Virginia Repertory Theatre

Consolidated Financial Statements

June 30, 2022

Keiter
Your Opportunity Advisors

4401 Dominion Boulevard
Glen Allen, Virginia 23060
Tel: 804.747.0000
www.keitercpa.com

VIRGINIA REPERTORY THEATRE

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Virginia Repertory Theatre
Richmond, Virginia

Opinion

We have audited the accompanying consolidated financial statements of Virginia Repertory Theatre and Empire Theater, LLC (collectively, the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2022, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

Basis of Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Certified Public
Accountants & Consultants
4401 Dominion Boulevard
Glen Allen, VA 23060
T:804.747.0000 F:804.747.3632

www.keitercpa.com

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 and *Government 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 consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards,* is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2023 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Keiter

January 23, 2023
Glen Allen, Virginia

VIRGINIA REPERTORY THEATRE

Consolidated Statement of Financial Position
June 30, 2022

Assets

Current assets:	
Cash and cash equivalents	$ 2,412,490
Pledges and grants receivable - current portion	294,930
Other receivables	244,340
Prepaid expenses and other	412,766
Total current assets	3,364,526
Property and equipment, net	2,967,244
Other assets:	
Investments	199,740
Pledges and grants receivable - less current portion, net	166,040
Other	52,986
Total other assets	418,766
Total assets	$ 6,750,536

Liabilities and Net Assets

Current liabilities:	
Current portion of long-term debt	$ 77,057
Accounts payable	126,357
Accrued expenses	326,315
Deferred revenue	445,244
Total current liabilities	974,973
Long-term debt, less current portion	1,144,879
Total liabilities	2,119,852
Net assets:	
Without donor restrictions	3,785,395
With donor restrictions	845,289
Total net assets	4,630,684
Total liabilities and net assets	$ 6,750,536

See accompanying notes to consolidated financial statements.

VIRGINIA REPERTORY THEATRE

Consolidated Statement of Activities
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Youth and ticket revenue	$ 1,461,134	$ -	$ 1,461,134
Contributions and grants	1,093,872	513,431	1,607,303
Shuttered venue operator grant (Note 11)	2,385,006	-	2,385,006
Forgiveness of PPP Loan (see Note 11)	550,705	-	550,705
Other program and productions	250,885	-	250,885
Special event revenue	261,472	-	261,472
Investment loss, net	(10,278)	(12,500)	(22,778)
Rent	10,008	-	10,008
	6,002,804	500,931	6,503,735
Net assets released from restrictions	519,119	(519,119)	-
Total revenue and support	6,521,923	(18,188)	6,503,735
Expenses:			
Program	3,522,873	-	3,522,873
Management and general	894,743	-	894,743
Fundraising	274,477	-	274,477
Total expenses	4,692,093	-	4,692,093
Change in net assets	1,829,830	(18,188)	1,811,642
Net assets, beginning of year	1,955,565	863,477	2,819,042
Net assets, end of year	$ 3,785,395	$ 845,289	$ 4,630,684

See accompanying notes to consolidated financial statements.

VIRGINIA REPERTORY THEATRE

Consolidated Statement of Functional Expenses
Year Ended June 30, 2022

	Program	Management and General	Fundraising	Total
Actors, directors, and designers	$ 859,635	$ -	$ -	$ 859,635
Advertising, playbills, and printing	396,048	-	-	396,048
Bank and credit card merchant fees	38,806	-	3,398	42,204
Community Health and Wellness expenses	4,500	-	-	4,500
Depreciation	81,002	41,517	10,727	133,246
Dues and subscriptions	7,370	3,777	976	12,123
Education program expenses	35,654	-	-	35,654
Facilities and office rent	142,886	73,236	18,922	235,045
Gift shop and concessions	7,600	-	-	7,600
Insurance	45,062	23,096	5,967	74,126
Information technology and communications	59,903	30,703	7,933	98,540
Mortgage and loan interest	29,032	14,880	3,845	47,756
Office supplies	6,341	3,078	840	10,259
Personnel and related expenses	1,229,691	630,278	162,846	2,022,815
Postage and printing	12,369	6,340	1,638	20,346
Professional fees	37,689	19,317	4,991	61,997
Royalties, scripts, and scores	105,950	-	-	105,950
Sets, lights, sound, costumes, and other production	162,227	-	-	162,227
Special events expense	39,858	-	39,858	79,716
Taxes and licenses	13,112	6,721	1,736	21,569
Tour housing rent	10,677	-	-	10,677
Tour lodging and transportation	38,439	-	-	38,439
Tour vehicle expense	77,471	-	-	77,471
Travel and conferences	11,156	5,718	1,477	18,351
Utilities, repair, and maintenance	70,396	36,081	9,322	115,800
Total expenses	$ 3,522,873	$ 894,743	$ 274,477	$ 4,692,093

