



Arkansas Repertory Theatre

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
June 30, 2018 and 2017
(With Independent Auditor's Report Thereon)**



Arkansas Repertory Theatre

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Arkansas Repertory Theatre
Little Rock, Arkansas

We have audited the accompanying financial statements of **Arkansas Repertory Theatre (the Theatre)**, which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility 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; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to on the preceding page present fairly, in all material respects, the financial position of **Arkansas Repertory Theatre** as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Landmark PLC
Certified Public Accountants

January 10, 2019
Little Rock, Arkansas

Financial Statements

Arkansas Repertory Theatre

STATEMENTS OF FINANCIAL POSITION

June 30, 2018 and 2017

	2018	2017
ASSETS		
Cash and cash equivalents	\$ 401,014	\$ 162,869
Restricted cash and cash equivalents	14,745	-
Accounts receivable	3,715	3,715
Contributions and grants receivable, net	597,199	583,138
Prepaid expenses and other assets	1,700	81,575
Bond reserve account held with trustee	140,165	134,469
Property and equipment, net	2,590,476	4,259,046
Interest in net assets of the Arkansas Repertory Theatre Foundation	12,260	237,758
	\$ 3,761,274	\$ 5,462,570
TOTAL ASSETS		
 LIABILITIES AND NET ASSETS		
Accounts payable	\$ 25,233	\$ 153,961
Accrued liabilities	61,066	100,222
Deferred revenue	84,746	489,612
Line of credit	-	100,000
Notes payable	536,355	240,036
Bonds payable	300,000	985,000
	1,007,400	2,068,831
 Net Assets		
Unrestricted	2,134,761	2,423,578
Temporarily restricted	619,113	970,161
Total Net Assets	2,753,874	3,393,739
TOTAL LIABILITIES AND NET ASSETS	\$ 3,761,274	\$ 5,462,570

See accompanying notes to financial statements.

Arkansas Repertory Theatre

STATEMENTS OF ACTIVITIES Years Ended June 30, 2018 and 2017

	2018	2017
CHANGES IN UNRESTRICTED NET ASSETS		
Support, Revenue and Reclassifications		
Contributions	\$ 1,270,095	\$ 584,090
Grants	250,346	96,000
Special events	337,036	289,382
Costs of direct benefits to donors	(154,633)	(138,442)
Admissions	1,196,850	1,914,687
Contract service fees	128,663	161,550
Concessions	79,909	124,473
Rental income	80,533	63,496
Loss on sale of property	(632,638)	-
Other	109,731	169,515
	2,665,892	3,264,751
Net assets released from restrictions	912,058	897,338
Total Support, Revenue and Reclassifications	3,577,950	4,162,089
Expenses		
Program		
Production	2,151,578	2,579,297
Educational and outreach	424,532	319,866
Supporting Services		
General and administrative	1,026,181	1,351,545
Fundraising	264,476	424,625
Total Expenses	3,866,767	4,675,333
Decrease in Unrestricted Net Assets	(288,817)	(513,244)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Earnings on investments held at the Arkansas Repertory Theatre Foundation	5,268	35,920
Contributions	555,742	236,068
Net assets released from restrictions	(912,058)	(897,338)
Decrease in Temporarily Restricted Net Assets	(351,048)	(625,350)
DECREASE IN TOTAL NET ASSETS	(639,865)	(1,138,594)
NET ASSETS, BEGINNING OF YEAR	3,393,739	4,532,333
NET ASSETS, END OF YEAR	\$ 2,753,874	\$ 3,393,739

See accompanying notes to financial statements.

Arkansas Repertory Theatre

STATEMENTS OF CASH FLOWS Years Ended June 30, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in Total Net Assets	\$ (639,865)	\$ (1,138,594)
Adjustments to Reconcile Decrease in Total Net Assets to Net Cash Used Provided by Operating Activities		
Depreciation	303,390	315,880
Loss on disposal of property and equipment	632,638	-
Net change in interest in net assets of the Arkansas Repertory Theatre Foundation	(5,268)	289,011
Changes in operating assets and liabilities:		
Accounts receivable	-	1,096
Contributions and grants receivable	(14,061)	411,013
Prepaid expenses and other assets	79,875	48,359
Accounts payable	(128,728)	55,140
Accrued liabilities	(39,156)	(12,096)
Deferred revenue	(404,866)	(9,481)
Net Cash Used by Operating Activities	(216,041)	(39,672)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(78,201)	(29,477)
Proceeds from the sale of property and equipment	810,743	1,205
Purchases and sales of investments, net	230,766	-
Net Cash Provided (Used) by Investing Activities	963,308	(28,272)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of debt	595,950	-
Deposits into bond reserve accounts	(851,555)	(100,931)
Reinvestment of interest earned on bond reserve accounts	(1,646)	(359)
Withdrawals from bond reserve accounts to pay principal, interest and fees	847,505	100,931
Repayment of notes payable	(299,631)	(38,335)
Repayment of bonds payable	(685,000)	(70,000)
Repayment of line of credit	(100,000)	-
Net Cash Used by Financing Activities	(494,377)	(108,694)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	252,890	(176,638)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	162,869	339,507
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 415,759	\$ 162,869

