Berkeley Repertory Theatre

Financial Statements

August 31, 2021
(With Comparative Totals for 2020)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Berkeley Repertory Theatre
Berkeley, California

We have audited the accompanying financial statements of Berkeley Repertory Theatre (a California nonprofit corporation) (the "Theatre"), which comprise the statement of financial position as of August 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 above present fairly, in all material respects, the financial position of Berkeley Repertory Theatre as of August 31, 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.

Change in Accounting Principle

As described in Note 2 to the financial statements, the Theatre has adopted Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*. Our opinion is not modified with respect to that matter.

Report on Summarized Comparative Information

We have previously audited Berkeley Repertory Theatre's 2020 financial statements, and our report dated February 18, 2021 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Armanino LLP

Armanino LLP
San Ramon, California

January 13, 2022

Berkeley Repertory Theatre
Statement of Financial Position
August 31, 2021
(With Comparative Totals for 2020)

	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	$ 5,338,799	$ 2,721,880
Investments	130,886	103,184
Accounts receivable	439,603	75,145
Contributions receivable	1,885,665	2,663,927
Prepaid expenses	530,566	94,054
Total current assets	8,325,519	5,658,190
Property and equipment, net	39,458,812	32,097,499
Other noncurrent assets		
Restricted cash, bond proceeds	20,671,304	27,054,405
Investments, noncurrent	5,718,072	5,232,841
Contributions receivable, noncurrent, net of discount	4,050,400	2,298,584
Deposits and other assets	60,026	75,823
Total other noncurrent assets	30,499,802	34,661,653
Total assets	$ 78,284,133	$ 72,417,342

The accompanying notes are an integral part of these financial statements.

Berkeley Repertory Theatre
Statement of Financial Position
August 31, 2021
(With Comparative Totals for 2020)

	2021	2020
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	$ 2,522,906	$ 671,928
Current portion of long-term debt	513,626	204,237
Deferred performance revenue	3,597,284	1,959,680
Refundable advance	3,343,808	307,007
Line of credit	-	2,900,000
Total current liabilities	9,977,624	6,042,852
Long-term liabilities		
Long-term debt, net of debt issuance cost of $650,631	41,633,149	42,121,451
Executive retirement plan	150,740	123,212
Total long-term liabilities	41,783,889	42,244,663
Total liabilities	51,761,513	48,287,515
Net assets		
Without donor restrictions	15,000,453	14,170,765
With donor restrictions	11,522,167	9,959,062
Total net assets	26,522,620	24,129,827
Total liabilities and net assets	$ 78,284,133	$ 72,417,342

The accompanying notes are an integral part of these financial statements.

Berkeley Repertory Theatre
Statement of Activities
For the Year Ended August 31, 2021
(With Comparative Totals for 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
Revenues, gains, and other support				
Admissions	$ 58,310	$ -	$ 58,310	$ 4,869,683
Education programs	150,076	-	150,076	306,357
Contributions	2,705,589	3,951,772	6,657,361	4,537,705
Conditional grant (Paycheck Protection Program)	2,159,151	-	2,159,151	1,364,052
Government grants	25,000	-	25,000	-
Special events revenues	593,338	23,000	616,338	676,463
Co-production revenue	344,776	-	344,776	200,063
Concessions	-	-	-	181,139
Investment income, net	297,672	606,495	904,167	375,909
Other income	1,367,058	-	1,367,058	509,951
Net assets released from restrictions	3,018,162	(3,018,162)	-	-
Total revenues, gains, and other support	10,719,132	1,563,105	12,282,237	13,021,322
Functional expenses				
Program services				
Production costs	4,385,272	-	4,385,272	8,946,658
Box office and theatre operations	1,081,993	-	1,081,993	1,701,304
Audience services	952,420	-	952,420	897,021
Education programs	563,480	-	563,480	681,909
Total program services	6,983,165	-	6,983,165	12,226,892
Support services				
General and administrative	1,983,184	-	1,983,184	2,738,971
Fundraising	923,095	-	923,095	1,066,981
Total support services	2,906,279	-	2,906,279	3,805,952
Total functional expenses	9,889,444	-	9,889,444	16,032,844
Change in net assets	829,688	1,563,105	2,392,793	(3,011,522)
Net assets, beginning of year	14,170,765	9,959,062	24,129,827	27,141,349
Net assets, end of year	$ 15,000,453	$ 11,522,167	$ 26,522,620	$ 24,129,827

The accompanying notes are an integral part of these financial statements.

