

PRESERVATION OF EGYPTIAN THEATRE
ANNUAL FINANCIAL REPORT



FOR THE FISCAL YEAR ENDED
JUNE 30, 2021

PRESERVATION OF EGYPTIAN THEATRE

TABLE OF CONTENTS

PAGE

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT	<u>1</u>
FINANCIAL STATEMENTS	
Statement of Financial Position	<u>4</u>
Statement of Activities	<u>5</u>
Statement of Cash Flows	<u>6</u>
Statement of Functional Expenses	<u>7</u>
Notes to Financial Statements	<u>8</u>

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

This section includes the opinion of the Theatre's independent auditing firm.



INDEPENDENT AUDITORS' REPORT

September 1, 2022

Board of Directors
Preservation of Egyptian Theatre
DeKalb, Illinois

Opinion

We have audited the accompanying financial statements of the Preservation of Egyptian Theatre, (the Theatre), (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, cash flows, and functional expenses for the year ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Preservation of Egyptian Theatre, as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Theatre and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements - Continued

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 the Theatre's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Theatre's ability to continue as a going concern for a reasonable period of time.

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

Lauterbach & Amen, LLP

LAUTERBACH & AMEN, LLP

FINANCIAL STATEMENTS

PRESERVATION OF EGYPTIAN THEATRE

Statement of Financial Position

June 30, 2021

ASSETS	
Current Assets	
Cash and Investments	\$ 492,683
Other Receivables	26,058
Total Current Assets	<u>518,741</u>
Noncurrent Assets	
Capital Assets	
Nondepreciable	10,000
Depreciable	8,651,017
Accumulated Depreciation	<u>(1,506,152)</u>
Total Noncurrent Assets	<u>7,154,865</u>
 Total Assets	 <u>7,673,606</u>
 LIABILITIES	
Current Liabilities	
Accounts Payable	10,923
Accrued Payroll	10,423
Accrued Interest	55,917
Deferred Ticket Revenue	119,561
Current Portion of Long-Term Debt	<u>1,087,247</u>
Total Current Liabilities	<u>1,284,071</u>
Noncurrent Liabilities	
Line of Credit	1,500,000
Notes Payable	<u>2,316,567</u>
Total Noncurrent Liabilities	<u>3,816,567</u>
 Total Liabilities	 <u>5,100,638</u>
 NET ASSETS	
With Donor Restrictions	131,269
Without Donor Restrictions	<u>2,441,699</u>
 Total Net Assets	 <u>2,572,968</u>

The notes to the financial statements are an integral part of this statement.

PRESERVATION OF EGYPTIAN THEATRE

Statement of Activities

For the Fiscal Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Totals
Revenues and Other Support			
Contributions	\$ 150,652	—	150,652
Grants	136,665	131,269	267,934
Theatre Income	146,681	—	146,681
Rental Income	34,807	—	34,807
Membership	8,450	—	8,450
Fundraising	36,528	—	36,528
Merchandise, Net	3,916	—	3,916
Investment Income	39,153	—	39,153
Miscellaneous	5,138	—	5,138
Net Assets Released from Restrictions	98,763	(98,763)	—
Total Revenues and Other Support	660,753	32,506	693,259
Expenses			
Programs Services	407,195	—	407,195
Supporting Services			
Management and General	340,367	—	340,367
Fundraising	—	—	—
Total Expenses	747,562	—	747,562
Change in Net Assets	(86,809)	32,506	(54,303)
Net Assets - Beginning as Restated	2,528,508	98,763	2,627,271
Net Assets - Ending	2,441,699	131,269	2,572,968

The notes to the financial statements are an integral part of this statement.

PRESERVATION OF EGYPTIAN THEATRE

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2021

Cash Flows from Operating Activities	
Increase (Decrease) in Net Assets	\$ (54,303)
Cash Flows from Capital Activities	
Purchase of Capital Assets	(925,081)
Proceeds of Notes Payable	1,073,914
Payment of Long-Term Debt	(50,967)
Forgiveness of Debt	(153,333)
	<u>(55,467)</u>
Adjustments to Reconcile Changes in Unrestricted Net Assets to Net Cash Provided by Operating Activities:	
Depreciation Expense	251,240
(Increase) Decrease in Current Assets	105,721
Increase (Decrease) in Current Liabilities	139,049
	<u>496,010</u>
Net Cash Provided by Operating Activities	386,240
Cash and Cash Equivalents - Beginning	<u>106,443</u>
Cash and Cash Equivalents - Ending	<u><u>492,683</u></u>

The notes to the financial statements are an integral part of this statement.