(Continued)

See accompanying notes to financial statements.

Arkansas Repertory Theatre

STATEMENTS OF CASH FLOWS *(Continued)* Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Year for Interest	<u>\$ 86,446</u>	<u>\$ 85,930</u>
Reconciliation of Cash and Cash Equivalents		
Cash and cash equivalents	\$ 401,014	\$ 162,869
Restricted cash and cash equivalents	<u>14,745</u>	<u>-</u>
	<u>\$ 415,759</u>	<u>\$ 162,869</u>

See accompanying notes to financial statements.

Arkansas Repertory Theatre

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE 1: NATURE OF ACTIVITIES

Arkansas Repertory Theatre (the Theatre) is a nonprofit corporation that exists to produce a diverse body of theatrical work of the highest artistic standards. With a focus on dramatic storytelling that illuminates the human journey, the Theatre entertains, engages and challenges local and regional audiences of all ages and backgrounds. The Theatre also provides outreach programming to audiences, especially youth, across the state that reflects its passionate commitment to the educational value of the performing arts. Through the exploration of new work and a commitment to the mentoring of emerging theatre practitioners, the Theatre contributes to the advancement of the art form.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements of the Theatre have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles.

(b) Basis of Presentation

The Theatre is required to report information regarding its financial position and activities according to three classes of net assets - unrestricted, temporarily restricted and permanently restricted, as applicable.

(c) Cash and Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents include demand deposit accounts held at financial institutions and money market funds maintained in accounts held with an investment banking firm. The balance in these accounts may, at times, exceed the amount insured by the Federal Deposit Insurance Corporation. In the event of institutional failure, the excess of the account balances over insured limits may not be recoverable. Bank balances of \$155,632 were not insured at June 30, 2018. There were no uninsured bank balances at June 30, 2017.

Restricted cash and cash equivalents includes cash that is required by a financial institution to be segregated from other bank accounts and to be used for specific purposes in accordance with the terms of the debt agreement.

(d) Contributions and Grants Receivable, Net

Contributions, including unconditional promises to give, are recognized as support in the period received or when the Theatre becomes aware that a promise to give has been made, whichever occurs first.

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restriction expires in the reporting period in which the support is received. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported on the statements of activities as "net assets released from restrictions."

Arkansas Repertory Theatre

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Contributions and Grants Receivable, Net (Continued)

Promises to give which are scheduled to be received after one year are discounted at a discount rate commensurate with the risks involved. Amortization of the discount is recorded as additional support over the term of the related promise to give.

The Theatre uses the allowance method to determine uncollectible contributions receivable. The allowance is based on management's analysis of specific promises made.

(e) Property and Equipment, Net

Property and equipment are stated at historical cost, or if donated, at the estimated fair value at the date of donation. Major renewals and improvements in excess of \$500 are capitalized, while normal repairs and maintenance are expensed in the period incurred. Depreciation of property and equipment is provided on a straight-line method over the estimated useful lives of the assets, which range from five to thirty-one years.

(f) Deferred Revenue

Program revenues and ticket sales are recognized as revenue in the period the benefit or event occurs. Accordingly, ticket sales received for succeeding season programs are reported as deferred revenue on the statements of financial position.

(g) Donated Services

The Theatre has a substantial number of uncompensated volunteers who have donated significant amounts of their time to the Theatre's programs and supporting service activities. The value of such donated services has not been recognized in the financial statements as these services did not meet the recognition criteria.

(h) Income Taxes

Arkansas Repertory Theatre is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation.

