Virginia Repertory Theatre

Consolidated Financial Statements

June 30, 2024 and 2023

Keiter
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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 statements of financial position as of June 30, 2024 and 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the years 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, 2024 and 2023, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Basis of Opinion

We conducted our audits in accordance with auditing standards generally accepted in 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the 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.

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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 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 consolidated 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 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.

Keiter

February 6, 2025
Glen Allen, Virginia

VIRGINIA REPERTORY THEATRE

Consolidated Statements of Financial Position
June 30, 2024 and 2023

Assets	2024	2023
Current assets:		
Cash and cash equivalents	$ 17,234	$ 905,203
Pledges and grants receivable - current portion	537,385	1,063,890
Other receivables	1,952	30,604
Prepaid expenses and other	141,490	308,486
Total current assets	698,061	2,308,183
Property and equipment, net	6,460,591	6,356,250
Other assets:		
Investments	260,987	223,451
Pledges and grants receivable - less current portion, net	516,013	887,172
Right-of-use operating lease assets, net	320,632	281,085
Other	61,484	59,734
Total other assets	1,159,116	1,451,442
Total assets	$ 8,317,768	$ 10,115,875
Liabilities and Net Assets		
Current liabilities:		
Long-term debt - current portion	$ 80,945	$ 84,443
Accounts payable	332,108	209,051
Accrued expenses	278,103	271,384
Operating lease liabilities - current portion	150,387	90,562
Deferred revenue	488,341	686,190
Total current liabilities	1,329,884	1,341,630
Long-term debt - less current portion	1,357,859	1,938,370
Operating lease liabilities - less current portion	172,099	191,441
Total liabilities	2,859,842	3,471,441
Net assets:		
Without donor restrictions	3,837,702	4,540,289
With donor restrictions	1,620,224	2,104,145
Total net assets	5,457,926	6,644,434
Total liabilities and net assets	$ 8,317,768	$ 10,115,875

See accompanying notes to consolidated financial statements.

VIRGINIA REPERTORY THEATRE

Consolidated Statements of Activities
Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Youth and ticket revenue	$ 2,379,297	$ -	$ 2,379,297
Contributions and grants	550,453	1,764,480	2,314,933
Other program and productions	641,216	-	641,216
Special event revenue	159,213	-	159,213
Investment gain, net	24,946	18,623	43,569
Rent	59,065	-	59,065
	3,814,190	1,783,103	5,597,293
Net assets released from restrictions	2,267,024	(2,267,024)	-
Total revenue and support	6,081,214	(483,921)	5,597,293
Expenses:			
Program	5,072,736	-	5,072,736
Management and general	836,886	-	836,886
Fundraising	413,234	-	413,234
Total expenses	6,322,856	-	6,322,856
Change in net assets before losses	(241,642)	(483,921)	(725,563)
Loss on uncollectible pledges	(460,945)	-	(460,945)
Change in net assets	(702,587)	(483,921)	(1,186,508)
Net assets, beginning of year	4,540,289	2,104,145	6,644,434
Net assets, end of year	$ 3,837,702	$ 1,620,224	$ 5,457,926

See accompanying notes to consolidated financial statements.

VIRGINIA REPERTORY THEATRE

Consolidated Statements of Activities, Continued
Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Youth and ticket revenue	$ 2,005,021	$ -	$ 2,005,021
Contributions and grants	1,112,473	3,916,473	5,028,946
Other program and productions	429,951	-	429,951
Special event revenue	239,275	-	239,275
Investment gain, net	33,113	11,764	44,877
Rent	58,226	-	58,226
	3,878,059	3,928,237	7,806,296
Net assets released from restrictions	2,669,381	(2,669,381)	-
Total revenue and support	6,547,440	1,258,856	7,806,296
Expenses:			
Program	4,413,848	-	4,413,848
Management and general	937,165	-	937,165
Fundraising	441,533	-	441,533
Total expenses	5,792,546	-	5,792,546
Change in net assets	754,894	1,258,856	2,013,750
Net assets, beginning of year	3,785,395	845,289	4,630,684
Net assets, end of year	$ 4,540,289	$ 2,104,145	$ 6,644,434

See accompanying notes to consolidated financial statements.

