

## **Berkeley Repertory Theatre**

Financial Statements  
and Single Audit Reports and Schedules

August 31, 2022  
(With Comparative Totals for 2021)



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## INDEPENDENT AUDITOR'S REPORT

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

### **Opinion**

We have audited the accompanying financial statements of Berkeley Repertory Theatre (the "Organization"), which comprise the statement of financial position as of August 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Berkeley Repertory Theatre as of August 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis of Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Berkeley Repertory Theatre and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Report on Summarized Comparative Information**

We have previously audited Berkeley Repertory Theatre's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 13, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **Responsibilities of Management for the Financial Statements**

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

## Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is 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 audit 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.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2023, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.



Armanino<sup>LLP</sup>  
San Ramon, California

March 31, 2023

Berkeley Repertory Theatre  
Statement of Financial Position  
August 31, 2022  
(With Comparative Totals for 2021)

|                                                       | 2022          | 2021          |
|-------------------------------------------------------|---------------|---------------|
| ASSETS                                                |               |               |
| Current assets                                        |               |               |
| Cash and cash equivalents                             | \$ 1,762,514  | \$ 5,338,799  |
| Operating investments                                 | 111,776       | 130,886       |
| Accounts receivable                                   | 208,293       | 439,603       |
| Contributions receivable                              | 2,989,307     | 1,885,665     |
| Prepaid expenses                                      | 1,383,835     | 530,566       |
| Deposits and other assets                             | 193,163       | 60,026        |
| Total current assets                                  | 6,648,888     | 8,385,545     |
| Property and equipment, net                           | 60,669,020    | 39,458,812    |
| Other noncurrent assets                               |               |               |
| Restricted cash                                       | 3,101,522     | 20,671,304    |
| Contributions receivable, noncurrent, net of discount | 6,187,103     | 4,050,400     |
| Long-term investments                                 | 416,337       | 97,542        |
| Endowment investments                                 | 4,339,445     | 5,620,530     |
| Total other noncurrent assets                         | 14,044,407    | 30,439,776    |
| Total assets                                          | \$ 81,362,315 | \$ 78,284,133 |

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

Berkeley Repertory Theatre  
Statement of Financial Position  
August 31, 2022  
(With Comparative Totals for 2021)

|                                                        | 2022          | 2021          |
|--------------------------------------------------------|---------------|---------------|
| <b>LIABILITIES AND NET ASSETS</b>                      |               |               |
| Current liabilities                                    |               |               |
| Accounts payable and accrued expenses                  | \$ 2,048,962  | \$ 1,049,367  |
| Accrued construction costs                             | 2,698,322     | 1,473,539     |
| Current portion of long-term debt                      | 968,246       | 513,626       |
| Deferred performance revenue                           | 4,720,865     | 3,597,284     |
| Refundable advance                                     | -             | 3,343,808     |
| Executive retirement plan                              | 156,353       | -             |
| Total current liabilities                              | 10,592,748    | 9,977,624     |
| Long-term liabilities                                  |               |               |
| Long-term debt, net of debt issuance cost of \$619,463 | 40,688,279    | 41,633,149    |
| Executive retirement plan                              | -             | 150,740       |
| Total long-term liabilities                            | 40,688,279    | 41,783,889    |
| Total liabilities                                      | 51,281,027    | 51,761,513    |
| Net assets                                             |               |               |
| Without donor restrictions                             | 14,644,140    | 15,000,453    |
| With donor restrictions                                | 15,437,148    | 11,522,167    |
| Total net assets                                       | 30,081,288    | 26,522,620    |
| Total liabilities and net assets                       | \$ 81,362,315 | \$ 78,284,133 |

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

Berkeley Repertory Theatre  
Statement of Activities  
For the Year Ended August 31, 2022  
(With Comparative Totals for 2021)

|                                                             | Without<br>Donor<br>Restrictions | With Donor<br>Restrictions | 2022<br>Total        | 2021<br>Total        |
|-------------------------------------------------------------|----------------------------------|----------------------------|----------------------|----------------------|
| Revenues, gains (losses), and other support                 |                                  |                            |                      |                      |
| Admissions                                                  | \$ 4,794,693                     | \$ -                       | \$ 4,794,693         | \$ 58,310            |
| Education programs                                          | 264,252                          | -                          | 264,252              | 150,076              |
| Contributions                                               | 2,957,707                        | 6,511,053                  | 9,468,760            | 6,607,361            |
| Donated goods and services                                  | 396,046                          | -                          | 396,046              | -                    |
| Conditional grant (Paycheck Protection Program)             | 13,746                           | -                          | 13,746               | 2,159,151            |
| Government grants                                           | 5,922,015                        | 265,000                    | 6,187,015            | 75,000               |
| Fundraising and special events, net of expenses of \$27,706 | 399,758                          | -                          | 399,758              | 616,338              |
| Co-production/enhancement revenue                           | 2,512,767                        | -                          | 2,512,767            | 344,776              |
| Concessions                                                 | 95,855                           | -                          | 95,855               | -                    |
| Investment income (loss), net                               | (383,159)                        | (595,284)                  | (978,443)            | 904,167              |
| Other income                                                | 622,248                          | -                          | 622,248              | 1,367,058            |
| Net assets released from restrictions                       | <u>2,265,788</u>                 | <u>(2,265,788)</u>         | <u>-</u>             | <u>-</u>             |
| Total revenues, gains (losses), and other support           | <u>19,861,716</u>                | <u>3,914,981</u>           | <u>23,776,697</u>    | <u>12,282,237</u>    |
| Functional expenses                                         |                                  |                            |                      |                      |
| Program services                                            | 15,680,671                       | -                          | 15,680,671           | 6,983,165            |
| General and administrative                                  | 3,499,393                        | -                          | 3,499,393            | 1,983,184            |
| Fundraising                                                 | 1,037,965                        | -                          | 1,037,965            | 923,095              |
| Total functional expenses                                   | <u>20,218,029</u>                | <u>-</u>                   | <u>20,218,029</u>    | <u>9,889,444</u>     |
| Change in net assets                                        | (356,313)                        | 3,914,981                  | 3,558,668            | 2,392,793            |
| Net assets, beginning of year                               | <u>15,000,453</u>                | <u>11,522,167</u>          | <u>26,522,620</u>    | <u>24,129,827</u>    |
| Net assets, end of year                                     | <u>\$ 14,644,140</u>             | <u>\$ 15,437,148</u>       | <u>\$ 30,081,288</u> | <u>\$ 26,522,620</u> |