See accompanying notes to consolidated financial statements.

VIRGINIA REPERTORY THEATRE

Consolidated Statement of Cash Flows
Year Ended June 30, 2022

Cash flows from operating activities:	
Change in net assets	$ 1,811,642
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	133,246
Net realized and unrealized loss on investments	28,984
Investment income reinvested	(3,789)
Forgiveness of PPP Loan (see Note 11)	(550,705)
Changes in operating assets and liabilities:	
Pledges and grants receivable	(38,676)
Other receivables	(125,155)
Prepaid expenses and other	(214,553)
Other assets	(13,487)
Accounts payable	6,671
Accrued expenses	86,434
Deferred revenue	(89,156)
Net cash provided by operating activities	1,031,456
Cash flows used in investing activities:	
Purchases of property and equipment	(346,854)
Cash flows used in financing activities:	
Payments on long-term debt	(57,980)
Net change in cash and cash equivalents	626,622
Cash and cash equivalents, beginning of year	1,785,868
Cash and cash equivalents, end of year	$ 2,412,490
Supplemental disclosure of cash flow information:	
Cash paid during the year for interest	$ 47,756
Noncash investing and financing activity:	
Purchase of property and equipment with a note payable	$ 34,252

See accompanying notes to consolidated financial statements.

1. Description of Organization:

Virginia Repertory Theatre ("VA Rep") is a non-profit professional theatre based in Richmond, Virginia. VA Rep presents national caliber productions of the great dramas, comedies, and musicals - past, present, and future. VA Rep is always seeking to demonstrate the unique power of theatre to engage, enthrall, educate, inspire, and is committed to artistic excellence and professionalism in the arts, education, children's health, and community leadership.

VA Rep is the managing member of Empire Theatre, LLC, a Virginia Limited Liability Company. Empire Theatre, LLC was formed to facilitate the receipt and disbursement of historic tax credits available from the capital improvements made to the historic November Theatre.

On May 17, 2021, VA Rep entered into a Purchase and Sale Agreement to acquire real property for $3,500,000. The Purchase and Sale Agreement and all subsequent amendments (collectively, the "Agreement") required a deposit of $250,000 and stipulate a closing date between September 1, 2022 and October 14, 2022 (see Note 13).

2. Summary of Significant Accounting Policies:

Principles of Consolidation: The consolidated financial statements include the accounts of the Virginia Repertory Theatre and Empire Theatre, LLC (collectively, the "Organization"). All significant inter-organization balances and transactions have been eliminated in the consolidation.

Basis of Accounting: The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States ("GAAP") as determined by the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC").

Net Assets: Under FASB guidance on financial statements of not-for-profit organizations, the Organization is required to report information regarding its financial position and activities according to two classes of net assets:

Net assets without donor restrictions – Net assets currently available at the discretion of the Board of Directors for use in the Organization's operations, including net assets undesignated and designated by the Board of Directors.

Net assets with donor restrictions – Net assets with donor restrictions consist of assets whose use is limited by donor-imposed time and/or purpose restrictions. Some net assets with donor restrictions include donor-imposed stipulations for specific operating purposes. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. Some net assets with donor restrictions are restricted in perpetuity.

2. Summary of Significant Accounting Policies, Continued:

Cash and Cash Equivalents: The Organization considers all highly liquid securities that were purchased with original maturity of three months or less to be cash equivalents.