PRESERVATION OF EGYPTIAN THEATRE

Statement of Functional Expenses For the Fiscal Year Ended June 30, 2021

	Program Services	Management and General	Fundraising	Totals
Advertising	\$ 11,477	—	—	11,477
Direct Labor	1,630	—	—	1,630
Grant Expenses	10,078	—	—	10,078
Legal and Accounting	15,530	—	—	15,530
Merchandise and Concessions	14,710	—	—	14,710
Production and Event	63,328	—	—	63,328
Repairs and Maintenance	5,835	9,946	—	15,781
Salaries and Wages	203,291	—	—	203,291
Supplies	5,944	6,147	—	12,091
Bank Charges	—	5,234	—	5,234
Depreciation	75,372	175,868	—	251,240
Dues and Subscriptions	—	1,241	—	1,241
Insurance	—	27,287	—	27,287
Interest Expense	—	41,628	—	41,628
Liquor Tax	—	1,800	—	1,800
Medical Reimbursements	—	6,574	—	6,574
Miscellaneous	—	276	—	276
Office Expense	—	5,510	—	5,510
Payroll Taxes	—	15,838	—	15,838
Postage	—	264	—	264
Sales Tax	—	2,230	—	2,230
Telephone and Internet	—	6,672	—	6,672
Ticket System	—	5,517	—	5,517
Training and Seminars	—	433	—	433
Utilities	—	27,682	—	27,682
Waste Removal	—	220	—	220
	407,195	340,367	—	747,562

The notes to the financial statements are an integral part of this statement.

PRESERVATION OF EGYPTIAN THEATRE

Notes to the Financial Statements

June 30, 2021

NOTE 1 - NATURE OF ORGANIZATION

The Preservation of Egyptian Theatre (the Theatre) is a nonprofit organization located in DeKalb, Illinois. Preservation of Egyptian Theatre was created to share and protect the historical integrity of the theatre as a regional arts center for entertainment and community involvement. The historic Preservation of Egyptian Theatre is recognized as a center for the arts and entertainment in the region, enriching the community culturally and economically. The Theatre is a beloved gathering place and source of pride, providing programming and excitement now and for future generations.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting in which revenue is recognized when earned and expenses are recognized when incurred.

Net Assets

Net assets of the Theatre and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Theatre's management and the board of directors.

Net Assets with Donor Restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Theatre or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. As of June 30, 2021, the Theatre have no donor restricted funds that are perpetual in nature.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the Statement of Activities.

Use of Estimates

The preparation of financial statements in accordance 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 statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the Statement of Functional Expenses. Functional expenses which are not directly attributable to one function are allocated between program, management and general, and fundraising services based on the number of employees involved, the amount of time spent, the percentage of their salary associated with the time and on estimated made by the Theatre's management.

PRESERVATION OF EGYPTIAN THEATRE

Notes to the Financial Statements

June 30, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Income Taxes

The Theatre is exempt from income tax under IRC section 501(c)(3), and similarly, is exempt from State of Illinois taxes under the Illinois Tax Act Section 205(a), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Theatre has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Theatre has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. There was no unrelated business income for the fiscal year ended June 30, 2021.

The Theatre's Forms 990, *Return of Organization Exempt from Income Tax*, are subject to examination by the IRS, generally, for three years after they were filed. Annual filings with the State of Illinois are, similarly, subject to examination.

Cash and Investments

For the purpose of the Statement of Financial Position and Statement of Cash Flows, the Theatre's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of purchase.

Investments are generally reported at fair value. Short-term investments are reported at cost, which approximates fair value. For investments, the Preservation of Egyptian Theatre categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Contributed Revenue

Contributions that are restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are satisfied or expire in the reporting period in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

Contributions due in the next year are reflected as current promises to give and are recorded at their net realized value. Unconditional promises to give due in subsequent years are reflected as long-term promises to give and are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts.