Berkeley Repertory Theatre
Statement of Functional Expenses
For the Year Ended August 31, 2021
(With Comparative Totals for 2020)

	Program Services					Support Services				
	Production Costs	Box Office and Theatre Operations	Audience Services	Education Programs	Total Program Services	General and Administrative	Fundraising	Total Support Services	2021 Total	2020 Total
Salaries	$ 1,423,104	$ 409,156	$ 554,901	$ 349,679	$ 2,736,840	$ 1,359,666	$ 547,488	$ 1,907,154	$ 4,643,994	$ 7,202,553
Employee benefits	455,918	138,593	160,681	58,792	813,984	218,333	120,510	338,843	1,152,827	1,075,220
Payroll taxes	109,671	35,861	44,060	32,896	222,488	72,551	39,047	111,598	334,086	583,554
Contract labor	125,858	-	250	-	126,108	127,319	68,734	196,053	322,161	806,476
Travel	1,109	5,816	55	-	6,980	1,245	638	1,883	8,863	378,256
Housing	314,632	-	-	-	314,632	-	-	-	314,632	779,766
Space rental	-	-	-	-	-	-	-	-	-	9,076
Production materials	153,401	-	-	-	153,401	-	-	-	153,401	448,999
Royalties and commissions	49,320	-	-	-	49,320	-	-	-	49,320	393,872
Printing	-	-	-	-	-	-	21,637	21,637	21,637	137,510
Advertising	-	-	-	-	-	26,750	-	26,750	26,750	591,307
Insurance	202,886	40,492	4,962	13,606	261,946	(39,656)	6,448	(33,208)	228,738	314,577
Interest	401,359	72,700	8,328	26,437	508,824	11,500	11,500	23,000	531,824	523,580
Supplies	132	7,387	15	13	7,547	1,166	16,243	17,409	24,956	25,671
Telephone	25,150	15,819	8,924	5,679	55,572	9,330	6,896	16,226	71,798	87,615
Postage	57	-	5,473	15	5,545	905	3,326	4,231	9,776	64,309
Maintenance	165,677	35,690	3,438	10,913	215,718	5,523	4,746	10,269	225,987	180,927
Credit card fees and charges	-	95,425	-	556	95,981	32,021	21,582	53,603	149,584	239,619
Utilities	123,574	22,384	2,564	8,140	156,662	3,541	3,541	7,082	163,744	201,096
Miscellaneous	27,534	56,691	142,048	3,671	229,944	129,899	27,668	157,567	387,511	914,154
Depreciation	805,890	145,979	16,721	53,083	1,021,673	23,091	23,091	46,182	1,067,855	1,074,707
	$ 4,385,272	$ 1,081,993	$ 952,420	$ 563,480	$ 6,983,165	$ 1,983,184	$ 923,095	$ 2,906,279	$ 9,889,444	$ 16,032,844

The accompanying notes are an integral part of these financial statements.

Berkeley Repertory Theatre
Statement of Cash Flows
For the Year Ended August 31, 2021
(With Comparative Totals for 2020)

	2021	2020
Cash flows from operating activities		
Change in net assets	$ 2,392,793	$ (3,011,522)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	1,067,855	1,074,707
Non-cash interest expense	25,324	23,376
Realized and unrealized gains on securities	(840,447)	(286,668)
Changes in operating assets and liabilities		
Accounts receivable	(364,458)	168,409
Contributions receivable, net	(973,554)	2,227,242
Prepaid expenses	(436,512)	634,202
Deposits	15,797	44,522
Accounts payable and accrued expenses, net of accrued construction costs	377,439	239,014
Deferred performance revenue	1,637,604	(2,002,474)
Executive retirement plan	27,528	(359,419)
Refundable advance	3,036,801	-
Net cash provided by (used in) operating activities	5,966,170	(1,248,611)
Cash flows from investing activities		
Purchase of investments	(89,641)	(1,135,260)
Proceeds from sale of investments	417,155	1,078,843
Purchases of property and equipment and construction in progress payments	(6,955,629)	(2,645,252)
Net cash used in investing activities	(6,628,115)	(2,701,669)
Cash flows from financing activities		
Advance on line of credit	-	2,900,000
Repayment of line of credit	(2,900,000)	-
Repayment of long-term debt	(204,237)	(189,394)
Net cash provided by (used in) financing activities	(3,104,237)	2,710,606
Net decrease in cash	(3,766,182)	(1,239,674)
Cash, cash equivalents and restricted cash, beginning of year	29,776,285	31,015,959
Cash, cash equivalents and restricted cash, end of year	$ 26,010,103	$ 29,776,285
Cash, cash equivalents and restricted cash consisted of the following:		
Cash and cash equivalents	$ 5,338,799	$ 2,721,880
Restricted cash	20,671,304	27,054,405
	$ 26,010,103	$ 29,776,285

Supplemental disclosure of cash flow information

Cash paid during the year for interest	$ 1,442,438	$ 1,621,705

The accompanying notes are an integral part of these financial statements.

1. NATURE OF OPERATIONS

The Berkeley Repertory Theatre (the "Theatre") is a professional resident theatre company founded in 1969 that produces major productions from an international repertoire, including premieres of new work. The Theatre performs in its 400-seat thrust stage and its 600-seat proscenium stage in Berkeley, California.

In 2012, the Theatre initiated a new fundraising effort, the Create Campaign, with a goal of $50 million. As of August 31, 2021, approximately $48 million has been raised. The funds will support a range of Strategic Initiatives as well as Annual Support for Operations. Strategic Initiatives include artistic programs, facility upgrades and development, and attracting/retaining top talent.