Pledges Receivable: Pledges receivable, or unconditional promises to give, represent amounts committed by donors to be paid within a specific period of time. Pledges receivable are recorded at the present value of their net realized value if considered material. As of June 30, 2022, management believes that all pledge receivables will be received in accordance with the terms of the respective agreement and that no allowance for uncollectible pledge receivables was necessary.

Grants Receivable: Grants receivable represent amounts awarded by various government agencies and other non-profit organizations. Grants receivable are due within one year and are recorded at their net realizable value. Management estimates an allowance for uncollectible grants receivable based on economic conditions, historic trends, and current and past experience with the individual grantors. Management determined that no allowance was necessary at June 30, 2022.

Investments: Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the consolidated statement of financial position. Unrealized gains and losses are included in the consolidated statement of activities. Net investment return less external investment expenses are reported in the statement of activities and consists of interest and dividend income, and realized and unrealized capital gains and losses, for year ended June 30, 2022.

Concentration of Credit Risk: Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash balances on deposit with major financial institutions which may, at times, exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

The Organization’s investments are held in a portfolio that contains mutual funds. Such investments are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the consolidated financial statements.

Pledges and grants receivable are from individuals, corporations, foundations, and government agencies. The Organization believes its credit risk related to these receivables is limited due to the nature of its donors/grantors. As of June 30, 2022, two donors/grantors accounted for approximately 69% of pledges and grants receivable, and there were no single pledges or grants that accounted for greater than 10% of revenue and support.

2. Summary of Significant Accounting Policies, Continued:

Property and Equipment: Property and equipment is stated on the basis of cost. Property and equipment received as a contribution is recorded at fair value on the date of the contribution. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets as follows:

Buildings	25-39 years
Theatre improvement	7-39 years
Furniture, fixtures, and vehicles	5 years
Sets and props	3 years
Costumes, scripts, and soundtracks	4 years
Production equipment	4-5 years
Office equipment	3-7 years
Leasehold improvement	4 years

Revenue Recognition: The Organization follows ASC Topic 958 which prescribes a specific framework for not-for-profit entities to determine whether revenue streams qualify as exchange-based or non-exchange-based transactions. For revenues streams that are determined to be exchange-based, the Organization follows ASC Topic 606, which prescribes a specific process for determining when exchange-based revenue should be recognized.

Contributions: All contributions are accounted for in accordance with ASC 958-605. Contributions are recognized at a point in time when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions are considered available for use without restrictions, unless specifically restricted by the donor. All donor-restricted contributions and time-restricted promises to give that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions and time-restricted promises to give are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Grants: Grants are recorded as support in the year notification is received from the grantor. Similar to contributions, grants received with restrictions are recognized within net assets without donor restrictions if the grant is used for the purpose restriction in the year that it is received. All other restricted grants are reported as increases in net assets with donor restrictions.

2. Summary of Significant Accounting Policies, Continued:

Revenue Recognition, Continued:

Youth and Ticket Revenue: The Organization recognizes revenue for performance fees and contract fees subject to the guidance of ASC 606, as such revenue is generated by satisfaction of performance obligations. Ticket prices are fixed based on each particular performance. Youth and ticket revenue is recognized at a point in time upon completion of a particular performance or over time for a series of performances.

Contract liabilities represent payments received in advance of performance under a contract, primarily advance payments under subscriptions and ticket sales attributable to the next performance season. Contract liabilities are recognized as revenue as (or when) the Organization performs under the contract. Deferred revenue totaled $445,244 at June 30, 2022 and $534,400 at June 30, 2021. There are no significant contract assets at June 30, 2022 or 2021.

Donated Goods and Services: In September 2020, the FASB issued new guidance related to contributions of non-financial assets received (ASU 2020-07) which amends previous guidance concerning presentation and disclosure of non-financial assets received. Specifically, the amendments require (1) presentation as a separate line item of contributed non-financial assets and (2) disclosure of information about each category of non-financial assets. The Organization adopted the standard during 2022, under the full retrospective transition method. The adoption of this ASU did not have a material impact on the Organization's consolidated financial statements.

From time to time, the Organization receives donated services that are eligible for recognition under GAAP. The Organization recognizes the value of donated goods and services that either (a) created or enhanced a nonfinancial asset or (b) required specialized skills, was provided by individuals possessing those skills, and would typically need to be purchased if they had not been donated. During 2022, the value of donated goods and services meeting this recognition criteria was insignificant to the consolidated financial statements.

