

**OKLAHOMA CHILDREN'S
THEATRE, INC.**

FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

Includes Independent Auditor's
Report Issued By



CPAs & Advisors

OKLAHOMA CHILDREN'S THEATRE, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Oklahoma Children's Theatre, Inc.

Opinion

We have audited the accompanying statement of financial position of Oklahoma Children's Theatre, Inc. (a nonprofit organization) as of September 30, 2022, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position Oklahoma Children's Theatre, Inc. as of September 30, 2022, and the results of its operations and cash flows for the year then ended in conformity 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 Oklahoma Children's Theatre, Inc. 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 Oklahoma Children's Theatre, Inc'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 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 Oklahoma Children's Theatre, Inc'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 Oklahoma Children's Theatre, Inc'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.

HBC CPAs & Advisors

November 29, 2022
Oklahoma City, Oklahoma

OKLAHOMA CHILDREN'S THEATRE, INC.
STATEMENT OF FINANCIAL POSITION
September 30, 2022

ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	\$ 828,204
Certificate of Deposit	152,375
Contributions and Grants Receivable	55,239
Prepaid Expenses	9,997
Total Current Assets	<u>1,045,815</u>
PROPERTY AND EQUIPMENT	
Furniture and Fixtures	20,497
Equipment	69,761
Leasehold Improvements	9,850
Less Accumulated Depreciation	(92,342)
Total Property and Equipment	<u>7,766</u>
OTHER ASSETS	
Beneficial Interest in Assets held by others	6,709
Total Other Assets	<u>6,709</u>
TOTAL ASSETS	<u><u>\$ 1,060,290</u></u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts Payable	\$ 14,576
Accrued Interest	8,019
Deferred Revenues	62,535
Total Current Liabilities	<u>85,130</u>
LONG-TERM LIABILITIES	
EIDL Loan	500,000
Total Long-Term Liabilities	<u>500,000</u>
NET ASSETS	
Without Donor Restrictions	460,030
With Donor Restrictions	15,130
Total Net Assets	<u>475,160</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,060,290</u></u>

OKLAHOMA CHILDREN'S THEATRE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUES, GAINS AND SUPPORT			
Contributions & Sponsorships	\$ 185,497	\$ 14,710	\$ 200,207
Covid Relief Grants	248,043	-	248,043
Tuition and Fees	332,936	-	332,936
Box Office Receipts & Admissions	24,814	-	24,814
Merchandise Sales	13,674	-	13,674
Investment Income	1,036	-	1,036
Miscellaneous	8,218	-	8,218
Unrealized Change in Beneficial Interest	(1,415)	-	(1,415)
Net Assets Released from Restriction	8,000	(8,000)	-
	<u>820,803</u>	<u>6,710</u>	<u>827,513</u>
Total Revenues, Gains, & Supports			
EXPENSES			
Program Expenses			
Productions	108,955	-	108,955
Education	451,446	-	451,446
Total Program Expenses	<u>560,401</u>	<u>-</u>	<u>560,401</u>
Supporting Services Expenses			
Management & General	144,940	-	144,940
Fundraising	73,365	-	73,365
Total Supporting Services Expenses	<u>218,305</u>	<u>-</u>	<u>218,305</u>
Total Expenses	<u>778,706</u>	<u>-</u>	<u>778,706</u>
CHANGES IN NET ASSETS	<u>42,097</u>	<u>6,710</u>	<u>48,807</u>
NET ASSETS, BEGINNING OF YEAR	<u>417,933</u>	<u>8,420</u>	<u>426,353</u>
NET ASSETS, END OF YEAR	<u>\$ 460,030</u>	<u>\$ 15,130</u>	<u>\$ 475,160</u>

OKLAHOMA CHILDREN'S THEATRE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in Net Assets	<u>\$ 48,807</u>
Adjustments to Reconcile Changes in Net Assets to Cash Flows from Operating Activities:	
Depreciation	3,166
Unrealized change in beneficial interests	1,415
(Increase)/Decrease in Assets:	
Contributions Receivable	(11,007)
Prepaid Expenses	(3,480)
Increase/(Decrease) in Liabilities:	
Accounts Payable & Accrued Expenses	13,814
Deferred Revenues	<u>(2,524)</u>
Total Adjustments	<u>1,384</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>50,191</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Investment in Certificate of Deposit	(105,716)
Interest retained in certificate of deposit	<u>(94)</u>
 NET CASH USED BY INVESTING ACTIVITIES	 <u>(105,810)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES	
Forgiveness of PPP Loan	(68,500)
Proceeds from EIDL Loan	<u>500,000</u>
 NET CASH PROVIDED BY FINANCING ACTIVITIES	 <u>431,500</u>
 NET INCREASE IN CASH & CASH EQUIVALENTS	 375,881
 CASH & CASH EQUIVALENTS, BEGINNING OF YEAR	 <u>452,323</u>
 CASH & CASH EQUIVALENTS, END OF YEAR	 <u><u>\$ 828,204</u></u>