The Theatre has launched the Resilience Campaign, a five-year, $20 million campaign to sustain the Theatre and support the staff and artists behind its work on stage and in the community. As of August 31, 2021, approximately $2.4 million has been raised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

The accompanying financial statements have been prepared on the accrual basis of accounting. The Theatre reports information regarding its financial position and activities according to the existence or absence of donor-imposed restrictions.

Net assets and changes therein are classified as follows:

- *Net assets without donor restrictions* - Net assets not subject to donor-imposed stipulations. The Theatre's Board of Trustees may designate net assets without donor restrictions for specific purposes.
- *Net assets with donor restrictions* - Net assets subject to donor-imposed stipulations. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Net assets with donor restrictions also include the portion of donor-restricted endowment funds that are not required to be maintained in perpetuity until such funds are appropriated for expenditure by the Theatre. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of accounting and financial statement presentation (continued)

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets and liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor restriction or by law. Expirations of restrictions on net assets (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as releases from net assets with donor restrictions and recognized as net assets without donor restrictions. Contributions that are restricted by the donor/grantor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

Cash and cash equivalents

For the purpose of the statement of cash flows, the Theatre considers unrestricted highly liquid instruments with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents consist of cash on deposit and interest bearing money market funds.

As of August 31, 2021, restricted cash represents bond proceeds for ongoing construction in progress (see Note 10).

Cash deposits

The Theatre places its cash and temporary cash investments with high credit quality institutions. Periodically, such investments may be in excess of federally insured limits.

Investments

Investments, which include securities, mutual funds, and certificate of deposits with an original maturity date of more than three months at the date of purchase, are recorded at fair value. Securities and mutual funds are traded on security exchanges and are valued at closing market prices on the dates closest to August 31, 2021. Investments received through gifts are recorded at estimated fair value at the date of donation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Theatre determines the fair values of its assets and liabilities based on the fair value hierarchy that includes three levels of inputs that may be used to measure fair value (Level 1, Level 2 and Level 3). Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Theatre has the ability to access at the measurement date. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Level 2 inputs are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs reflect the Theatre's own assumptions about the assumptions market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the Theatre's own data.

The following methods and assumptions were used to estimate the fair value of financial instruments:

- Investments (Level 1). Securities traded on security exchanges are valued at closing market prices, or net asset value for mutual funds, on the date of business closest to August 31.

Accounts receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances due. Based on prior write-off history, overall economic conditions and the current aging status, the Theatre establishes an allowance for doubtful accounts at a level considered adequate to cover anticipated credit losses on outstanding trade accounts receivable. The Theatre determined that an allowance for doubtful accounts was not considered necessary at August 31, 2021.

Contributions and contributions receivable

Contributions received are recorded as net assets without donor restrictions or with donor restrictions, depending on the existence or nature of any donor restrictions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions and contributions receivable (continued)

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until they become unconditional; that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Donated services are recorded as contributions at their estimated fair value only in those instances where the services create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would need to be purchased if not provided by donation. Contributions to be received after one year are recorded at the present value of their estimated future cash flows. The discount on these amounts is computed using risk adjusted market interest rates applicable to the years in which the promise was received. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is established based upon management's judgment including factors such as prior collection history, aging statistics of contributions, and the nature of the receivable. At August 31, 2021, management has determined that no allowance for uncollectible contributions was required.

Property and equipment

Property and equipment are stated at cost when purchased or constructed, or at the asset's estimated fair value at the time the donated property is received. Depreciation is provided using the straight-line method over the assets' estimated useful lives ranging from 4 to 40 years. The Theatre capitalizes all property and equipment with a cost greater than $5,000 and an estimated useful life in excess of one year. Construction in progress and software installments in progress is depreciated only after the assets are completed and have been placed into service. Donated property and equipment is recorded at the estimated fair value at the date the contribution is received and considered to be unrestricted when placed into service by the Theatre, unless restricted as to use by explicit donor stipulation.

Whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recovered, the Theatre, using its best estimates and projections, reviews for impairment the carrying value of long-lived identifiable assets to be held and used in the future. Any impairment losses identified are recognized when determined.

Deferred revenue

Ticket purchases received in advance of performances are included in deferred performance revenue and recognized as admissions revenue at the time the applicable performance is given. Gift certificates purchased are recorded as deferred revenue and recognized upon the earlier of redemption or three years, where the likelihood of the gift certificates being redeemed by the customer based on historical redemption activity is remote.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net assets with donor restrictions

As of August 31, 2021, net assets with donor restrictions of $8,125,603 were available to support long range plan initiatives (covering production, operations and capital), future performance seasons, other time restricted activities and other specified purposes designated by the donors.

As of August 31, 2021, net assets with donor restrictions of $3,396,564 are generally restricted by the donors for investment in perpetuity as an endowment. The terms of certain of the Theatre's endowments allow for the usage of the corpus in the event that investment earnings do not provide for the required spending levels.

Net assets with donor restrictions include endowment income not yet appropriated for expenditure.

