

**OKLAHOMA CHILDREN'S
THEATRE, INC.**

FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

Includes Independent Auditor's
Report Issued By



CPAs & Advisors

OKLAHOMA CHILDREN'S THEATRE, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Oklahoma Children's Theatre, Inc.

Opinion

We have audited the accompanying statement of financial position of Oklahoma Children's Theatre, Inc. (a nonprofit organization) as of September 30, 2023, 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 Oklahoma Children's Theatre, Inc. as of September 30, 2023, and the changes in its net assets and cash flows for the year then ended in conformity 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 Oklahoma Children's Theatre, Inc. 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 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.

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 Oklahoma Children's Theatre, Inc'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 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.

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 Oklahoma Children's Theatre, Inc'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 Oklahoma Children's Theatre, Inc'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.

HBC CPA & Advisors

January 5, 2024
Oklahoma City, Oklahoma

OKLAHOMA CHILDREN'S THEATRE, INC.
STATEMENT OF FINANCIAL POSITION
September 30, 2023

ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	\$ 719,692
Certificate of Deposit	505,000
Contributions and Grants Receivable	62,443
Prepaid Expenses	11,552
Total Current Assets	1,298,687
 PROPERTY AND EQUIPMENT	
Furniture and Fixtures	20,497
Equipment	69,761
Leasehold Improvements	9,850
Less Accumulated Depreciation	(93,969)
Total Property and Equipment	6,139
 OTHER ASSETS	
Beneficial Interest in Assets Held by Others	6,999
Total Other Assets	6,999
 TOTAL ASSETS	 \$ 1,311,825
 LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts Payable	\$ 37,527
Deferred Revenues	204,513
Current Portion of EIDL Loan	1,968
Total Current Liabilities	244,008
 LONG-TERM LIABILITIES	
EIDL Loan	519,801
Total Long-Term Liabilities	519,801
 NET ASSETS	
Without Donor Restrictions	531,713
With Donor Restrictions	16,303
Total Net Assets	548,016
 TOTAL LIABILITIES AND NET ASSETS	 \$ 1,311,825

OKLAHOMA CHILDREN'S THEATRE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
REVENUES, GAINS AND SUPPORT			
Contributions, Grants & Sponsorships	\$ 373,842	\$ 2,050	\$ 375,892
Tuition and Fees	345,067	-	345,067
Box Office Receipts & Admissions	43,315	-	43,315
Merchandise Sales	23,649	-	23,649
Investment Income	867	-	867
Employer Retention Credit	135,120	-	135,120
Miscellaneous	2,556	-	2,556
Unrealized Change in Beneficial Interest	290	-	290
Net Assets Released from Restriction	877	(877)	-
	<u>925,583</u>	<u>1,173</u>	<u>926,756</u>
Total Revenues, Gains, & Supports			
EXPENSES			
Program Expenses			
Productions	199,999	-	199,999
Education	438,187	-	438,187
Total Program Expenses	<u>638,186</u>	<u>-</u>	<u>638,186</u>
Supporting Services Expenses			
Management & General	175,581	-	175,581
Fundraising	40,133	-	40,133
Total Supporting Services Expenses	<u>215,714</u>	<u>-</u>	<u>215,714</u>
Total Expenses	<u>853,900</u>	<u>-</u>	<u>853,900</u>
CHANGES IN NET ASSETS	<u>71,683</u>	<u>1,173</u>	<u>72,856</u>
NET ASSETS, BEGINNING OF YEAR	<u>460,030</u>	<u>15,130</u>	<u>475,160</u>
NET ASSETS, END OF YEAR	<u>\$ 531,713</u>	<u>\$ 16,303</u>	<u>\$ 548,016</u>

OKLAHOMA CHILDREN'S THEATRE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in Net Assets	\$ <u>72,856</u>
Adjustments to Reconcile Changes in Net Assets to Cash Flows from Operating Activities:	
Depreciation	1,627
Unrealized Change in Beneficial Interests	(290)
(Increase)/Decrease in Assets:	
Contributions Receivable	(7,204)
Prepaid Expenses	(1,555)
Increase/(Decrease) in Liabilities:	
Accounts Payable & Accrued Expenses	36,701
Deferred Revenues	<u>141,978</u>
Total Adjustments	<u>171,257</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES 244,113

CASH FLOWS FROM INVESTING ACTIVITIES

Investment in Certificate of Deposit	(352,531)
Interest Retained in Certificate of Deposit	<u>(94)</u>

NET CASH USED BY INVESTING ACTIVITIES (352,625)

CASH FLOWS FROM FINANCING ACTIVITIES

NET CASH PROVIDED BY FINANCING ACTIVITIES -

NET DECREASE IN CASH & CASH EQUIVALENTS (108,512)