Accounting standards require the Theatre to evaluate tax positions and recognize a liability (or asset) if the Theatre has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Theatre has analyzed the tax positions taken and has concluded that as of June 30, 2018 and 2017, there are no uncertain positions taken or expected to be taken that would require the recognition of a liability (or asset) or disclosure in the financial statements. The Theatre may be subject to audit by the Internal Revenue Service; however, there are currently no audits for any tax periods in progress.

(i) Functional Expenses

The Theatre allocates its expenses on a functional basis among various programs and supporting services. Expenses that can be identified with a specific program or supporting service are recorded directly to the related program or supporting service according to their natural expenditure classification. Other expenses that are common to several functions are allocated to programs and supporting services based on various statistical bases.

Arkansas Repertory Theatre

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(k) Reclassifications

Certain 2017 amounts have been reclassified in order to conform with 2018 financial statement presentation.

(l) Recently Issued Accounting Standards

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The purpose of ASU No. 2016-14 is to amend existing financial reporting standards applicable to not-for-profit entities to improve the usefulness, relevance and clarity of information presented in financial statements and to enhance the information presented in the notes thereto. This new standard, which will become effective for the Theatre on July 1, 2018, requires the following:

- Presentation of two classes of net assets – net assets with donor restrictions and net assets without donor restrictions.
- Elimination of the requirement to present a reconciliation of cash flows using the indirect method if the organization elects to use the direct method for purposes of preparing the statement of cash flows.
- Enhanced disclosures about governing board designations and other self-imposed limits on the use of resources, as well as the composition of net assets with donor restrictions at the end of the period and how those restrictions affect the use of resources.
- New disclosures containing qualitative information communicating how liquid resources are managed to meet cash needs for general expenditures within one year of the financial reporting date and quantitative information communicating the availability of resources to meet cash needs for general expenditures within one year of the financial reporting date.
- Presentation of expenses by natural and functional classification, either on the statement of activities, in a separate statement or in the notes to the financial statements.
- Reporting of underwater amounts of donor-restricted endowment funds in net assets with donor restrictions and enhanced disclosures about underwater endowments.
- Enhanced disclosures about the method(s) used to allocate costs among program and support functions.
- Reporting of investment return net of external and direct internal investment expenses.

While this new standard will significantly impact the presentation of the financial statements and the content of disclosures in the notes to the financial statements, it is not expected to have a material impact on the recording or measurement of amounts presented therein.

Arkansas Repertory Theatre

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(I) Recently Issued Accounting Standards (Continued)

In May 2014, the FASB issued ASU No. 2014-09, *Revenues from Contracts with Customers*, requiring an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This revenue recognition standard, which will become effective for the Theatre on July 1, 2019, generally affects all entities that either enter into contracts with customers to transfer goods, services or nonfinancial assets. Implementation of the requirements of this standard will require that the Theatre 1) identify all contracts with customers, 2) identify performance obligations in the contracts, 3) determine the transaction price, 4) allocate the transaction price, and 5) recognize revenue when or as performance obligations are satisfied. Management of the Theatre has not yet determined the significance of the impact of implementation of this standard or any related amendments.

In June 2018, the FASB issued ASU No. 2018-08, *Not-For-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this update provide guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions), or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The amendments in this update primarily affect not-for-profit entities but apply to all entities, including business entities that receive or make contributions of cash and other assets. Transfers of assets from government entities to business entities are expressly excluded from the scope of this update. The amendments in this update will be applied by the Theatre on a modified prospective basis effective July 1, 2019. Management has not yet determined the significance of the impact that implementation of the amendments in this update will have on the Theatre's financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. The new guidance requires lessees to record a right-of-use asset and a corresponding liability equal to the present value of future rental payments on the statements of financial position for all leases with a term greater than one year and is effective for the Theatre on July 1, 2020. Early application is permitted for nonpublic business entities upon issuance. Management of the Theatre has not yet determined the significance of the impact of implementation of this standard or any related amendments.

NOTE 3: BOND RESERVE ACCOUNT HELD WITH TRUSTEE

As required under the Trust Indenture executed in connection with the issuance of bonds described in Note 10, the Theatre maintains a debt service reserve fund with a third party trustee. The debt service reserve fund includes monies set aside to pay scheduled principal and interest payments in the event that sufficient resources are not available. The balance, which is held with the trustee in money market mutual funds and certificates of deposits and reported at fair value, is not available for general operating purposes. The balance at June 30, 2018 and 2017 was approximately \$140,000 and \$134,000, respectively.