VIRGINIA REPERTORY THEATRE

Consolidated Statements of Functional Expenses
Year Ended June 30, 2024

	Program	Management and General	Fundraising	Total
Actors, directors, and designers	$ 1,310,895	$ -	$ -	$ 1,310,895
Advertising, playbills, and printing	369,136	-	-	369,136
Bank and credit card merchant fees	36,779	12,085	4,525	53,389
Community Health and Wellness expenses	32,696	-	-	32,696
Depreciation	168,008	55,205	20,669	243,882
Dues and subscriptions	13,542	4,450	1,666	19,658
Education program expenses	26,903	8,840	3,310	39,053
Facilities and office rent	130,158	42,768	16,013	188,939
Gift shop and concessions	14,456	-	-	14,456
Insurance	67,156	22,066	8,262	97,484
Information technology and communications	82,517	27,114	10,152	119,783
Mortgage and loan interest	51,433	16,900	6,327	74,660
Office supplies	9,204	3,024	1,132	13,360
Personnel and related expenses	1,512,565	497,008	186,086	2,195,659
Postage and printing	6,680	2,195	822	9,697
Professional fees	235,846	77,496	29,015	342,357
Royalties, scripts, and scores	255,954	-	-	255,954
Sets, lights, sound, costumes, and other production	208,115	-	-	208,115
Special events expense			99,895	99,895
Taxes and licenses	6,333	2,081	779	9,193
Tour housing rent	101,877	-	-	101,877
Tour lodging and transportation	133,308	-	-	133,308
Tour vehicle expense	99,371	-	-	99,371
Travel and conferences	11,302	3,714	1,390	16,406
Utilities, repair, and maintenance	188,502	61,940	23,191	273,633
Total expenses	$ 5,072,736	$ 836,886	$ 413,234	$ 6,322,856

See accompanying notes to consolidated financial statements.

VIRGINIA REPERTORY THEATRE

Consolidated Statements of Functional Expenses, Continued
Year Ended June 30, 2023

	Program	Management and General	Fundraising	Total
Actors, directors, and designers	$ 1,025,778	$ -	$ -	$ 1,025,778
Advertising, playbills, and printing	302,594	-	-	302,594
Bank and credit card merchant fees	46,491	-	5,222	51,713
Community Health and Wellness expenses	32,474	-	-	32,474
Depreciation	152,002	60,624	23,883	236,509
Dues and subscriptions	16,019	6,389	2,517	24,925
Education program expenses	18,900	-	-	18,900
Facilities and office rent	117,986	47,057	18,538	183,581
Gift shop and concessions	13,737	-	-	13,737
Insurance	46,778	18,657	7,350	72,785
Information technology and communications	76,194	30,389	11,972	118,555
Mortgage and loan interest	87,132	34,751	13,690	135,573
Office supplies	12,072	4,815	1,897	18,784
Personnel and related expenses	1,522,842	607,240	239,225	2,369,307
Postage and printing	7,483	2,984	1,176	11,643
Professional fees	140,160	55,901	22,022	218,083
Royalties, scripts, and scores	147,020	-	-	147,020
Sets, lights, sound, costumes, and other production	186,448	-	-	186,448
Special events expense	67,110	-	67,110	134,220
Taxes and licenses	15,693	6,259	2,466	24,418
Tour housing rent	52,155	-	-	52,155
Tour lodging and transportation	86,383	-	-	86,383
Tour vehicle expense	84,696	-	-	84,696
Travel and conferences	15,082	6,015	2,370	23,467
Utilities, repair, and maintenance	140,619	56,084	22,095	218,798
Total expenses	$ 4,413,848	$ 937,165	$ 441,533	$ 5,792,546

See accompanying notes to consolidated financial statements.

VIRGINIA REPERTORY THEATRE

Consolidated Statements of Cash Flows
Years Ended June 30, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Change in net assets	$ (1,186,508)	$ 2,013,750
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	243,882	236,509
Contributions restricted for long-term purposes	(741,432)	(2,096,235)
Borrowings of contributions restricted for long-term purposes	680,000	-
Net realized and unrealized (gain) on investments	(24,279)	(7,547)
Investment income reinvested	(13,257)	(16,164)
Changes in operating assets and liabilities:		
Pledges and grants receivable	897,664	(1,490,092)
Other receivables	28,652	213,736
Prepaid expenses and other	166,996	104,280
Other assets	(1,750)	(6,748)
Accounts payable	123,057	82,694
Accrued expenses	6,719	(54,931)
Deferred revenue	(197,849)	240,946
Operating lease assets and liabilities, net	936	918
Net cash used in operating activities	(17,169)	(778,884)
Cash flows used in investing activities:		
Purchases of property and equipment	(348,223)	(1,000,515)
Cash flows used in financing activities:		
Contributions restricted for long-term purposes	741,432	2,096,235
Borrowings of contributions restricted for long-term purposes	(680,000)	-
Payments on long-term debt	(584,009)	(1,824,123)
Net cash provided by (used in) financing activities	(522,577)	272,112
Net change in cash and cash equivalents	(887,969)	(1,507,287)
Cash and cash equivalents, beginning of year	905,203	2,412,490
Cash and cash equivalents, end of year	$ 17,234	$ 905,203
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$ 74,660	$ 135,573
Operating cash flows from operating leases	$ 160,417	$ 165,677
Noncash investing and financing activity:		
Purchase of property and equipment with a note payable	$ -	$ 2,625,000
Operating lease assets obtained through lease liabilities	$ 186,938	$ 438,376

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.