OKLAHOMA CHILDREN'S THEATRE, INC
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	<u>PROGRAM</u>	<u>MANAGEMENT & GENERAL</u>	<u>FUND RAISING</u>	<u>TOTAL</u>
Salaries	\$ 228,800	\$ 16,246	\$ 44,593	\$ 289,639
Contract personnel	194,680	19,445	4,563	218,688
Employee benefits	34,404	21,402	3,541	59,347
Training	-	14,750	10,298	25,048
OCU contract services	22,500	-	-	22,500
Supplies and materials	39,612	11,817	131	51,560
Design	15,000	7,500	7,500	30,000
Printing	2,422	820	2,040	5,282
Miscellaneous	-	35	-	35
Contributions	-	250	-	250
Advertising	1,791	-	41	1,832
Travel	3,874	805	42	4,721
Postage	24	501	-	525
Sales tax expense	1,423	-	-	1,423
Property tax	-	-	-	-
Royalties	(304)	-	-	(304)
Telephone	727	2,527	70	3,324
Utilities	733	2,464	-	3,197
Dues and subscriptions	989	5,794	45	6,828
Hospitality	916	1,607	-	2,523
Repairs and maintenance	563	3,089	335	3,987
Rent	8,887	-	-	8,887
Depreciation	-	3,166	-	3,166
Audit expense	-	8,700	-	8,700
Professional services	-	7,942	-	7,942
Interest expense	-	8,019	-	8,019
Credit cards and bank fees	2,425	401	166	2,992
Insurance	935	7,660	-	8,595
	<u>560,401</u>	<u>144,940</u>	<u>73,365</u>	<u>778,706</u>
TOTAL EXPENSES	<u>\$ 560,401</u>	<u>\$ 144,940</u>	<u>\$ 73,365</u>	<u>\$ 778,706</u>

OKLAHOMA CHILDREN'S THEATRE, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Oklahoma Children's Theatre, Inc. (the Theatre) is a public, not-for-profit organization dedicated to enhancing the entertainment and education of the children in the state of Oklahoma by providing theatrical productions, classes, and educational events. The Theatre's support comes primarily through donor contributions, admissions to theatrical productions, and fees for education and training classes.

Basis of Presentation

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Theatre reports information regarding its financial position and changes in net assets according to two classes of net assets, based on the existence or absence of donor-imposed restrictions, if any, as follows:

Net assets without donor restrictions – This category includes all resources that are expendable without restriction for the Theatre's programs.

Net assets with donor restrictions - These may be temporarily or permanently restricted.

Temporarily Restricted - amounts which have been temporarily restricted by donors for specific purposes or time periods. The Theatre reports temporarily restricted support as unrestricted if the restrictions are met in the same reporting period.

Permanently Restricted - amounts restricted by donors to be maintained for the benefit of the Theatre with income generated by such amounts available for purposes specified by the donor.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement. Actual results could differ from those estimates.

Cash and equivalents

The Theatre considers highly liquid investments with original maturities of three months or less to be cash equivalents. The Theatre attempts to monitor its bank account balances so that deposits in such accounts limit the amount of the Theatre's credit exposure.

OKLAHOMA CHILDREN'S THEATRE, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and equivalents - continued

At September 30, 2022, the Theatre did not have any funds in excess of FDIC insured limits, but did have \$572,553 that had been swept into an investment account.

Receivables

Receivables are reported at their estimated collectible amount. Receivables primarily include contributions and sponsorships from donors who have made unconditional promises to give and grants receivable for which all conditions have been met by the Theatre. All receivables are expected to be fully collected within the next fiscal year. Uncollectible receivables, if any, are estimated to be immaterial.

Contributions

Gifts of cash and other assets received with donor stipulations that limit the use of the donated assets are reported as temporarily restricted, when applicable, unless the time restriction ends, or a purpose restriction is accomplished within the same reporting period. When a donor's temporary restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily-restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Theatre reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Property and Equipment

Purchased assets are recorded at cost, and donated assets are recorded at market value at the time of donation. Property and equipment valued at \$300 or more is capitalized and depreciated over an estimated useful life of five to ten years on a straight-line basis.

Income Taxes

The Theatre is an exempt organization under Internal Revenue Service (IRS) Code Section 501(c)(3) and is not classified as a private foundation within the meaning of IRS Code Section 509(a). Therefore, no provision has been made in the financial statements for income taxes.

