,406,465
Employee benefits	1,127,257	184,067	122,313	306,380	1,433,637	1,259,835
Payroll taxes	698,098	86,568	60,553	147,121	845,219	818,162
Professional fees	844,609	429,414	55,833	485,247	1,329,856	2,591,927
Personnel/hiring	5,186	4,964	299	5,263	10,449	50,788
Travel and housing	512,310	2,143	5,790	7,933	520,243	554,352
Space and equipment rental	427,448	6,114	4,519	10,633	438,081	218,311
Production materials	1,335,860	-	-	-	1,335,860	903,025
Royalties and commissions	647,683	-	-	-	647,683	520,514
Printing	52,824	-	25,067	25,067	77,891	44,130
Advertising	-	707,903	-	707,903	707,903	916,646
Insurance	443,303	4,564	6,862	11,426	454,729	573,549
Interest	1,531,653	25,113	25,113	50,226	1,581,879	1,628,377
Supplies and office	76,721	1,982	46,474	48,456	125,177	163,452
Telephone and IT	182,087	30,579	22,595	53,174	235,261	211,805
Postage	83,816	2,232	6,518	8,750	92,566	62,121
Hospitality	113,708	8,393	226,986	235,379	349,087	247,335
Maintenance	262,942	3,492	3,492	6,984	269,926	273,125
Cost of goods sold	123,492	-	-	-	123,492	147,716
Credit card fees and charges	334,187	116,721	26,989	143,710	477,897	467,274
Utilities	510,552	8,371	8,371	16,742	527,294	395,466
Miscellaneous	85,072	67,906	1,857	69,763	154,835	175,513
In-kind goods and services	25,276	81,049	21,680	102,729	128,005	-
Bad debt and asset disposal	-	-	-	-	-	224,207
Depreciation	1,943,820	31,871	31,871	63,742	2,007,562	1,939,506
	$ 19,488,709	$ 3,044,089	$ 1,463,911	$ 4,508,000	$ 23,996,709	$ 23,793,601

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

Berkeley Repertory Theatre
Statement of Cash Flows
For the Year Ended August 31, 2024
(With Comparative Totals for 2023)

	2024	2023
Cash flows from operating activities		
Change in net assets	$ 20,729,716	$ (7,798,406)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	2,007,562	1,939,506
Non-cash interest expense	23,376	23,376
Realized and unrealized gains on investments	(998,398)	(192,648)
Loss on disposal of property and equipment	-	14,279
Contribution revenue restricted for endowment	(2,280)	-
Changes in operating assets and liabilities		
Accounts and contracts receivable	2,852,445	(2,673,873)
Contributions receivable, net	1,685,153	2,919,812
Prepaid expenses	(191,211)	898,406
Deposits and other assets	(95,433)	145,363
Accounts payable and accrued expenses	189,571	(1,072,692)
Deferred production revenue	(2,587,411)	1,634,494
Executive retirement plan	(54,154)	(23,311)
Net cash provided by (used in) operating activities	23,558,936	(4,185,694)
Cash flows from investing activities		
Purchase of investments	(30,280,089)	(162,099)
Proceeds from sale of investments	13,583,801	910,561
Purchases of property and equipment and construction in progress payments	-	(4,635,780)
Net cash used in investing activities	(16,696,288)	(3,887,318)
Cash flows from financing activities		
Cash collected on contributions restricted for endowment	2,280	-
Advances on line of credit	775,000	6,425,000
Repayment of line of credit	(3,900,000)	(3,300,000)
Net issuance (payment) of long-term debt	(3,191,617)	1,934,051
Net cash provided by (used in) financing activities	(6,314,337)	5,059,051
Net increase (decrease) in cash	548,311	(3,013,961)
Cash, cash equivalents, and restricted cash, beginning of year	1,850,075	4,864,036
Cash, cash equivalents, and restricted cash, end of year	$ 2,398,386	$ 1,850,075

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

Berkeley Repertory Theatre
Statement of Cash Flows
For the Year Ended August 31, 2024
(With Comparative Totals for 2023)

	2024	2023
Cash, cash equivalents, and restricted cash consisted of the following:		
Cash and cash equivalents	$ 2,369,632	$ 1,038,988
Restricted cash	-	150,123
Cash held for endowment	28,754	660,964
	$ 2,398,386	$ 1,850,075

Supplemental disclosure of cash flow information

Cash paid during the year for interest	$ 1,558,503	$ 1,697,141

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

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 6 million people have enjoyed more than 500 shows produced by the Organization, which have gone on to win eight Tony Awards, nine Obie Awards, eleven 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 initiative to help navigate the impacts of the COVID-19 pandemic and support recovery efforts, and sustain the staff and artists behind its work on stage and in the community. As of August 31, 2024, the campaign was successfully completed.