The Organization receives a significant amount of volunteer help in performing a wide variety of necessary tasks involved in the production of a theatrical performance. Although these are vital to the continued success of the Organization, due to the nature and extent of these contributions, it is impractical to value these services for financial statement purposes.

2. Summary of Significant Accounting Policies, Continued:

Functional Allocation of Expenses: The Organization allocates its expenses on a functional basis among its various programs and supporting services in the consolidated statement of functional expenses. Expenses directly attributable to a specific functional area of the Organization are reported as expenses of those functional areas while indirect costs that benefit multiple functional areas have been allocated. Therefore, certain expenses (salaries and wages, occupancy, and office expenses) have been allocated to programs and supporting services benefited on a reasonable basis that is consistently applied. Costs related to personnel are allocated amongst functions based upon the percent of time each employee spends performing each function as defined by their position. All other costs are evaluated on a per invoice basis to determine what functions have been served.

Advertising Costs: The Organization expenses advertising costs as incurred. Advertising expense was $370,901 for 2022.

Income Taxes: The Internal Revenue Service (the "IRS") has determined that the Virginia Repertory Theatre is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code (the "IRC" or "the Code"). Contributions to the Organization are tax deductible as defined by Section 170 of the Code. In addition, the IRS has determined that the Organization is not a "private foundations" within the meaning of Section 509(a) of the Code. For income tax purposes, Empire Theater, LLC is a disregarded entity and its financial activity is included in the tax filings of Virginia Repertory Theatre.

Income Tax Uncertainties: The Organization follows FASB guidance for how uncertain tax positions should be recognized, measured, disclosed and presented in the consolidated financial statements. This requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Organization's tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained "when challenged" or "when examined" by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax expense and liability in the current year.

Management evaluated the Organization's tax position and concluded that the Organization had taken no uncertain tax positions that require adjustment to the consolidated financial statements to comply with the provisions of this guidance. The Organization is not currently under audit by any tax jurisdiction.

Use of Estimates: The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements. Such estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

3. Pledges and Grants Receivable:

Pledges and grants receivable consisted of the following at June 30, 2022:

	Pledges Receivable	Grants Receivable
Within one year	$ 75,217	$ 219,713
In one to five years	40,000	-
In more than five years	275,000	-
Gross pledges and grants receivable	390,217	219,713
Less discount to present value, discount rate of 4.22%	(148,960)	-
	$ 241,257	$ 219,713

4. Property and Equipment:

Property and equipment consisted of the following at June 30, 2022:

Land	$ 414,803
Buildings	2,656,201
Theater improvements	1,977,625
Furniture and fixtures	147,652
Sets and props	277,505
Costumes	417,256
Production equipment	639,250
Scripts and soundtracks	40,789
Office equipment	382,035
Leasehold improvements	696,851
Vehicles	227,930
	7,877,897
Accumulated depreciation	(4,910,653)
	$ 2,967,244

5. Investments and Fair Value Measurements:

Investments consisted of the following at June 30, 2022:

	Cost	Market	Unrealized Gain
Mutual funds	$ 167,872	$ 199,740	$ 31,868

The FASB has issued guidance for measurement and disclosure of fair value and establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The guidance defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal and most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The levels of the hierarchy are defined as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology are quoted prices for similar instruments in active and inactive markets; and model driven valuations with significant inputs and drivers derived from observable active markets.

Level 3 Inputs to the valuation methodology are unobservable for the instrument and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair market value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. All of the Organization's investments in mutual funds are Level 1 investments. The mutual funds are valued at the closing price reported on the active market on which the individual funds are traded.

6. Line of Credit:

The Organization had a secured line of credit for $200,000 which matured on June 17, 2022 and was not renewed. The line carried an interest rate of prime plus 1.0% with a 5.5% floor. Interest only was payable until maturity when any outstanding balance became due. The line was collateralized by real estate.