At June 30, 2021, contributions of \$119,561, have not been recognized in the Statement of Activities because the conditions on which they depend have not yet been met. All of these conditions relate to timing of when the programs are set to occur.

PRESERVATION OF EGYPTIAN THEATRE

Notes to the Financial Statements

June 30, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Capital Assets

Capital assets purchased or acquired with an original cost of \$10,000 or more are reported at historical cost or estimated historical cost. Depreciation on all assets is computed and recorded using the straight-line method of depreciation over the following estimated useful lives:

Buildings	39 Years
Building Improvements	7 - 15 Years
Machinery and Equipment	5 - 15 Years

NOTE 3 - CASH AND INVESTMENTS

At the fiscal year ended the carrying amount of the Theatre's cash deposits totaled \$369,093 and the bank balances totaled \$403,527. Of the \$403,527 bank balance, \$110,115 was not covered by FDIC or equivalent insurance.

In addition to the above, the Theatre had \$123,590 invested in beneficial interests, measured using Level 3 inputs.

The Theatre's investment income was comprised of the following:

Investment Income	\$	9
Realized Gain/Unrealized Loss on Investments		<u>39,144</u>
		<u><u>39,153</u></u>

NOTE 4 - AVAILABILITY AND LIQUIDITY

The following represents Theatre's financial assets at June 30, 2021:

Financial Assets at Fiscal Year Ended:	
Cash and Investments	\$ 492,683
Other Receivables	<u>26,058</u>
	518,741
Less Amounts not Available to be used within one year	
Net Assets with Donor Restrictions	<u>131,269</u>
Financial Assets Available to Meet General Expenditures over the Next Twelve Months	<u><u>387,472</u></u>

PRESERVATION OF EGYPTIAN THEATRE

Notes to the Financial Statements

June 30, 2021

NOTE 4 - AVAILABILITY AND LIQUIDITY - Continued

The Theatre's beneficial interest in assets held by DeKalb County Community Foundation totaling \$123,590 as of June 30, 2021. Of this balance, \$131,269 represents the Theatre's restricted investments. The Theatre receives an annual distribution as described further in Note 5. Fiscal year June 30, 2021's distribution was \$4,111. The average distribution over the past three years was used in estimating the unavailable assets realized within one year. The Theatre does not have a formal liquidity policy.

NOTE 5 - BENEFICIAL INTEREST IN ENDOWMENT

The Theatre is an income beneficiary of an endowment held by DeKalb County Community Foundation. Under the endowment agreement, the Theatre is to receive a distribution from the Foundation annually a sum equal to a percentage (the spending rate) of the average fair market value of the Fund net of all expenses and costs (including fees). The Average Fair Market Value shall be the average of the monthly value of the Fund calculated toward the end of each calendar year following the inception of the Fund. The grant distribution (payout) from the fund shall be based on a three-year (or since inception if less than three years old) trailing average of the average fair market value amounts. The Foundation may at any time, and from time to time, change either the spending rate or the manner in which the average fair market value is determined, or both; and may adopt a different plan of distribution. The fair value of the principal of the endowment is accounted for as a with donor restriction net asset.

NOTE 6 - NET ASSETS

With Donor Restrictions

Net Assets with donor restrictions as of June 30, 2021 was comprised of the following:

Specific Purposes	\$ 220
Beneficial Interest in Endowment	<u>131,049</u>
	<u>131,269</u>

Without Donor Restrictions

Net Assets without donor restrictions as of June 30, 2021 was comprised of the following:

Undesignated	<u>\$ 2,441,699</u>
--------------	---------------------

PRESERVATION OF EGYPTIAN THEATRE

Notes to the Financial Statements

June 30, 2021

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the year was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Nondepreciable				
Land	\$ 10,000	—	—	10,000
Depreciable Capital Assets				
Buildings	6,885,667	925,081	—	7,810,748
Furniture and Fixtures	196,341	—	—	196,341
Machinery and Equipment	643,928	—	—	643,928
	<u>7,725,936</u>	<u>925,081</u>	<u>—</u>	<u>8,651,017</u>
Less Accumulated Depreciation				
Buildings	698,054	176,556	—	874,610
Furniture and Fixtures	111,258	13,089	—	124,347
Machinery and Equipment	445,600	61,595	—	507,195
	<u>1,254,912</u>	<u>251,240</u>	<u>—</u>	<u>1,506,152</u>
Net Depreciable Capital Assets	<u>6,471,024</u>	<u>673,841</u>	<u>—</u>	<u>7,144,865</u>
Net Capital Assets	<u>6,481,024</u>	<u>673,841</u>	<u>—</u>	<u>7,154,865</u>

PRESERVATION OF EGYPTIAN THEATRE

Notes to the Financial Statements

June 30, 2021

NOTE 8 - LONG-TERM DEBT

Line of Credit

The Theatre obtained a line of credit from a private funder. The maximum amount of borrowing on the line is \$1,500,000. The line has no stated payback terms or maturity date. Interest is charged at a 2.50% fixed rate. As of June 30, 2021, the outstanding balance on the line was \$1,500,000.

Loans Payable

The Theatre entered into loans payable for the Paycheck Protection Program, disaster relief, and for construction of a new building. Loans payable are direct obligations and pledge the full faith and credit of the Theatre. There was no repayment schedule available as of the date of this report for all the loans noted below. Loans payable currently outstanding are as follows:

Issue	Restated Beginning Balances	Issuances	Retirements	Ending Balances
City of DeKalb TIF Funds, no payments required, no stated interest rate. Forgivable after 30 years upon certain conditions.	\$ 2,333,333	—	83,333	2,250,000
US Small Business Disaster Relief Loan, due in monthly installments of \$641 including interest at 2.75%, starting November 27, 2022 through May 27, 2052.	149,900	—	—	149,900
Paycheck Protection Loan Payable of 2020, due in monthly installments of \$2,145, including interest at 1.00% through April 15, 2022.	50,967	—	50,967	—
Paycheck Protection Loan Payable of 2020, due in monthly installments of \$1,734, including interest at 1.00% through March 29, 2023.	—	41,214	—	41,214
First National Construction Loan of 2021, due when funds are available, including interest at 3.75%.	—	980,000	70,000	910,000
D&K Schewe Loan of 2021, due when funds are available, including interest at 2.50%.	—	52,700	—	52,700
	<u>2,534,200</u>	<u>1,073,914</u>	<u>204,300</u>	<u>3,403,814</u>

PRESERVATION OF EGYPTIAN THEATRE

Notes to the Financial Statements

June 30, 2021

NOTE 8 - LONG-TERM DEBT - Continued

Long-Term Liability Activity

Changes in long-term liabilities during the fiscal year were as follows:

Type of Debt	Restated Beginning Balances	Additions	Deductions	Ending Balances	Amounts Due within One Year
Line of Credit	\$ 1,500,000	—	—	1,500,000	—
Loans Payable	2,534,200	1,073,914	204,300	3,403,814	1,087,247
	<u>4,034,200</u>	<u>1,073,914</u>	<u>204,300</u>	<u>4,903,814</u>	<u>1,087,247</u>

The Theatre applied for forgiveness of the Paycheck Protection Program loan with the United States Small Business Association (SBA) for the Loan Payable of 2020 and on January 13, 2021 the SBA issued the Theatre's loan forgiveness.

The Theatre applied for forgiveness of the Paycheck Protection Program Loan for the Loan Payable of 2021 and forgiveness was granted in the next fiscal year.

NOTE 9 - CONTINGENT LIABILITIES

Financial Impact from COVID-19

In March 2020, the World Health Organization declared the COVID-19 virus a public health emergency. As of the date of this report, the extent of the impact of COVID-19 on the Theatre's operations and financial position cannot be determined.

NOTE 10 - NET ASSETS RESTATEMENT

Beginning net assets was restated due to the correction of prior year long-term debt forgiveness. The following is a summary of the net asset as originally reported and as restated:

Net Assets	As Reported	As Restated	Increase
Theatre	\$ 2,460,610	2,627,271	166,661