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 statements of activities as net assets released from restrictions. Some net assets with donor restrictions are restricted in perpetuity.

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.

2. Summary of Significant Accounting Policies, Continued:

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.

During the year ended June 30, 2024, the Organization performed an extensive review of its pledges receivable to identify those that management believed were no longer collectible, resulting in a loss on uncollectible pledges of $460,945.

As of June 30, 2024 and 2023, 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, 2024 and 2023.

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 statements of financial position. Unrealized gains and losses are included in the consolidated statements of activities. Net investment return less external investment expenses are reported in the consolidated statements of activities and consists of interest and dividend income, and realized and unrealized capital gains and losses, for years ended June 30, 2024 and 2023.

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

2. Summary of Significant Accounting Policies, Continued:

Leases: Leases are classified as either finance or operating, with classification affecting expense recognition in the Organization's operations. The lease liabilities are initially measured at the present value of future lease payments, measured on a discounted basis, as of the lease commencement date or the adoption date, whichever is later. The right-of-use assets are initially measured at the value of the lease liability, adjusted for initial direct lease costs, lease incentives, and prepaid or deferred rent. The Organization elected to use the risk-free discount rate for any leases for which the rate implicit in the lease was not readily determinable. The right-of-use assets and lease liabilities are calculated to include options to extend or terminate the lease when the Organization determines it is reasonably certain it will exercise those options. In making those determinations, the Organization considers various existing economic and market factors, business strategies as well as the nature, length, and terms of the lease agreements.

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.

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.

2. Summary of Significant Accounting Policies, Continued:

Revenue Recognition, Continued: 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 $488,341 at June 30, 2024, $686,190 at June 30, 2023 and $445,244 at June 30, 2022. There were no significant contract assets at June 30, 2024, 2023 or 2022.

Functional Allocation of Expenses: The Organization allocates its expenses on a functional basis among its various programs and supporting services in the consolidated statements 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 expenses were $355,696 for 2024 and $263,760 for 2023.

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 foundation” 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.

2. Summary of Significant Accounting Policies, Continued:

Donated Goods and Services: 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 2024 and 2023, 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 consolidated financial statement purposes.

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, 2024, three donors/grantors accounted for approximately 85% of pledges and grants receivable, and no single donor accounted for 10% or more of contributions and grants for 2024. As of June 30, 2023, two donors/grantors accounted for approximately 57% of pledges and grants receivable, and two donors/grants accounted for 35% of contributions and grants for 2023.

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.

Reclassifications: Certain prior year balances have been reclassified to conform with the current year presentation.

3. Pledges and Grants Receivable:

Pledges and grants receivable consisted of the following at June 30, 2024:

	Pledges Receivable	Grants Receivable
Within one year	$ 328,675	$ 208,710
In one to five years	465,974	-
In more than five years	255,000	-
Gross pledges and grants receivable	1,049,649	208,710
Less discount to present value, discount rate of 4.70%	(204,961)	-
	$ 844,688	$ 208,710

Pledges and grants receivable consisted of the following at June 30, 2023:

	Pledges Receivable	Grants Receivable
Within one year	$ 850,180	$ 213,710
In one to five years	926,713	-
In more than five years	265,000	-
Gross pledges and grants receivable	2,041,893	213,710
Less discount to present value, discount rate of 5.08%	(304,541)	-
	$ 1,737,352	$ 213,710

4. Property and Equipment:

Property and equipment consisted of the following at June 30:

	2024	2023
Land	$ 414,803	$ 414,803
Buildings	6,745,169	6,418,678
Theater improvements	1,821,490	1,821,490
Furniture and fixtures	163,350	147,652
Sets and props	277,505	277,505
Costumes	417,256	417,256
Production equipment	660,493	654,457
Scripts and soundtracks	40,789	40,789
Office equipment	385,999	385,999
Leasehold improvements	692,451	692,451
Vehicles	227,930	227,930
	11,847,235	11,499,010
Accumulated depreciation	(5,386,644)	(5,142,760)
	$ 6,460,591	$ 6,356,250

Depreciation expense was $243,882 for 2024 and $236,509 for 2023.

