

PRESERVATION OF EGYPTIAN THEATRE

ANNUAL FINANCIAL REPORT



FOR THE FISCAL YEAR ENDED
JUNE 30, 2022

135 North 2nd Street
DeKalb, IL 60115
Phone: 815.758.1215
www.egyptiantheatre.org

PRESERVATION OF EGYPTIAN THEATRE

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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



INDEPENDENT AUDITORS' REPORT

May 15, 2023

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, 2022, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Preservation of Egyptian Theatre, as of June 30, 2022, 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 the 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 the 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, 2022

ASSETS	
Current Assets	
Cash and Investments	\$ 1,133,368
Noncurrent Assets	
Capital Assets	
Nondepreciable	10,000
Depreciable	8,656,986
Accumulated Depreciation	<u>(1,781,265)</u>
Total Noncurrent Assets	<u>6,885,721</u>
Total Assets	<u>8,019,089</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	7,532
Accrued Payroll	14,782
Accrued Interest	91,858
Deferred Ticket Revenue	56,166
Current Portion of Long-Term Debt	<u>1,046,033</u>
Total Current Liabilities	<u>1,216,371</u>
Noncurrent Liabilities	
Line of Credit	1,500,000
Notes Payable	<u>2,233,234</u>
Total Noncurrent Liabilities	<u>3,733,234</u>
Total Liabilities	<u>4,949,605</u>
NET ASSETS	
With Donor Restrictions	96,185
Without Donor Restrictions	<u>2,973,299</u>
Total Net Assets	<u>3,069,484</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, 2022

	Without Donor Restrictions	With Donor Restrictions	Totals
Revenues and Other Support			
Contributions	\$ 157,095	—	157,095
Grants	757,710	96,185	853,895
Theatre Income	1,186,461	—	1,186,461
Rental Income	119,540	—	119,540
Membership	10,621	—	10,621
Merchandise, Net	8,839	—	8,839
Investment Income	(106,861)	—	(106,861)
Miscellaneous	2,914	—	2,914
Net Assets Released from Restrictions	131,269	(131,269)	—
Total Revenues and Other Support	2,267,588	(35,084)	2,232,504
Expenses			
Programs Services	1,217,010	—	1,217,010
Supporting Services			
Management and General	518,978	—	518,978
Total Expenses	1,735,988	—	1,735,988
Change in Net Assets	531,600	(35,084)	496,516
Net Assets - Beginning	2,441,699	131,269	2,572,968
Net Assets - Ending	2,973,299	96,185	3,069,484

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, 2022

Cash Flows from Operating Activities	
Increase (Decrease) in Net Assets	\$ 496,516
Cash Flows from Capital Activities	
Purchase of Capital Assets	(5,969)
Payment of Long-Term Debt	(83,333)
Forgiveness of Debt	(41,214)
	<u>(130,516)</u>
Adjustments to Reconcile Changes in Unrestricted Net Assets to	
Net Cash Provided by Operating Activities:	
Depreciation Expense	275,113
(Increase) Decrease in Current Assets	26,058
Increase (Decrease) in Current Liabilities	(26,486)
	<u>274,685</u>
Net Cash Provided by Operating Activities	640,685
Cash and Cash Equivalents - Beginning	<u>492,683</u>
Cash and Cash Equivalents - Ending	<u><u>1,133,368</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, 2022

	Program Services	Management and General	Totals
Advertising	\$ 91,472	—	91,472
Direct Labor	8,780	—	8,780
Grant Expenses	1,745	—	1,745
Legal and Accounting	11,184	—	11,184
Merchandise and Concessions	63,509	—	63,509
Production and Event	593,240	—	593,240
Repairs and Maintenance	10,450	16,524	26,974
Salaries and Wages	260,342	40,525	300,867
Supplies	60,479	2,337	62,816
Bank Charges	—	32,973	32,973
Depreciation	82,534	192,579	275,113
Dues and Subscriptions	—	2,098	2,098
Insurance	—	31,856	31,856
Interest Expense	33,275	41,624	74,899
Medical Reimbursements	—	12,557	12,557
Miscellaneous	—	278	278
Office Expense	—	12,591	12,591
Payroll Taxes	—	24,594	24,594
Postage	—	1,066	1,066
Sales Tax	—	18,393	18,393
Telephone and Internet	—	13,581	13,581
Ticket System	—	31,860	31,860
Training and Seminars	—	477	477
Utilities	—	42,903	42,903
Waste Removal	—	162	162
	<u>1,217,010</u>	<u>518,978</u>	<u>1,735,988</u>

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

PRESERVATION OF EGYPTIAN THEATRE

Notes to the Financial Statements

June 30, 2022

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, 2022, 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, 2022

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, 2022.

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, 2022, contributions of \$56,166, 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, 2022

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 \$1,037,183 and the bank balances totaled \$1,068,744. Of the \$1,068,744 bank balance, \$568,744 was not covered by FDIC or equivalent insurance.

In addition to the above, the Theatre had \$96,185 invested in beneficial interests, measured using Level 3 inputs.