Arkansas Repertory Theatre

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE 4: CONTRIBUTIONS AND GRANTS RECEIVABLE, NET

Contributions and grants receivable are as follows:

	2018	2017
Contributions and grants receivable	\$ 691,010	\$ 676,656
Less allowance for uncollectible contributions	(85,118)	(82,131)
Less unamortized discount on long-term contributions receivable (discounted at 4%)	(8,693)	(11,387)
	\$ 597,199	\$ 583,138

Contributions and grants receivable are expected to be collected as follows at June 30, 2018:

Due in less than one year	\$ 465,004
Due in one to five years	226,006
	\$ 691,010

During the year ended June 30, 2018, the Theatre received a dollar for dollar conditional promise to give up to \$925,000 from a foundation contingent on raising the required matching gifts. As of June 30, 2018, the Theatre had received contributions from various donors totaling approximately \$328,000. As of June 30, 2018, the Theatre had requested and received matching contributions from the foundation equal to the contributions raised. The balance of the conditional promise to give not recorded on the financial statements as of June 30, 2018, was approximately \$597,000.

NOTE 5: PROPERTY AND EQUIPMENT, NET

Property and equipment at June 30, 2018 and 2017 consists of the following:

	2018	2017
Buildings	\$ 5,915,268	\$ 8,117,026
Theatre equipment and other	1,036,118	982,859
Less accumulated depreciation	(4,360,910)	(4,873,439)
	2,590,476	4,226,446
Land	-	32,600
	\$ 2,590,476	\$ 4,259,046

Arkansas Repertory Theatre

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE 6: THE ARKANSAS REPERTORY THEATRE FOUNDATION

The Arkansas Repertory Theatre Foundation (the Foundation), a nonprofit corporation, was established in 1994 to support and facilitate the operation of the Theatre. All assets received by the Foundation are held and managed for the benefit of the Theatre. The Theatre and the Foundation are considered financially interrelated organizations and as such, in accordance with applicable accounting standards the Theatre recognizes its interest in the net assets of the Foundation on the Theatre's statements of financial position. Changes in the Theatre's interest in the net assets of the Foundation during the year are reported in the Theatre's statements of activities as increases or decreases in temporarily restricted net assets. Distributions received by the Theatre from the Foundation are included in "net assets released from restrictions" on the statements of activities.

During the years ended June 30, 2018 and 2017, the Theatre received distributions from the Foundation for general operating support totaling approximately \$231,000 and \$325,000, respectively.

NOTE 7: LINE OF CREDIT

At June 30, 2017, the Theatre had a line of credit with a financial institution with a maximum approved commitment of \$100,000 and secured by a mortgage on 601 S. Main Street. Interest payments were due monthly at an annual rate of prime plus 1.00% (interest rate at June 30, 2017 was 5.00%). At June 30, 2017, the balance was \$100,000 and due August 8, 2017. The line of credit was not renewed during the year ended June 30, 2018.

NOTE 8: LETTER OF CREDIT

The Theatre has a letter of credit with a financial institution with a maximum approved commitment of \$53,549. As of June 30, 2018 and 2017, there have been no draws on this letter of credit.

NOTE 9: NOTES PAYABLE

Notes payable at June 30, 2018 and 2017, consist of the following:

	<u>2018</u>	<u>2017</u>
Note payable to a financial institution, due in monthly installments of \$1,467 including interest at a rate of 5.00%, maturing March 8, 2019, secured by a mortgage on 601 S. Main Street and guaranteed by the Foundation.	\$ -	\$ 29,256
Note payable to a financial institution, due in monthly installments of \$1,490 including interest at a rate of 5.00%, maturing August 8, 2022, secured by a mortgage on the building, furniture and equipment at 601 S. Main Street and guaranteed by the Foundation.	-	79,993

(Continued)

Arkansas Repertory Theatre

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE 9: NOTES PAYABLE (Continued)

	2018	2017
Note payable to a financial institution, due in monthly installments of \$1,672 including interest at a rate of 5.35%, maturing April 20, 2022, secured by a mortgage on the Tri-Plex Apartments and guaranteed by the Foundation.	\$ -	\$ 130,787
Note payable to a financial institution, principal payments of \$59,595 due annually along with semi-annual interest payments at a rate of 5.75%; maturing June 1, 2027; secured by mortgages on all buildings of the Theatre, operating and reserve accounts and guaranteed by the Foundation.	536,355	-
	\$ 536,355	\$ 240,036