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.

Change in accounting principle

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-13, Topic 326 *Financial Instruments - Credit Losses.* This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. CECL requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets measured at amortized cost, and some off-balance sheet credit exposures such as unfunded commitments to extend credit. Financial assets measured at amortized cost will be presented at the net amount expected to be collected by using an allowance for credit losses.

The Organization adopted the standard effective September 1, 2023. The adoption of this standard did not have a material impact on the Organization's financial statements.

Cash, cash equivalents, and restricted cash

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, interest bearing money market funds, and treasuries.

Restricted cash consists of funds reserved under the terms of the real estate term loan agreement with Flagstar Bank. The loan was repaid during the year ended August 31, 2024 (see Note 9).

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2024. Investments received through gifts are recorded at estimated fair value at the date of donation.

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): Investment securities where values are based on quoted market prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the investments.

  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, the current aging status, and specific forward looking evaluations, the Organization establishes an allowance for expected credit losses at a level considered adequate to cover anticipated credit losses on outstanding trade accounts receivable. The Organization determined that an allowance for expected credit losses was not considered necessary at August 31, 2024.

Contributions and contributions receivable, net

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.

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 materials and services of $128,005 for the year ended August 31, 2024.

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. No long-lived assets were deemed to be impaired as of August 31, 2024.

Deferred production and education revenue

Ticket purchases received in advance of performances are recorded as deferred production revenue and recognized as admissions revenue when the related performance occurs. Gift certificates are recorded as deferred revenue and recognized upon redemption or, if unredeemed, after three years when the likelihood of redemption is deemed remote based on historical trends. Education revenue received in advance of classes or services is recorded as deferred education revenue and recognized in the year the programs are delivered.

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-cancelable 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 upcoming performance season. These amounts are included in deferred production and education revenue on the statement of financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

The Organization has evaluated its current tax positions and has concluded that as of August 31, 2024, 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 U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Use of estimates include, but are not limited to, the allowance of expected credit losses, the allowance for doubtful contributions receivable, estimated useful life of property and equipment, accounting for the fair value of investments, and allocation of functional expenses. Actual results could differ from those estimates.

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.

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2023, from which the summarized information was derived.

3. CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable, net consisted of the following:

Due in less than one year	$ 2,748,821
Due in one to five years	2,104,951
Due in more than five years	326,504
Discounts on contributions receivable	(233,831)
Allowance for doubtful contributions	(375,000)
	4,571,445
Less current portion	(2,373,821)
	$ 2,197,624

Contributions receivable expected to be collected in more than one year from August 31, 2024 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%.

4. INVESTMENTS

Investments comprised of the following:

Long-term investments	$ 16,253,522
Endowment investments	5,752,908
	$ 22,006,430

Investments consisted of the following:

Equities	$ 3,664,755
Fixed income	16,796,427
U.S. treasury notes	108,638
Corporate bonds	1,087,987
Alternative strategies fund	348,623
	$ 22,006,430

4. INVESTMENTS (continued)

Investment gain, net comprised of the following:

Interest and dividends	$ 553,872
Net realized and unrealized gains	998,398
Investment management fees	(38,776)
	$ 1,513,494

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, 2024:

	Level 1	Level 2	Level 3	Fair Value
Equities	$ 3,664,755	$ -	$ -	$ 3,664,755
Fixed income	16,796,427	-	-	16,796,427
U.S. treasury notes	-	108,638	-	108,638
Corporate bonds	-	1,087,987	-	1,087,987
	$ 20,461,182	$ 1,196,625	$ -	21,657,807
Investments measured at net asset value				348,623
				$ 22,006,430

* 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, NET

Property and equipment, net consisted of the following:

Land	$ 2,802,299
Building and improvements	74,758,369
Production equipment	2,788,707
Office and facilities equipment	156,696
Software	272,039
	80,778,110
Accumulated depreciation	(22,132,979)
	$ 58,645,131

Depreciation expense totaled $2,007,562 for the year ended August 31, 2024.