7. Long-Term Debt:

Long-term debt consisted of the following at June 30, 2022:

Note payable to bank, original principal of $710,000, 4.35% interest rate, collateralized by land, building and improvements, monthly payments of $5,400 principal and interest, with a balloon payment due October, 2029.	$ 630,919
Note payable to bank, original principal of $516,000, 4.5% interest rate, collateralized by real estate, monthly payments of $3,283 principal and interest, with a balloon payment due December, 2025.	406,865
Note payable to Small Business Administration (Economic Injury Disaster Loan), original principal of $150,000, 1.0% interest rate, collateralized by the personal property of the Organization, monthly payments of $641 principal and interest, maturing May, 2050.	149,900
Note payable to bank, original principal of $34,252, 4.75% interest rate, collateralized by a vehicle, monthly payments of $644 principal and interest, maturing May, 2027.	34,252
	1,221,936
Current portion	77,057
Long-term portion	$ 1,144,879

Aggregate maturities required on long-term debt principal for the next five years are as follows:

Year Ending June 30	Amount
2023	$ 77,057
2024	71,905
2025	75,172
2026	394,316
2027	55,997
Thereafter	547,489
	$ 1,221,936

8. Net Assets:

Net assets with donor restrictions consisted of the following at June 30, 2022:

Endowment fund	$	99,099
Funding-purpose restriction		365,220
Funding-time restriction		380,970
	$	845,289

For the year ended June 30, 2022, net assets were released from restriction for the following purposes:

Funding-purpose restriction	$	349,755
Funding-time restriction		169,364
	$	519,119

The majority of funding of purpose restrictions relates to education and tour program activities.

Net assets without donor restrictions consisted of the following at June 30, 2022:

Undesignated	$	3,700,198
Board-designated - Hugs and Kisses Endowment		47,185
Board-designated - Board discretion		38,012
	$	3,785,395

9. Commitments and Contingencies:

Financial awards from federal, state, and local governmental entities in the form of grants are subject to special audit. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. Such audits could also result in the grantor prohibiting future funding of such grant. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date or any impact from the revocation of future grant funds.

9. Commitments and Contingencies, Continued:

The Organization leases tour housing, shop and storage, administrative offices, and parking space under operating leases. The leases require aggregate lease payments of $11,389 and expire at various dates through October 2023. Future payments required under noncancellable operating leases are as follows:

Year Ending June 30:	Amount
2023	$ 121,878
2024	6,216
	$ 128,094

Rent expense was $141,873 for 2022.

10. Liquidity and Availability:

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2022, comprise the following:

Cash and cash equivalents	$ 2,412,490
Pledges and grants receivable - current portion	294,930
Other receivables	244,340
Investments	199,740
Total financial assets available within one year	3,151,500
Less:	
Net assets with donor restrictions:	
Endowment fund	(99,099)
Funding-purpose restriction	(365,220)
Net assets with board-desingations	(85,197)
Total financial assets available for general expenditure	$ 2,601,984

The Organization has a policy to manage its liquidity following two guiding principles: operating within a prudent range of financial stability and maintaining adequate liquidity to fund near-term operations.

11. Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"):

Paycheck Protection Program Loan

In response to the economic instability caused by COVID-19, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was passed by Congress and signed into law by the President on March 27, 2020. The Paycheck Protection Program ("PPP") was a component of the CARES Act and provided for a loan ("PPP Loan") to provide a direct incentive for employers to keep their employees on the payroll. A PPP Loan is eligible for full or partial forgiveness if the funds are used for qualifying costs including payroll, rent, mortgage interest, or utilities during the covered period, as further defined in the CARES Act.

As of July 1, 2021, the Organization had an outstanding PPP Loan of $550,705, which was received in April 2020. The Organization applied for loan forgiveness and received notice of full loan forgiveness on July 28, 2021. The gain from forgiveness of the PPP Loan is included in the accompanying consolidated statement of activities.

Shuttered Venue Operator Grant ("SVOG")

In response to the effects of COVID-19 on live venues and operators, live venue promoters, theatrical producers, talent representatives, live performing arts organization operators, museums, and motion picture theaters, the SVOG program was established by the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act, and amended by the American Rescue Plan Act. The program included over $16 billion in grants to shuttered venues, to be administered by Small Business Administration's Office of Disaster Assistance.