5. Investments and Fair Value Measurements:

Investments consisted of the following at June 30, 2024:

	Cost	Market	Unrealized Gain
Mutual funds	$ 187,777	$ 260,987	$ 73,210

Investments consisted of the following at June 30, 2023:

	Cost	Market	Unrealized Gain
Mutual funds	$ 178,123	$ 223,451	$ 45,328

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. Long-Term Debt:

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

	2024	2023
Note payable to bank, original principal of $2,625,000, 6.29% interest rate, collateralized by a building, monthly payments of interest only are due through October 2024. Beginning in November 2024, monthly payments of principal and interest totaling $7,386 are due, with the loan maturing October, 2029.	$ 347,930	$ 852,218
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.	548,216	595,565
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.	378,988	396,936
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.	145,070	150,000
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.	18,600	28,094
	1,438,804	2,022,813
Current portion	80,945	84,443
Long-term portion	$ 1,357,859	$ 1,938,370

6. Long-Term Debt, Continued:

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

Year Ending June 30	Amount
2025	$ 80,945
2026	418,651
2027	63,495
2028	61,651
2029	64,681
Thereafter	749,381
	$ 1,438,804

7. Net Assets:

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

	2024	2023
Endowment fund	$ 129,486	$ 110,863
Funding-purpose restriction	1,330,978	1,797,151
Funding-time restriction	159,760	196,131
	$ 1,620,224	$ 2,104,145

Net assets were released from restriction for the following purposes for the year ended June 30:

	2024	2023
Funding-purpose restriction	$ 2,060,653	$ 2,453,235
Funding-time restriction	206,371	216,146
	$ 2,267,024	$ 2,669,381

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

7. Net Assets, Continued:

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

	2024	2023
Undesignated	$ 3,726,380	$ 4,444,977
Board-designated - Hugs and Kisses Endowment	61,654	52,787
Board-designated - Board discretion	49,668	42,525
	$ 3,837,702	$ 4,540,289

During the year ended June 30, 2024, the Organization experienced cash flow shortages requiring it to borrow from net assets with donor restrictions to fund operations. At June 30, 2024, the balance on these borrowings was $680,000.

8. Lease Commitments:

The Organization leases tour housing, shop and storage, administrative offices, and parking spaces under operating leases. The leases require aggregate lease payments of $13,386 per month and expire at various dates through September 2028. Future payments required under noncancellable operating leases are as follows:

Year Ending June 30:	Amount
2025	$ 150,387
2026	99,682
2027	45,466
2028	44,688
Total	340,223
Less amount representing interest	(17,737)
Total operating lease liabilities	$ 322,486

The weighted average remaining lease term was 2.8 years and 4.3 years at June 30, 2024 and 2023, respectively, and the weighted average discount rate was 3.3% at June 30, 2024 and 2023. Operating lease cost totaled $161,353 for 2024 and $166,595 for 2023.

9. Liquidity and Availability of Financial Resources and Management's Plan:

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

	2024	2023
Cash and cash equivalents	$ 17,234	$ 905,203
Pledges and grants receivable - current portion	537,385	1,063,890
Other receivables	1,952	30,604
Investments	260,987	223,451
Total financial assets available within one year	817,558	2,223,148
Less:		
Net assets with donor restrictions:		
Endowment fund	(129,486)	(110,863)
Funding-purpose restriction	(1,330,978)	(1,797,151)
Net assets with board-desingations	(111,322)	(95,312)
Total financial assets available for general expenditure	$ (754,228)	$ 219,822

The Organization has historically maintained 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.

During the year ended June 30, 2024, the Organization experienced cash flow shortages resulting from an industry-wide challenge of recovering from the COVID-19 pandemic. In general, audiences have been slow to return to live entertainment and the Organization continues to feel the effects. To help address the cash flow shortage, the Organization conducted an emergency fundraising appeal (see Note 10). To help address the ongoing impacts of fewer theater attendees and ensure long-term sustainability, the Organization is in the process of or has completed the following:

- Implemented cost management measures;
- Developed revenue enhancement initiatives;
- Expanded stakeholder support and communication; and
- Executed agreements to dispose of non-essential assets (see Note 10).

10. Subsequent Events:

Management has evaluated subsequent events through February 6, 2025, the date the consolidated financial statements were available to be issued, and has determined that, other than those disclosed below, there are no subsequent events to be reported in the accompanying consolidated financial statements.

In October 2024, the Organization conducted an emergency appeal in order to raise funds to continue operations. This campaign resulted in contributions of $1,165,000.

On November 15, 2024, the Organization entered into an agreement to see its property known as the Virginia Rep Center for Arts and Education. The Organization anticipates receiving $3,900,000 in March 2025 in conjunction with the completion of the sale.