OKLAHOMA CHILDREN'S THEATRE, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes – continued

The Theatre could be subject to taxation if it generates income that is unrelated to its exempt purpose. The organization is subject to review by tax authorities. It is not currently under review. The open years are 2019 through 2021.

Deferred Revenues

Deferred revenues include amounts received for tuition and fees prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenues may also include amounts received from grants and contract sponsors that have conditions that have not been met.

Advertising Expense

All advertising costs are expensed as incurred or the first-time advertising takes place. Advertising expense during the period was approximately \$1,832.

Functional expenses

Expenses are allocated between program and supportive services based upon either actual usage or the estimated cost attributable to each function.

NOTE 2 – BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

The Theatre and other donors have contributed to a fund administered by the Oklahoma City Community Foundation, Inc. (OCCF) for the benefit of the Theatre and its programs. According to OCCF policy, full variance powers are granted and therefore the principal amounts of such contributions become the legal assets of OCCF.

The value of reciprocal transfer assets, which are assets transferred by the Theatre to organizations raising or holding contributions for others, such as OCCF, are recognized as assets in the financial statements of the transferor. The value of assets contributed by others to these types of organizations for the benefit of a specified beneficiary are not recognized and recorded by the beneficiary.

The market value of reciprocal transfer assets was \$6,709 at June 30, 2022, the most recent date for which figures are available. The market value of assets contributed by others to OCCF for the benefit of the Foundation and, therefore, not recorded in the financial statements was \$122,638 at June 30, 2022.

OKLAHOMA CHILDREN’S THEATRE, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

NOTE 2 – BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS (continued)

Annual distributions from earnings are made to the Theatre based on OCCF’s spending policy, which is currently five percent of the average market value over the previous eight quarters for all assets held for the benefit of the Theatre.

Distribution to the Theatre under the spending policy of \$7,095 was reported as earned during the year ended September 30, 2022, and is included as contribution and support in the statement of activities.

NOTE 3 - NET ASSETS WITH DONOR RESTRICTIONS

Temporarily restricted net assets were available for the following purposes:

Lyn Adams Scholarship Fund	<u>\$ 14,710</u>
Temporarily restricted net assets for use in future periods	14,710

Permanently restricted net assets:

Endowment funds	<u>420</u>
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Total net assets with donor restrictions	<u><u>\$ 15,130</u></u>
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NOTE 4 – ECONOMIC INJURY DISASTER LOAN

The organization received an Economic Injury Disaster Loan (EIDL) for \$500,000 dated February 15, 2022. This loan accrues interest at 2.75% with principal and interest payments deferred for two years from the date of issuance. At that time the loans is to be paid back over a 30 year period with monthly installments of \$2,244. The loan is secured by substantially all current and future assets of the Organization. There is no penalty for early payment.

NOTE 5 – CONCENTRATIONS

The Theatre is located in Oklahoma City, Oklahoma and receives donations and other support from the general public and other organizations located primarily in the greater Oklahoma City area. The theatre used by Oklahoma Children’s Theatre is owned by and is on the campus of Oklahoma City University.

OKLAHOMA CHILDREN’S THEATRE, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

NOTE 6 – LIQUIDITY

The following reflects Oklahoma Children’s Theatre’s financial assets at September 30, 2022, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

Cash and cash equivalents	\$ 828,204
Certificate of deposit	152,375
Contributions and grants receivable	<u>55,239</u>
	\$ 1,035,818
Less amounts with donor restrictions	(15,130)
Less current liabilities	<u>(85,130)</u>
Financial assets available to meet cash needs within one year	<u>\$ 935,558</u>

The Theatre has significant amounts of liquid assets to meet liquidity needs. The liquid assets are increased by a \$500,000 by an EIDL loan. (See Note 4.)

NOTE 7 – PAYCHECK PROTECTION PROGRAM/SHUTTERED VENUE GRANT

The Theatre recognized the forgiveness of \$68,500 in assistance from the Paycheck Protection Program (PPP) as part of the CARES Act passed by Congress. They also recognized a second Shuttered Venue Grant of \$96,781 in addition to the \$62,067 which was Carried forward from the prior year. The Theatre also received \$20,695 of Covid Relief Grants from various state and local agencies.

These grants help venues, including performing arts organizations, which were shuttered by the Covid-19 pandemic recover from the effects of the Covid-19 pandemic.

NOTE 8 - CONTRIBUTED SERVICES AND FACILITIES

Contributed services and facilities include primarily the value of certain services which were contributed by area businesses, individuals and organizations related to program services.

NOTE 9 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 29, 2022, which is the date the financial statements were available to be issued.