CASH & CASH EQUIVALENTS, BEGINNING OF YEAR 828,204

CASH & CASH EQUIVALENTS, END OF YEAR \$ 719,692

OKLAHOMA CHILDREN'S THEATRE, INC
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	<u>PROGRAM</u>	<u>MANAGEMENT & GENERAL</u>	<u>FUND RAISING</u>	<u>TOTAL</u>
Salaries	\$ 262,367	\$ 17,353	\$ 25,378	\$ 305,098
Contract personnel	218,053	60,000	-	278,053
Employee benefits	40,957	10,598	2,678	54,233
Training	1,387	732	-	2,119
OCU contract services	22,500	-	-	22,500
Supplies and materials	42,944	10,845	225	54,014
Design	15,000	7,500	7,500	30,000
Printing	2,728	108	2,899	5,735
Miscellaneous	-	915	-	915
Advertising	656	-	-	656
Travel	11,913	-	9	11,922
Postage	3	70	102	175
Sales tax expense	1,980	-	-	1,980
Royalties	6,946	-	-	6,946
Telephone	946	1,948	-	2,894
Utilities	43	-	-	43
Dues and subscriptions	2,988	3,952	1,188	8,128
Hospitality	1,030	1,452	-	2,482
Repairs and maintenance	472	717	-	1,189
Rent	2,337	-	-	2,337
Depreciation	-	1,627	-	1,627
Audit expense	-	9,500	-	9,500
Professional services	-	25,786	-	25,786
Interest expense	-	13,750	-	13,750
Credit cards and bank fees	1,750	733	154	2,637
Insurance	1,186	7,995	-	9,181
TOTAL EXPENSES	<u>\$ 638,186</u>	<u>\$ 175,581</u>	<u>\$ 40,133</u>	<u>\$ 853,900</u>

OKLAHOMA CHILDREN'S THEATRE, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Oklahoma Children's Theatre, Inc. (the Theatre) is a public, not-for-profit organization dedicated to enhancing the entertainment and education of the children in the state of Oklahoma by providing theatrical productions, classes, and educational events. The Theatre's support comes primarily through donor contributions, admissions to theatrical productions, and fees for education and training classes.

Basis of Presentation

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Theatre reports information regarding its financial position and changes in net assets according to two classes of net assets, based on the existence or absence of donor-imposed restrictions, if any, as follows:

Net assets without donor restrictions – This category includes all resources that are expendable without restriction for the Theatre's programs.

Net assets with donor restrictions - These may be temporarily or permanently restricted.

Temporarily Restricted - amounts which have been temporarily restricted by donors for specific purposes or time periods. The Theatre reports temporarily restricted support as unrestricted if the restrictions are met in the same reporting period.

Permanently Restricted - amounts restricted by donors to be maintained for the benefit of the Theatre with income generated by such amounts available for purposes specified by the donor.

Estimates

The preparation of financial statements in conformity 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 statement. Actual results could differ from those estimates.

Cash and equivalents

The Theatre considers highly liquid investments with original maturities of three months or less to be cash equivalents. The Theatre attempts to monitor its bank account balances so that deposits in such accounts limit the amount of the Theatre's credit exposure.

OKLAHOMA CHILDREN'S THEATRE, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and equivalents - continued

At September 30, 2023, the Theatre did not have any funds in excess of FDIC insured limits but did have \$483,085 that had been swept into an investment account.

Receivables

Receivables are reported at their estimated collectible amount. Receivables primarily include contributions and sponsorships from donors who have made unconditional promises to give and grants receivable for which all conditions have been met by the Theatre. All receivables are expected to be fully collected within the next fiscal year. Uncollectible receivables, if any, are estimated to be immaterial.

Contributions

Gifts of cash and other assets received with donor stipulations that limit the use of the donated assets are reported as temporarily restricted, when applicable, unless the time restriction ends, or a purpose restriction is accomplished within the same reporting period. When a donor's temporary 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 in the statement of activities as net assets released from restrictions. The Theatre reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Property and Equipment

Purchased assets are recorded at cost, and donated assets are recorded at market value at the time of donation. Property and equipment valued at \$300 or more are capitalized and depreciated over an estimated useful life of five to ten years on a straight-line basis.

Income Taxes

The Theatre is an exempt organization under Internal Revenue Service (IRS) Code Section 501(c)(3) and is not classified as a private foundation within the meaning of IRS Code Section 509(a). Therefore, no provision has been made in the financial statements for income taxes.

OKLAHOMA CHILDREN'S THEATRE, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes – continued

The Theatre could be subject to taxation if it generates income that is unrelated to its exempt purpose. The organization is subject to review by tax authorities. It is not currently under review. The open years are 2020 through 2022.

Contributed Services

Contributed materials are recorded at market value at the time of donation, and contributed services are recorded at the fair value of the services if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

The Theatre receives services from volunteers who give significant amounts of their time to the Theatre's programs and fund-raising campaigns. No amounts have been reflected for these types of donated services, as they do not meet the criteria outlined above.

Deferred Revenues

Deferred revenues include amounts received for tuition and fees prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenues may also include amounts received from grants and contract sponsors that have barriers that have not been met.