Collaborative agreements

The Theatre occasionally enters into collaborative agreements with other artistic producers relating to specific productions in which the Theatre is exposed to significant risk and rewards that depend on the commercial success of the joint production. The production host assumes all expenses incurred in the presentation of the production and will receive enhancement funds from the other party to pay for a portion of direct expenses. Enhancement funds received in advance of the production are included in deferred performance revenue and recognized as co-production revenue at the time the related production begins.

Admissions

The Theatre’s patrons have the option to purchase tickets well in advance of the performance or right before the performance, or at any point in between those two timeframes depending on seat availability. The Theatre recognizes such admissions revenue when the performance has taken place. Concession revenues are recognized upon transfer of goods to the patrons. The Theatre sells gift cards and discount ticket vouchers, the proceeds from which are recorded as deferred performance revenue. Revenues for gift cards and discount ticket vouchers are recognized when they are redeemed for theatre tickets or concession items. The Theatre offers multiple subscription packages. whereby patrons can pay a subscription fee to receive a credit for use towards a future ticket purchase for the Theatre's productions. The Theatre records the subscription program fees as deferred performance revenue and records admissions revenues as the credits are redeemed for tickets or passage of time.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment income

Unrealized gains and losses that result from market fluctuations are recognized in the period such fluctuations occur. Realized gains or losses resulting from sales or maturities are determined using the specific identification method. Realized and unrealized gains (losses) on investments are reported as follows:

- as increases (decreases) in net assets with donor restrictions if the terms of the donor stipulations impose restrictions on the use of income or require that they be added to (deducted from) the principal of a permanent endowment fund;
- as increases (decreases) in net assets without donor restrictions in all other cases.

Expense recognition

Expenses related to future performances are recorded as prepaid expenses and charged to operating expense at the time the applicable performance is given.

Functional expenses

Expenses, such as depreciation, utilities, maintenance, telephone, interest, insurance, employee benefits and occupancy costs are allocated among production costs, box office and Theatre operations, audience services, education programs, general and administrative, and fundraising classifications on the basis of space usage and on estimates made by the Theatre's management.

Income tax

The Theatre is a qualified organization exempt from Federal income and California franchise taxes under the provisions of Sections 501(c)(3) of the Internal Revenue Code and 23701d of the California Revenue and Taxation Code, respectively.

The Theatre evaluates its tax positions taken or expected to be taken to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. Tax positions not deemed to meet the "more-likely-than-not" threshold are recorded as an expense in the applicable year. As of August 31, 2021, the Theatre does not have any significant uncertain tax positions for which a reserve would be necessary. The Theatre files United States of America ("U.S.") federal, and U.S. state tax returns. For U.S. state tax returns, the Theatre is generally no longer subject to tax examinations for years prior to 2015. For U.S. federal tax returns, the Theatre is no longer subject to tax examination for years prior to 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") 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 reporting period. Actual results could differ from those estimates.

Uses of estimates include, but are not limited to, accounting for allowances for doubtful account and contribution receivables, fair value measurements, functional expense allocations and depreciation.

Risks and uncertainties

Occasionally, cash and cash equivalents maintained by the Theatre are in excess of the federally insured limits. The Theatre mitigates this risk by placing cash and cash equivalents with high credit quality institutions.

The Theatre invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the Theatre's account balances and the amounts reported in the statement of financial position.

The Theatre is engaged in a collective bargaining agreement with a labor union representing actors and stage managers in theatre, the Actors' Equity Association. Approximately 15% of the Theatre's labor force is covered by the collective bargaining agreements. Although staffing of actors and stage management is constantly revolving to fill the needs of each production, the staffing does remain fairly consistent year over year.

Comparative financial information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Theatre's financial statements as of and for the year ended August 31, 2020, from which the summarized information was derived.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in accounting principle

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in U.S. GAAP. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. Topic 606 is effective for annual reporting periods beginning after December 15, 2019. The Theatre adopted Topic 606 with a date of the initial application of September 1, 2020, using the modified retrospective method.

Analysis of various provisions of this standard resulted in no significant changes in the way the Theatre recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

3. CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following:

Due in less than one year	$ 1,885,665
Due in one to five years	3,820,000
Due in more than five years	386,504
Discounts on contributions receivable	(156,104)
	5,936,065
Less current portion	(1,885,665)
	$ 4,050,400

Contributions receivable expected to be collected in more than one year from August 31, 2021 are discounted at a rate of return respective to the year that the contribution was originally promised. Current year contributions receivable are recorded using a discount rate ranging from 0.28% to 2.74%.