Future scheduled maturities of notes payable at June 30, 2018, are as follows:

2019	\$ 59,595
2020	59,595
2021	59,595
2022	59,595
2023	59,595
Thereafter	238,380
	\$ 536,355

NOTE 10: BONDS PAYABLE

On December 1, 2007, the City of Little Rock, Arkansas Residential Housing and Public Facilities Board issued on behalf of the Theatre \$1,500,000 Series 2007 (Series 2007 Bonds), Capital Improvement Revenue Bonds (Arkansas Repertory Theatre Project) to finance the acquisition, construction and equipping of recreation and tourism facilities. The Series 2007 Bonds bear interest at 5.75%. Annual principal payments are required on June 1 each year through June 1, 2027. Interest payments are due semiannually on June 1 and December 1 of each year. The outstanding principal balance totaled \$300,000 and \$985,000 at June 30, 2018 and 2017, respectively. The Foundation unconditionally guarantees the full payment of principal and interest.

Arkansas Repertory Theatre

NOTES TO FINANCIAL STATEMENTS

June 30, 2018 and 2017

NOTE 10: BONDS PAYABLE (Continued)

Aggregate maturities of bonds outstanding at June 30, 2018 are as follows:

2019	\$	80,000
2020		85,000
2021		90,000
2022		45,000
		<u>45,000</u>
	\$	<u>300,000</u>

NOTE 11: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2018 and 2017, consist of the following:

	<u>2018</u>	<u>2017</u>
Net assets restricted for future period	\$ 488,899	\$ 583,138
Arkansas Repertory Theatre Foundation	12,260	237,758
ACT II	98,341	94,828
Other	19,613	54,437
	<u>\$ 619,113</u>	<u>\$ 970,161</u>

NOTE 12: EMPLOYEE BENEFIT PLANS

The Theatre contributes amounts to various multi-employer plans for production staff covered under the applicable collective bargaining agreements. During the years ended June 30, 2018 and 2017, the Theatre's contributions to the various multi-employer plans totaled approximately \$86,000 and \$113,000, respectively.

NOTE 13: LEASE COMMITMENTS

The Theatre leases equipment and facilities in its operations under noncancelable operating leases with terms in excess of one year. Approximate future minimum lease payments by fiscal year, under the leases at June 30, 2018, are as follows:

2019	\$	69,000
2020		66,600
2021		61,100
		<u>61,100</u>
	\$	<u>196,700</u>

Total rent expense for these noncancelable operating leases totaled approximately \$71,500 for each of the years ended June 30, 2018 and 2017, respectively.

Arkansas Repertory Theatre

NOTES TO FINANCIAL STATEMENTS June 30, 2018 and 2017

NOTE 14: GOING CONCERN AND MANAGEMENT PLANS

As shown in the accompanying financial statements, the Theatre incurred decreases in net assets of \$639,865 and \$1,138,594 during the years ended June 30, 2018 and 2017, respectively. In addition, the Theatre had cash flow issues therefore the Foundation liquidated a significant portion of the investments that were being held for the benefit of the Theatre in order to provide temporary relief and the Theatre temporarily suspended productions.

The Theatre's management and Board of Directors have developed a strategic plan to increase net assets and improve cash flow through measures designed to increase revenues while containing costs. During the year ended June 30, 2018, the Theatre sold property and secured a \$595,000 note payable from a financial institution. The Theatre used these funds to pay down certain existing indebtedness and provide working capital. Management believes that these measures will ensure that the Theatre will continue as a going concern for the foreseeable future.

NOTE 15: SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 10, 2019, the date the financial statements were available to be issued.