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

Investment Income	\$ 422
Realized Gain/Unrealized Loss on Investments	<u>(107,283)</u>
	<u>(106,861)</u>

NOTE 4 - DEKALB COUNTY COMMUNITY FOUNDATION ACCOUNTS

The DeKalb County Community Foundation (the Foundation) oversees two accounts, established in 1993, on behalf of the Theatre: an Endowment Fund and an Agency Fund. The purpose of these accounts is to strengthen and enhance the future of the Theatre. Both the Endowment Fund and the Agency Fund are considered Board Designated Assets of the Theatre.

Donations and Grants can be made to either the Theatre's Endowment Fund or Agency Fund through the DeKalb County Community Foundation. The Board of Directors of the Theatre can designate the use of the monies in these accounts and may withdraw funds from the Agency Account subject to the Foundation's Bylaws. Withdrawals from the Endowment Fund are not at the sole discretion of the Theatre's Board but are subject to Endowment Fund restrictions established by the Foundation. The Endowment Fund had a balance of \$96,185 at June 30, 2022 (\$123,590 at June 30, 2021). The Agency fund had a balance of \$354,442 at June 30, 2022 (\$43,372 at June 30, 2021).

The Foundation maintains an investment pool for all its funds which consists primarily of marketable equity securities, mutual funds, United States government and agency securities, and corporate debt securities. No specific securities are Endowment for a specific fund. Realized gains/losses, unrealized gains/losses, and dividend and interest income net of fees are divided monthly on a prorated basis across all funds of the Foundation.

PRESERVATION OF EGYPTIAN THEATRE

Notes to the Financial Statements

June 30, 2022

NOTE 5 - AVAILABILITY AND LIQUIDITY

The following represents Theatre's financial assets at June 30, 2022:

Financial Assets at Fiscal Year Ended:	
Cash and Investments	\$ 1,133,368
Less Amounts not Available to be used within one year	
Net Assets with Donor Restrictions	<u>96,185</u>
Financial Assets Available to Meet General Expenditures over the Next Twelve Months	<u><u>1,037,183</u></u>

The Theatre's beneficial interest in assets held by DeKalb County Community Foundation totaling \$96,185 as of June 30, 2022. Of this balance, \$96,185 represents the Theatre's restricted investments. The Theatre receives an annual distribution as described further in Note 5. Fiscal year June 30, 2022's distribution was \$5,067. 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 6 - 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 7 - NET ASSETS

With Donor Restrictions

Net Assets with donor restrictions as of June 30, 2022 was comprised of the following:

Beneficial Interest in Endowment \$ 96,185

Without Donor Restrictions

Net Assets without donor restrictions as of June 30, 2022 was comprised of the following:

Undesignated \$ 2,973,299

PRESERVATION OF EGYPTIAN THEATRE

Notes to the Financial Statements

June 30, 2022

NOTE 8 - 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	7,810,748	5,969	—	7,816,717
Furniture and Fixtures	196,341	—	—	196,341
Machinery and Equipment	643,928	—	—	643,928
	<u>8,651,017</u>	<u>5,969</u>	<u>—</u>	<u>8,656,986</u>
Less Accumulated Depreciation				
Buildings	874,610	200,429	—	1,075,039
Furniture and Fixtures	124,347	13,089	—	137,436
Machinery and Equipment	507,195	61,595	—	568,790
	<u>1,506,152</u>	<u>275,113</u>	<u>—</u>	<u>1,781,265</u>
Net Depreciable Capital Assets	<u>7,144,865</u>	<u>(269,144)</u>	<u>—</u>	<u>6,875,721</u>
Net Capital Assets	<u>7,154,865</u>	<u>(269,144)</u>	<u>—</u>	<u>6,885,721</u>

NOTE 9 - 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, 2022, 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. Loans payable currently outstanding are as follows:

PRESERVATION OF EGYPTIAN THEATRE

Notes to the Financial Statements

June 30, 2022

NOTE 9 - LONG-TERM DEBT - Continued

Loans Payable - Continued

Issue	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.	\$ 2,250,000	—	83,333	2,166,667
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 2021, 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 in two installments of \$100,000 and \$810,000 including interest at 6.75%, on February 5, 2023 and December 15, 2023.	910,000	—	—	910,000
D&K Schewe Loan of 2021, due when funds are available, including interest at 2.50%.	52,700	—	—	52,700
	<u>3,403,814</u>	<u>—</u>	<u>124,547</u>	<u>3,279,267</u>

Long-Term Liability Activity

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

Type of Debt	Beginning Balances	Additions	Deductions	Ending Balances	Amounts Due within One Year
Line of Credit	\$ 1,500,000	—	—	1,500,000	—
Loans Payable	3,403,814	—	124,547	3,279,267	1,046,033
	<u>4,903,814</u>	<u>—</u>	<u>124,547</u>	<u>4,779,267</u>	<u>1,046,033</u>

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

The First National Construction Loan of 2021 and the D&K Schewe Loan of 2021 amounts due in fiscal year 2023 are \$910,000 and \$52,700, respectively.