On September 24, 2021, the Organization was awarded a SVOG of $2,385,006 through the SVOG program under the classification of a live venue operator or promoter. The grant is reflected separately in the accompanying consolidated statement of activities.

Employee Retention Credits

The CARES Act also provided for Employee Retention Credits ("ERC") that were designed to encourage eligible employers to keep employees on their payroll despite experiencing an economic hardship related to COVID-19. Additional legislation was passed by Congress that extended and modified the ERC. The credit consists of a refundable payroll tax credit for 70% of eligible wages paid by employers to employees. The Organization has accounted for the ERC in accordance with FASB ASC 958-605 with the ERC income of $492,561 included in contributions and grants in the accompanying consolidated statement of activities, and amounts to be refunded of $232,940 at June 30, 2022 included in other receivables on the accompanying consolidated statement of financial position.

12. Accounting Standards Updates:

Leases: In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. ASU 2016-02 defines a lease as a contract or a part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and lease liability at the present value of remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU 2016-02 is effective for the Organization for the year ending June 30, 2023. The Organization is currently evaluating the impact that the adoption of Topic 842 will have on its consolidated financial statements.

Credit Losses: In June 2016, the FASB issued ASU No. 2016-13 ("ASU 2016-13"), *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.* The ASU replaces the current incurred loss model used to measure impairment losses with an expected loss model for trade and other receivables. The standard is effective for non-public entities for annual reporting periods beginning after December 15, 2022, with early adoption permitted. ASU 2016-13 is effective for the Organization for the year ending June 30, 2024. The Organization is currently evaluating the impact that the adoption of Topic 326 will have on its consolidated financial statements.

13. Subsequent Events:

Management has evaluated subsequent events through January 23, 2023, the date the consolidated financial statements were available for issuance, and has determined that, other than the subsequent events described below, there are no other subsequent events to be reported in the accompanying consolidated financial statements.

On October 6, 2022, the Organization acquired real property in accordance with the Agreement for $3,500,000 to be used as a venue for professional theater. The acquisition was partially funded through a new loan of $2,625,000.

SUPPLEMENTAL INFORMATION

VIRGINIA REPERTORY THEATRE

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor/Program Title	Federal Assistance Listing Number	Provided to Subrecipients	Total Federal Expenditures
U.S. Small Business Administration Program:			
COVID-19 Shuttered Venue Operator Grant	59.075	$ -	$ 2,385,006

1. Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of Virginia Repertory Theatre (the “Organization”) under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (the “Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

2. Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate:

The Organization has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

See independent auditor’s report.

VIRGINIA REPERTORY THEATRE

Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

A. SUMMARY OF AUDIT RESULTS

(1) The auditors' report expresses an unmodified opinion on the financial statements of Virginia Repertory Theatre.

(2) No material weaknesses or significant deficiencies in internal control were disclosed during the audit.

(3) No instances of noncompliance, material to the consolidated financial statements were disclosed during the audit.

(4) No material weakness or significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.

(5) The auditors' report on compliance for the major federal award programs for Virginia Repertory Theatre expresses an unmodified opinion.

(6) There were no audit findings relative to the major federal award programs for Virginia Repertory Theatre.

(7) The program tested as a major program included:

COVID-19 Shuttered Venue Operator Grant – #59.075

(8) The threshold used for distinguishing between Type A and B programs was $750,000.

(9) Virginia Repertory Theatre was determined not to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Virginia Repertory Theatre
Richmond, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Virginia Repertory Theatre (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated January 23, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Certified Public
Accountants & Consultants
4401 Dominion Boulevard
Glen Allen, VA 23060
T:804.747.0000 F:804.747.3632

www.keitercpa.com

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Keiter

January 23, 2023
Glen Allen, Virginia

Keiter
Your Opportunity Advisors

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Virginia Repertory Theatre
Richmond, Virginia

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Virginia Repertory Theatre's (the "Organization") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization's major federal programs for the year ended June 30, 2022. The Organization's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements*, *Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Certified Public
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Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. 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, *Government Auditing Standards,* and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards,* and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Keiter

January 23, 2023
Glen Allen, Virginia