Supplementary Schedules

Arkansas Repertory Theatre

SCHEDULE OF FUNCTIONAL EXPENSES June 30, 2018

	Program			General and Administrative	Fundraising				Total
	Production Cost	Educational and Outreach Programs	Total Program		Development	Special Events	Capital Campaign	Total Fundraising	
Salaries and benefits	\$ 1,045,937	\$ 310,155	\$ 1,356,092	\$ 550,137	\$ 197,181	\$ 17,247	\$ 10,225	\$ 224,653	\$ 2,130,882
Costumes and scenery	145,498	491	145,989	-	-	-	-	-	145,989
Royalties and scripts	127,529	-	127,529	-	-	-	-	-	127,529
Concessions and food	34,666	-	34,666	-	-	-	-	-	34,666
Publicity	91,423	-	91,423	9,464	-	3,752	910	4,662	105,549
Printing and postage	23,815	-	23,815	7,636	698	114	-	812	32,263
Travel	82,605	1,581	84,186	9,412	-	168	399	567	94,165
Actor housing	15,219	-	15,219	-	-	-	-	-	15,219
Tickets and subscriptions	38,747	-	38,747	13,431	-	-	-	-	52,178
Taxes and fees	40,443	-	40,443	122,005	-	-	-	-	162,448
Miscellaneous	-	2,520	2,520	44,832	-	-	-	-	47,352
Supplies	2,779	658	3,437	3,950	-	-	-	-	7,387
Utilities	76,383	10,423	86,806	44,009	4,600	-	-	4,600	135,415
Interest	49,943	-	49,943	53,190	4,204	-	-	4,204	107,337
Depreciation	227,543	-	227,543	75,847	-	-	-	-	303,390
Rental	573	66,822	67,395	38,358	-	-	-	-	105,753
Repairs and maintenance	19,959	29,592	49,551	24,106	-	-	-	-	73,657
Insurance	64,330	-	64,330	22,019	-	-	-	-	86,349
Casting	48,735	-	48,735	-	-	-	-	-	48,735
Cleaning	15,451	2,290	17,741	5,150	-	-	-	-	22,891
Conferences	-	-	-	2,635	-	-	-	-	2,635
Development	-	-	-	-	11,018	-	13,960	24,978	24,978
	<u>\$ 2,151,578</u>	<u>\$ 424,532</u>	<u>\$ 2,576,110</u>	<u>\$ 1,026,181</u>	<u>\$ 217,701</u>	<u>\$ 21,281</u>	<u>\$ 25,494</u>	<u>\$ 264,476</u>	<u>\$ 3,866,767</u>

See Independent Auditor's Report.

Arkansas Repertory Theatre

SCHEDULE OF FUNCTIONAL EXPENSES June 30, 2017

	Program			General and Administrative	Fundraising				Total
	Production Cost	Educational and Outreach Programs	Total Program		Development	Special Events	Capital Campaign	Total Fundraising	
Salaries and benefits	\$ 1,259,640	\$ 304,605	\$ 1,564,245	\$ 706,995	\$ 239,757	\$ 17,151	\$ 51,840	\$ 308,748	\$ 2,579,988
Costumes and scenery	168,416	1,798	170,214	-	-	-	-	-	170,214
Royalties and scripts	219,468	-	219,468	-	-	-	-	-	219,468
Concessions and food	63,732	-	63,732	-	-	-	-	-	63,732
Publicity	96,295	1,544	97,839	11,351	-	7,143	71	7,214	116,404
Printing and postage	30,093	-	30,093	9,372	2,061	587	-	2,648	42,113
Travel	74,340	1,227	75,567	13,687	-	1,085	1,180	2,265	91,519
Actor housing	43,431	-	43,431	-	-	-	-	-	43,431
Tickets and subscriptions	28,685	-	28,685	13,785	-	-	-	-	42,470
Taxes and fees	33,077	-	33,077	109,932	-	-	1,000	1,000	144,009
Miscellaneous	-	320	320,000	129,617	-	-	-	-	129,937
Supplies	3,054	350	3,404	6,856	-	-	-	-	10,260
Utilities	95,334	6,471	101,805	50,146	-	-	-	-	151,951
Interest	48,205	-	48,205	31,696	-	-	-	-	79,901
Depreciation	236,910	-	236,910	78,970	-	-	-	-	315,880
Rental	32,203	-	32,203	96,839	-	-	-	-	129,042
Repairs and maintenance	29,434	2,056	31,490	50,494	-	-	380	380	82,364
Insurance	58,321	-	58,321	20,819	-	-	-	-	79,140
Casting	37,701	-	37,701	-	-	-	-	-	37,701
Cleaning	20,958	1,495	22,453	6,986	-	-	-	-	29,439
Conferences	-	-	-	14,000	-	-	-	-	14,000
Development	-	-	-	-	27,009	-	75,361	102,370	102,370
	<u>\$ 2,579,297</u>	<u>\$ 319,866</u>	<u>\$ 2,899,163</u>	<u>\$ 1,351,545</u>	<u>\$ 268,827</u>	<u>\$ 25,966</u>	<u>\$ 129,832</u>	<u>\$ 424,625</u>	<u>\$ 4,675,333</u>

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