4. INVESTMENTS

Investments consisted of the following:

Fixed income	$ 396,452
Mutual funds	2,104,257
Stocks and options	2,186,829
Exchange traded funds	1,161,420
	5,848,958
Less current investments	(130,886)
	$ 5,718,072

Investment income, net consisted of the following:

Interest and dividends	$ 93,864
Net realized and unrealized gains	840,447
Investment management fees	(30,144)
	$ 904,167

5. FAIR VALUE MEASUREMENTS

The following table sets forth by level, within the fair value hierarchy, the Theatre's assets at fair value as of August 31, 2021:

	Level 1	Level 2	Level 3	Fair Value
Fixed income	$ 396,452	$ -	$ -	$ 396,452
Mutual funds	2,104,257	-	-	2,104,257
Stocks and options	2,186,829	-	-	2,186,829
Exchange traded funds	1,161,420	-	-	1,161,420
	$ 5,848,958	$ -	$ -	$ 5,848,958

6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

Land	$ 2,802,299
Building and improvements	37,830,764
Production equipment	2,609,621
Office and facilities equipment	901,611
Software	272,039
Construction in progress	13,787,114
	58,203,448
Accumulated depreciation	(18,744,636)
	$ 39,458,812

Depreciation expense totaled $1,067,855 for the year ended August 31, 2021.

7. DEPOSITS

As of August 31, 2021, deposits of $60,026 consist of insurance deposits, long-term lease deposits, and an Actors' Equity bond deposit.

8. DEFERRED PERFORMANCE REVENUE

Deferred performance revenue consisted of the following:

Deferred performance revenue	$ 2,801,078
Deferred gift certificates	95,646
Other deferred income	700,560
	$ 3,597,284

9. CREDIT FACILITY

The Theatre has a line of credit agreement with Signature Bank to finance operations in the amount of $3,000,000 which matures on November 30, 2022. The line of credit bears interest at a variable rate, as chosen by the Theatre, of either the Prime rate plus 0.00% or LIBOR plus 2.35% as of August 31, 2021 which, upon renewal of the line of credit, LIBOR was replaced by AMERIBOR as of November 30, 2021.

10. LONG-TERM DEBT

On March 1, 2019, the Theatre entered into financing agreements with Signature Bank, Signature Public Funding Corp. and the California Enterprise Development Authority with an aggregate principal of $37,696,650; $5,622,236 in the form of Series A Tax-Exempt Revenue Bonds ("Series A Bonds"), $27,418,480 in the form of Series B Tax-Exempt Revenue Bonds ("Series B Bonds") and $4,654,934 in form of Series C Taxable Revenue Bonds ("Series B Bonds"). The Series A Bonds and Series B Bonds bear interest at a rate of 3.25% per annum and mature on March 1, 2049. The Series C Bonds bear interest at a rate of 4.06% per annum and mature on March 1, 2049. The Series A Bonds principal and interest are due and payable monthly beginning May 1, 2019. The Series B Bonds and Series C Bonds are interest only notes through April 1, 2022, at which time principal and interest are due and payable monthly. As of August 31, 2021, $5,359,854, $27,419,480 and $4,654,934 were outstanding on the Series A Bonds, Series B Bonds and Series C Bonds, respectively. The bond proceeds are held in restricted funds (see Note 2), reflected in the accompanying financial statements as restricted cash, bond proceeds and are to be used to finance and refinance the cost of the acquisition, construction, development, equipping and furnishing of theatrical, educational and administrative facilities including the construction of 45 apartment units to house visiting artists. The loan is secured by a deed of trust, the leasehold deed of trust and personal property through a UCC-1 filing.

On July 30, 2010, the Theatre entered into a note payable agreement to finance the acquisition of real property maturing December 1, 2050, 60 months of interest only payments at 4.31% beginning January 1, 2011 ($20,833 per month), followed by 420 months of installment payments (both principal and interest) of $27,270 bearing interest at 4.45%, secured by the real property acquired; amounts outstanding under the note payable totaled $5,355,346 as of August 31, 2021.

The future maturities of the long-term debt are as follows:

Year ending August 31,	
2022	$ 513,626
2023	968,246
2024	999,233
2025	1,038,080
2026	1,074,950
Thereafter	38,195,479
	42,789,614
Less: debt issuance cost	(642,839)
Long-term debt, net	42,146,775
Current portion	(513,626)
	$ 41,633,149

10. LONG-TERM DEBT (continued)

Under the terms of the debt obligations and related credit line, the Theatre has agreed to maintain specific financial covenants. For the year ended August 31, 2021, the Theatre was in compliance with the financial covenants.

During the year ended August 31, 2021, the Theatre incurred $1,626,949 of interest, of which $1,095,125 was capitalized and reported as additions to the construction in progress account after a reduction by $220,917 for interest received on the loan proceeds maintained in the bank. Net interest reported as expense for the year ended August 31, 2021 was $531,824.

11. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

Subject to expenditure for specified purpose:	
Strategic initiatives	$ 1,888,004
Resilience campaign	2,004,000
All others	416,596
	4,308,600
Subject to passage of time:	
For the period September 1, 2021 to August 31, 2022	1,255,023
For the periods after August 31, 2022	1,940,550
	3,195,573
Subject to spending policy and appropriation - investment in perpetuity (including amounts above original gift amount of $3,396,564), the income from which is expendable to support:	
Donor-restricted endowment funds	3,396,564
Unappropriated endowment earnings	621,430
	4,017,994
	$ 11,522,167

Net assets with donor restrictions released from restriction during the year were as follows:

Expiration of time restrictions	$ 1,498,607
Released for other purposes	59,147
Released for strategic initiatives	836,153
Approved expenditure of endowment earnings	199,905
Released from resilience campaign	424,350
	$ 3,018,162

12. ENDOWMENT

The Theatre's endowment consists of approximately six individual funds established for a variety of purposes. Its endowment includes donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law

The Theatre's Board of Trustees has interpreted the California enacted version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as allowing the Theatre to appropriate for expenditure or accumulate so much of an endowment fund as the Theatre determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets in an endowment fund shall be donor-restricted assets until appropriated for expenditure by the Board of Trustees. The remaining portion of the donor-restricted endowment fund is classified as with donor restrictions until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Theatre considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund

(2) The purposes of the organization and the donor-restricted endowment fund

(3) General economic conditions

(4) The possible effect of inflation and deflation

(5) The expected total return from income and the appreciation of investments

(6) Other resources of the Theatre

(7) The investment policies of the Theatre

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Theatre to retain as a fund of perpetual duration. There were no such deficiencies as of August 31, 2021.

12. ENDOWMENT (continued)

Return objectives and risk parameters

The Theatre has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Theatre must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the Theatre diversifies its investments, subject to practicality constraints, among a variety of asset classes so as to provide a balance that will enhance total real return while avoiding undue risk concentration in any single asset class or investment category. The Theatre expects its endowment funds, over time, to generate a return of at least five percent per annum before taxes, management fees, and inflation over a market cycle.

Strategies employed for achieving objectives

To satisfy its long-term rate-of-return objectives, the Theatre relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Theatre targets a diversified portfolio of equities, fixed income and cash equivalents.

Spending policy and how the investment objectives related to spending policy

The Theatre has a policy of appropriating for distribution each year at most 5 percent of its endowment fund's average fair value over the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Theatre considered the long-term expected return on its endowment. This is consistent with the Theatre's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Endowment composition

Endowment net asset composition by type of fund is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 4,017,994	$ 4,017,994
Board-designated endowment funds	1,602,536	-	1,602,536
	$ 1,602,536	$ 4,017,994	$ 5,620,530

12. ENDOWMENT (continued)

Endowment composition (continued)

Changes in endowment net assets for the year is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance, August 31, 2020	$ 1,175,125	$ 3,611,404	$ 4,786,529
Investment return			
Investment income	22,319	61,719	84,038
Net appreciation (realized and unrealized)	193,974	544,776	738,750
Total investment return	216,293	606,495	822,788
Contributions	38,568	-	38,568
Appropriation of net assets	(7,549)	(19,806)	(27,355)
Transfer to board reserve	180,099	(180,099)	-
	427,411	406,590	834,001
Balance, August 31, 2021	$ 1,602,536	$ 4,017,994	$ 5,620,530

13. COMMITMENTS AND CONTINGENCIES

The Theatre maintains various artist apartments under non-cancelable operating leases as well as certain equipment leases. The terms of the agreements expire on various dates through June 2024.

The scheduled minimum lease payments under the lease terms are as follows:

Year ending August 31,	
2022	$ 16,020
2023	13,545
2024	7,965
	$ 37,530

Total rental expense for the year ended August 31, 2021 was $314,632. Due to the COVID-19 pandemic, the Theatre negotiated apartment lease concessions which resulted to rent forgiveness in the amount of $218,218. The Theatre recognized a negative rent expense equal to the forgiveness received for the year ended August 31, 2021.

14. RETIREMENT PLANS

Effective September 1, 1996, the Theatre adopted a tax-sheltered annuity plan under Internal Revenue Code Section 403(b) (the "Plan") covering substantially all full-time employees, which provides for voluntary salary deferrals up to certain amounts. For each Plan year, the Board of Trustees of the Theatre determines the amount (if any) to be contributed to the Plan by the Theatre. There were no employer contributions to the Plan for the plan year ended August 31, 2021.

On April 19, 2004, the Theatre adopted a supplemental executive retirement plan (the "SERP") for certain designated executive employees. In 2014, when the Theatre adopted a 457(f) Deferred Compensation Plan, the SERP was amended and restated to be part of the 457(f) plan.

In 2014, the Theatre adopted 457(b) and 457(f) Deferred Compensation Plans for certain executives. Under the plans, compensation, up to $2,000,000 was deferred within the plans to be paid, subject to vesting, on or after August 31, 2018. Generally accepted accounting principles require deferred compensation benefits to be accrued in a systematic and rational manner over the period services are provided by the executives. Approximately $27,528 was accrued during the year ended August 31, 2021. The remaining deferred compensation accrued as of August 31, 2021 was $150,740. As of August 31, 2021, $150,740 was held in money market accounts and equity funds for the purpose of funding this deferred compensation obligation.

15. RELATED PARTY

During 2021, the Theatre recognized contributions, including promises to give and gifts-in-kind, from members of its Board of Trustees of approximately $2,072,784. As of August 31, 2021, there was $2,741,679 in contributions receivable from members of the Board of Trustees. Amounts received during the year from members of the Board of Trustees were $1,337,704 including payments received against promises to give that existed at August 31, 2020.