Advertising Expense

All advertising costs are expensed as incurred or the first-time advertising takes place. Advertising expenses during the period were approximately \$656.

Functional expenses

Expenses are allocated between program and supportive services based upon either actual usage or the estimated cost attributable to each function.

OKLAHOMA CHILDREN'S THEATRE, INC.
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2023

NOTE 2 – BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

The Theatre and other donors have contributed to a fund administered by the Oklahoma City Community Foundation, Inc. (OCCF) for the benefit of the Theatre and its programs. According to OCCF policy, full variance powers are granted and therefore the principal amounts of such contributions become the legal assets of OCCF.

The value of reciprocal transfer assets, which are assets transferred by the Theatre to organizations raising or holding contributions for others, such as OCCF, are recognized as assets in the financial statements of the transferor. The value of assets contributed by others to these types of organizations for the benefit of a specified beneficiary are not recognized and recorded by the beneficiary.

The market value of reciprocal transfer assets was \$6,999 at June 30, 2023, the most recent date for which figures are available. The market value of assets contributed by others to OCCF for the benefit of the Theatre and, therefore, not recorded in the financial statements was \$128,013 at June 30, 2023.

Annual distributions from earnings are made to the Theatre based on OCCF's spending policy, which is currently five percent of the average market value over the previous eight quarters for all assets held for the benefit of the Theatre.

Distribution to the Theatre under the spending policy of \$7,117 was reported as earned during the year ended September 30, 2023, and is included as contribution and support in the statement of activities.

NOTE 3 - NET ASSETS WITH DONOR RESTRICTIONS

Temporarily restricted net assets were available for the following purposes:

Lyn Adams Scholarship Fund	<u>\$ 15,883</u>
Temporarily restricted net assets as to purpose	15,883
Permanently restricted net assets:	
Endowment funds	<u>420</u>
Total net assets with donor restrictions	<u>\$ 16,303</u>

NOTE 4 – ECONOMIC INJURY DISASTER LOAN

The organization received an Economic Injury Disaster Loan (EIDL) for \$500,000 dated February 15, 2022. This loan accrues interest at 2.75% with principal and interest payments deferred for two years from the date of issuance. The Theatre has been granted an additional six months.

OKLAHOMA CHILDREN'S THEATRE, INC.
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2023

NOTE 4 – ECONOMIC INJURY DISASTER LOAN (continued)

The first principal and interest payment is due August 28, 2024. At that time the loan is to be paid back over a 30-year period with monthly installments of \$2,244. As of September 30, 2023, there was \$21,769 accrued interest on the loan. At August 28, 2024 the balance will be approximately \$548,695. The loan is secured by substantially all current and future assets of the Organization. There is no penalty for early payment. Principal payments for the years ended September 30 are as follows: 2024 - \$1,968; 2025 - \$11,995; 2026 - \$12,329; 2027 - \$12,673; 2028 - \$13,026 and \$496,704 thereafter.

NOTE 5 – CONCENTRATIONS

The Theatre is located in Oklahoma City, Oklahoma and receives donations and other support from the general public and other organizations located primarily in the greater Oklahoma City area. The theatre used by Oklahoma Children's Theatre is owned by and is on the campus of Oklahoma City University (OCU). Additionally, OCU provides the use of the building, maintenance, and certain utilities at no additional cost to the Theatre. There is no formal lease agreement between OCU and the Theatre; as such, the fair value of the lease benefit and other services provided by OCU cannot be reasonably determined. Accordingly, no income or expense related to the agreement between OCU, and the Theatre is recorded in the accompanying financial statements.

NOTE 6 – LIQUIDITY

The following reflects Oklahoma Children's Theatre's financial assets at September 30, 2023, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

Cash and cash equivalents	\$ 719,692
Certificate of deposit	505,000
Contributions and grants receivable	62,443
	<u>\$ 1,287,135</u>
Less amounts with donor restrictions	(16,303)
Less current liabilities	<u>(244,008)</u>
Financial assets available to meet cash needs within one year	<u>\$ 1,026,824</u>

The Theatre has significant amounts of liquid assets to meet liquidity needs.

OKLAHOMA CHILDREN'S THEATRE, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE 7 – EMPLOYER RETENTION CREDIT

The Theatre previously filed for and received in the current year \$135,250 related to the Employer Retention Credit (ERC). This amount consisted of \$122,394 of credits plus \$12,726 of interest on the credits. Qualification for ERC credits require significant interpretation of applicable laws and regulations that are subject to review by federal authorities for a period of up to five years from the date of filing.

NOTE 8 – CONTINGENCIES

The Theatre at times is involved in routine litigation arising from transactions in the ordinary course of business. Management believes the ultimate liability arising from this litigation, if any, will not have a material adverse effect on the Company's financial position, results of operations or cash flows.

NOTE 9 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 5, 2024, which is the date the financial statements were available to be issued.