7. DEFERRED PRODUCTION AND EDUCATION REVENUE

Deferred production and education revenue consisted of the following:

Deferred performance revenue	$ 3,529,981
Deferred gift certificates	89,930
Other deferred income	148,037
	$ 3,767,948

8. LINE OF CREDIT

The Organization maintained a line of credit agreement with Flagstar Bank to finance operational needs. On December 6, 2022, the credit limit was increased from $3,000,000 to $5,000,000 to finance construction costs for a 45-unit apartment building for visiting artists. Following the execution of a real estate term loan on May 16, 2023, the borrowing capacity was reduced to $4,000,000 for operational purposes (see Note 9). The line of credit bore interest at a variable rate, chosen by the Organization, of either the Prime rate or AMERIBOR plus 2.35%. The agreement matured on January 31, 2024, and was not renewed thereafter.

9. LONG-TERM DEBT

On March 1, 2019, the Organization entered into financing agreements with Signature Bank, Signature Public Financing 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. 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, 2024, $4,983,952, $25,837,442 and $4,416,597 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.

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 $5,070,518 as of August 31, 2024.

On May 16, 2023, the Organization entered into a real estate term loan agreement with Flagstar Bank to finance the completion of the artist housing project. The real estate term loan bore an interest at 5.40% and was scheduled to mature on March 1, 2029. The loan required monthly payments of principal and interest beginning July 1, 2023, and continued until the loan was repaid in full on December 8, 2023 in the amount of $2,194,372. The loan was secured by certain deeds of trust, including the new artist apartment building and theatre.

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. 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 $709,913 as of August 31, 2024.

9. LONG-TERM DEBT (continued)

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

Year ending August 31,	
2025	$ 1,038,080
2026	1,074,950
2027	1,113,149
2028	1,149,715
2029	1,193,618
Thereafter	35,448,910
	41,018,422
Less: debt issuance cost	(572,711)
Long-term debt, net	40,445,711
Current portion	(1,038,080)
	$ 39,407,631

Under the terms of the debt obligations, the Organization has agreed to maintain specific financial covenants. For the year ended August 31, 2024, the Organization was in compliance with all financial covenants.

During the year ended August 31, 2024, the Organization incurred $1,581,879 of interest expense.

10. BOARD DESIGNATED NET ASSETS

The Organization's Board of Trustees has designated net assets without donor restrictions as follows

Debt service reserves	$ 11,662,446
Endowment	2,081,356
	$ 13,743,802

Designated for Debt Service Reserve - During the year ended August 31, 2024, the Board of Trustees designated amounts as a reserve for debt service. The total amount designated for the debt service reserve fund totaled $11,662,446 as of August 31, 2024.

Designated for Endowment - In previous years, the Board of Trustees designated amounts for the Organization's endowment. During the year ended August 31, 2024, the Board of Trustees designated approximately $845,000 for the endowment. The board-designated endowment fund totaled $2,081,356 as of August 31, 2024.

11. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

Subject to expenditure for specified purpose:	
Strategic initiatives	$ 226,504
Resilience campaign	4,184,161
All others	395,117
	4,805,782
Subject to passage of time:	
For the period September 1, 2024 to August 31, 2025	1,668,939
For the periods after August 31, 2025	556,300
	2,225,239
Subject to spending policy and appropriation - investment in perpetuity, the income from which is expendable to support:	
Donor-restricted endowment funds	3,398,844
Unappropriated endowment earnings	301,462
	3,700,306
	$ 10,731,327

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

Expiration of time restrictions	$ 1,637,166
Released for strategic initiatives	457,500
Approved expenditure of endowment earnings	212,020
Released for other purposes	85,245
	$ 2,391,931

12. 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.

12. 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 value of the endowed funds. In accordance with U.S. GAAP, deficiencies of this nature are reported in net assets with donor restrictions. There were no such deficiencies as of August 31, 2024.