16. CITY OF BERKELEY DONATION

In March 2001, the Theatre completed construction of its $17.6 million proscenium stage adjacent to its thrust stage facility. The City of Berkeley (the "City") provided $4,000,000 to the capital fundraising campaign that was received in 2001 as follows: the Theatre sold the completed property to the City for $4 million and leases it back for $1 annually. The Theatre has the option to purchase the new theatre building back from the City for $1 after the City retires the bonds issued to finance its contribution, expected to be in October 2029. In connection with the City providing this funding, the Theatre must lease the use of its facilities to certain organizations located in Berkeley at market or discounted rates, up to 320 hours per year. Based upon the substance of this transaction, no sale of real property was recorded and the building is being depreciated in the Theatre's financial statements.

17. PAYCHECK PROTECTION PROGRAM LOAN

On April 18, 2020, the Theatre received loan proceeds of $1,664,125 from a promissory note issued by Signature Bank, under the Paycheck Protection Program ("PPP") which was established under the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") and is administered by the U.S. Small Business Administration ("SBA"). The term on the loan was two years and the annual interest rate was 1.00%. Payments of principal and interest were deferred for the first six months of the loan. Under the terms of the CARES Act, PPP loan recipients could apply for and be granted forgiveness for all or a portion of the loans granted under PPP. Such forgiveness will be determined based on the use of the loan proceeds for payroll costs, rent and utility expenses and the maintenance of workforce and compensation levels with certain limitations. The Theatre initially recorded the loan as a refundable advance and subsequently recognized grant revenue in accordance with guidance for conditional contributions; that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. The Theatre has recorded $1,364,052 of the loan proceeds as a contribution during its fiscal year ended August 31, 2020 and recorded remaining $300,073 as a contribution during its fiscal year ended August 31, 2021. On July 30, 2021, Signature Bank notified the Theatre that the loan and all accrued interest was fully forgiven by the SBA. The Theatre has recorded $21,201 of forgiven accrued interest as a contribution during its fiscal year ended August 31, 2021.

On March 17, 2021, the Theatre received second loan proceeds of $1,837,877 from a promissory note issued by Signature Bank, under the second round of Paycheck Protection Program ("PPP") which was established under the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") and is administered by the U.S. Small Business Administration. The term on the loan was five years and the annual interest rate was 1.00%. If the Theatre submits to lender a loan forgiveness application within 10 months following the end of the loan forgiveness covered period, the Theatre is not required to make any payments of principal or interest under this note before the date on which the SBA remits the applicable loan forgiveness amount to the Theatre. Such forgiveness will be determined based on the use of the loan proceeds for payroll costs, rent and utility expenses and the maintenance of workforce and compensation levels with certain limitations. The Theatre has initially recorded the loan as a refundable advance and subsequently recognized grant revenue in accordance with guidance for conditional contributions; that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. As of August 31, 2021, the Theatre has recorded $1,837,877 of the loan proceeds as a contribution and believes that it will likely qualify for full forgiveness. The guidelines issued by the SBA, in consultation with the Department of the Treasury, have been followed by the Theatre. On December 16, 2021, Signature Bank notified the Theatre that the second loan and all accrued interest was fully forgiven by the SBA.

18. SHUTTERED VENUE OPERATORS GRANT

On July 14, 2021 the Theatre received grant proceeds of $3,335,384 under the Shuttered Venue Operation Grant ("SVOG") agreement granted by the Small Business Administration. The SVOG program provides funds to support the ongoing operations of eligible live venue operators or promoters, theatrical producers, live performing arts organization operators, relevant museum operators, motion picture theater operators, and talent representatives who have experienced significant revenue losses due to the effects of the COVID-19 pandemic. Funding is intended to support the ongoing operations of the Theatre and may be used for payroll costs, rent payments, utility payments, scheduled mortgage payments, scheduled debt payments, worker protection expenditures, payments to independent contractors, and other ordinary and necessary business expenses. The initial grant provided recipients with funding equal to 45% of their gross earned revenue, up to a maximum of $10 million. The Theatre had also applied for supplemental award under the SVOG program and $2,586,631 has been approved as supplemental award and received in November 2021. The Theatre has initially recorded the SVOG grant as a refundable advance and will subsequently recognize grant revenue in accordance with guidance for conditional contributions; that is, once the measurable performance or other barrier and right of return of the SVOG grant no longer exist. At August 31, 2021, the entirety of the initial SVOG funding is recorded as refundable advance on the statement of financial position.

19. EMPLOYEE RETENTION CREDIT

The CARES Act provides an employee retention credit ("CARES Employee Retention credit"), which is a refundable tax credit against certain employment taxes of up to $5,000 per employee for eligible employers. The tax credit is equal to 50% of qualified wages paid to employees during a quarter, capped at $10,000 of qualified wages per employee through December 31, 2020. Additional relief provisions were passed by the United States government, which extend and slightly expand the qualified wage caps on these credits through December 31, 2021. Based on these additional provisions, the tax credit is now equal to 70% of qualified wages paid to employees during a quarter, and the limit on qualified wages per employee has been increased to $10,000 of qualified wages per quarter. The Theatre qualifies for the tax credit under the CARES Act and expects to continue to receive additional tax credits under the additional relief provisions for qualified wages through December 31, 2021. During the fiscal year ended August 31, 2021, the Theatre recorded $1,123,902 related to the CARES Employee Retention Credit in "Other income" on the Theatre's statements of activities. As of August 31, 2021, the Theatre has a $218,043 receivable balance from the United States government related to the CARES Act, which is recorded in "Accounts receivable" on the Theatre's statement of financial position.

20. GOING CONCERN AND IMPLICATIONS OF COVID-19 ON THE THEATRE'S OPERATIONS

Since suspending public performances in March 2020 and throughout the 2020-21 fiscal year, the Theatre dealt with the repercussions of the COVID-19 pandemic. With the exception of virtual classes offered by its School of Theatre and a few ticketed online performances, the Theatre generated no significant earned revenue during this period. Anticipating this drop in income, the Theatre took proactive measures early in the pandemic, including significantly reducing staff, program services, general and administrative, and fundraising expenses, including reducing payroll costs, restructuring staff assignments, and furloughing employees.

20. GOING CONCERN AND IMPLICATIONS OF COVID-19 ON THE THEATRE'S OPERATIONS (continued)

In an effort to weather this period of uncertainty and supplement its traditional fundraising efforts, in November 2020 the Theatre launched the Resilience Campaign, a five-year, $20 million campaign to sustain the Theatre and support the staff and artists behind its work on stage and in the community. Additionally, the Theatre became eligible for and received support from a number of Federal and California State COVID-relief programs, including the Families First Coronavirus Response Act (FFCRA), the Employee Retention Credit (ERC) program, a second round Paycheck Protection Program (PPP) forgivable loan, the California Small Business COVID-19 Relief Grant Program, and the Shuttered Venue Operators Grant (SVOG) program. These government programs together with pledges to date have generated more than $10.5 million toward the Resilience Campaign, sustaining the Theatre over the past year, allowing for a modest operational surplus, and providing a solid financial foundation for the 2021-22 fiscal year.

The availability and widespread acceptance of the COVID-19 vaccines in the Bay Area, together with the lifting of government prohibitions on public gatherings, encouraged the Theatre to rehire its furloughed workers and plan for the resumption of live performances in Fall 2021. The Theatre continues to take a cautious approach to reopening and has instituted operational protocols to comply with applicable regulatory requirements and to monitor evolving health authority recommendations in order to protect the health and foster the confidence of employees, artists, and audiences. Earned revenue projections have been significantly scaled back from pre-pandemic levels, yet the Theatre projects a balanced budget for 2021-22 with the help of the SVOG program and the Resilience Campaign and the continued strong support of the Theatre’s Annual Fund by individual and institutional donors.

Accordingly, the going concern doubts that existed at the end of the prior year, which were alleviated by management’s plans as described above, do not exist as of August 31, 2021.

21. LIQUIDITY AND FUNDS AVAILABLE

As part of the Theatre's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

21. LIQUIDITY AND FUNDS AVAILABLE (continued)

The following is a quantitative disclosure which describes assets that are available within one year of August 31, 2021 to fund general expenditures and other obligations when they become due:

Financial assets	
Cash and cash equivalents	$ 5,338,799
Investments	130,886
Investments, noncurrent	5,718,072
Accounts receivable	439,603
Contributions receivable	1,885,665
	13,513,025
Less: amounts unavailable for general expenditures within one year:	
Donor-restricted endowment funds	(4,017,994)
Board designated funds	(1,602,536)
	(5,620,530)
	$ 7,892,495

Some of the Theatre's financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. Certain contributions receivable are subject to implied time restrictions, however are expected to be available for general expenditures once collected. The Theatre has board-designated endowment funds from various unrestricted bequests that could be made available if necessary. In addition, as part of its liquidity management, the Theatre maintains a committed line of credit of $3,000,000 in order to manage predictable short-term cycles in which expenditures exceed revenues.

22. SUBSEQUENT EVENTS

On November 9, 2021, the Theatre received the supplemental Shuttered Venue Operators Grant in the amount of $2,586,631.

After nearly two years of closed doors, the Theatre reopened on November 17, 2021 with its first in-person performance since the COVID-19 closure.

On November 30, 2021 the Theatre extended its line of credit in the amount of $3,000,000 with Signature Bank, maturing on November 30, 2022, at an interest rate per annum of either the Prime Rate plus 0.00% or AMERIBOR plus 2.35%, as chosen by the Theatre.

On December 16, 2021, Signature Bank notified the Theatre that the second PPP loan and all accrued interest was fully forgiven by the SBA.

22. SUBSEQUENT EVENTS (continued)

The Theatre has evaluated subsequent events through January 13, 2022, the date the financial statements were available to be issued. Other than as previously disclosed, no subsequent events have occurred that would have a material impact on the presentation of the Theatre's financial statements.