12. 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, 2024 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 3,700,306	$ 3,700,306
Board-designated endowment funds	2,081,356	-	2,081,356
	$ 2,081,356	$ 3,700,306	$ 5,781,662

12. ENDOWMENT (continued)

Endowment composition (continued)

Changes in endowment net assets for the year ended August 31, 2024 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance, August 31, 2023	$ 1,203,075	$ 3,343,131	$ 4,546,206
Investment return			
Investment income	41,377	105,882	147,259
Net appreciation (realized and unrealized)	191,150	461,033	652,183
Total investment return	232,527	566,915	799,442
Contributions	845,327	2,280	847,607
Appropriation of endowment earnings	(385,246)	(26,347)	(411,593)
Transfer to board reserve	185,673	(185,673)	-
	878,281	357,175	1,235,456
Balance, August 31, 2024	$ 2,081,356	$ 3,700,306	$ 5,781,662

13. RETIREMENT PLANS

Effective September 1, 1996, the Organization adopted a tax-sheltered annuity plan under Internal Revenue Code Section 403(b) (the "Plan") for substantially all full-time employees, allowing voluntary salary deferrals up to certain limits. 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 to the Plan totaled $263,697 for the year ended August 31, 2024.

On April 19, 2004, the Organization adopted a supplemental executive retirement plan (the "SERP") for certain executives. In 2014, the SERP was incorporated into the Organization's newly adopted 457(f) Deferred Compensation Plan.

In 2014, the Organization established 457(b) and 457(f) Deferred Compensation Plans for certain executives, allowing deferred compensation up to $2,000,000, payable subject to vesting after August 31, 2018. U.S. GAAP requires that deferred compensation benefits be accrued in a systematic and rational manner over the period services are provided by the executives. Deferred compensation benefits are no longer accrued, but interest of approximately $3,700 was added during the year ended August 31, 2024. The remaining deferred compensation liability as of August 31, 2024 was $78,888, held in money market accounts to fund the obligation.

14. RELATED PARTY

During the year ended August 31, 2024, the Organization recognized contributions, including promises to give and gifts-in-kind, from members of its Board of Trustees of $593,316. As of August 31, 2024, there was $3,048,220 in contributions receivable from members of the Board of Trustees. Amounts received during the year from members of the Board of Trustees were $1,710,511 including payments received against promises to give that existed at August 31, 2023.

15. CONCENTRATIONS

Contributions from a single donor accounted for approximately 84% of the Organization's total contribution revenue for the year ended August 31, 2024. Promises to give from three donors represented approximately 39% of the Organization's total contributions receivable as of August 31, 2024.

16. CONTRIBUTED GOODS AND SERVICES

Contributed goods and services consisted of the following:

Legal services	$ 81,049
Food and drink for fundraising events	30,524
Catering services	15,589
Program materials and equipment	843
	$ 128,005

All contributed goods and services received for the year ended August 31, 2024, were considered without donor restrictions.

Contributed services for legal and catering are valued at the estimated fair value based on current rates for similar or identical services. Contributed food and drink and program materials and equipment are valued at the fair value based on estimated values that would be received for selling similar products in the United States.

Contributed legal services include services from attorneys advising the Organization on various strategic and administrative matters. Contributed catering services, food and drink for fundraising events, and program materials and equipment were fully utilized by the Organization's staff or fundraising participants.

17. 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.

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, 2024 to fund general expenditures and other obligations when they become due:

Financial assets	
Cash and cash equivalents	$ 2,369,632
Accounts and contracts receivable	29,721
Contributions receivable, net	4,571,445
Investments	22,006,430
Cash held for endowment	28,754
	29,005,982
Less: amounts unavailable for general expenditures within one year:	
Donor-restricted endowment funds	(3,700,306)
Purpose restricted funds	(4,143,509)
Board designated funds	(13,743,802)
	(21,587,617)
	$ 7,418,365

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 funds that could be made available if necessary.

19. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through December 13, 2024, the date the financial statements were available to be issued.

On November 19, 2024, the Organization established a liquidity access line, (the "LAL") with Morgan Stanley, providing a max borrowing capacity of $2,500,000. The LAL accrues interest at the 30-day SOFR average plus 1.5%.

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.