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



Berkeley Repertory Theatre  
Statement of Functional Expenses  
For the Year Ended August 31, 2022  
(With Comparative Totals for 2021)

|                              | Program<br>Services  | Support Services              |                     | Total Support<br>Services | 2022<br>Total        | 2021<br>Total       |
|------------------------------|----------------------|-------------------------------|---------------------|---------------------------|----------------------|---------------------|
|                              |                      | General and<br>Administrative | Fundraising         |                           |                      |                     |
| Salaries                     | \$ 6,621,979         | \$ 2,010,738                  | \$ 542,908          | \$ 2,553,646              | \$ 9,175,625         | \$ 4,643,994        |
| Employee benefits            | 937,260              | 171,682                       | 92,199              | 263,881                   | 1,201,141            | 1,152,827           |
| Payroll taxes                | 645,732              | 91,887                        | 43,916              | 135,803                   | 781,535              | 334,086             |
| Professional fees            | 683,023              | 116,166                       | 95,496              | 211,662                   | 894,685              | 329,908             |
| Personnel/hiring             | 1,099                | 135,633                       | -                   | 135,633                   | 136,732              | 787                 |
| Travel                       | 366,225              | 15,347                        | 2,511               | 17,858                    | 384,083              | 8,863               |
| Housing                      | 1,310,905            | -                             | -                   | -                         | 1,310,905            | 314,632             |
| Space rental                 | 64,849               | -                             | -                   | -                         | 64,849               | -                   |
| Equipment Rental             | 204,839              | -                             | -                   | -                         | 204,839              | -                   |
| Production materials         | 887,627              | -                             | -                   | -                         | 887,627              | 153,401             |
| Video                        | 177,672              | -                             | -                   | -                         | 177,672              | 334                 |
| Royalties and commissions    | 487,328              | -                             | -                   | -                         | 487,328              | 49,320              |
| Printing                     | 23,424               | -                             | 19,858              | 19,858                    | 43,282               | 25,134              |
| Advertising                  | -                    | 568,876                       | -                   | 568,876                   | 568,876              | 15,506              |
| Insurance                    | 453,201              | 53,726                        | 7,581               | 61,307                    | 514,508              | 228,738             |
| Interest                     | 420,944              | 9,514                         | 9,514               | 19,028                    | 439,972              | 531,824             |
| Supplies                     | 34,527               | 1,802                         | 14,832              | 16,634                    | 51,161               | 24,956              |
| Telephone                    | 68,748               | 11,542                        | 8,531               | 20,073                    | 88,821               | 71,798              |
| Postage                      | 31,058               | 1,639                         | 8,685               | 10,324                    | 41,382               | 9,776               |
| Maintenance                  | 404,760              | 5,943                         | 4,737               | 10,680                    | 415,440              | 225,987             |
| Credit card fees and charges | 217,110              | 54,697                        | 19,306              | 74,003                    | 291,113              | 149,584             |
| Utilities                    | 311,720              | 7,045                         | 7,045               | 14,090                    | 325,810              | 163,744             |
| Miscellaneous                | 354,231              | 221,178                       | 138,868             | 360,046                   | 714,277              | 386,390             |
| Depreciation                 | 972,410              | 21,978                        | 21,978              | 43,956                    | 1,016,366            | 1,067,855           |
|                              | <u>\$ 15,680,671</u> | <u>\$ 3,499,393</u>           | <u>\$ 1,037,965</u> | <u>\$ 4,537,358</u>       | <u>\$ 20,218,029</u> | <u>\$ 9,889,444</u> |

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

Berkeley Repertory Theatre  
Statement of Cash Flows  
For the Year Ended August 31, 2022  
(With Comparative Totals for 2021)

|                                                                                            | <u>2022</u>         | <u>2021</u>          |
|--------------------------------------------------------------------------------------------|---------------------|----------------------|
| Cash flows from operating activities                                                       |                     |                      |
| Change in net assets                                                                       | \$ 3,558,668        | \$ 2,392,793         |
| Adjustments to reconcile change in net assets to net cash provided by operating activities |                     |                      |
| Depreciation                                                                               | 1,016,366           | 1,067,855            |
| Non-cash interest expense                                                                  | 23,376              | 25,324               |
| Realized and unrealized losses (gains) on securities                                       | 1,075,658           | (840,447)            |
| Changes in operating assets and liabilities                                                |                     |                      |
| Accounts receivable                                                                        | 231,310             | (364,458)            |
| Contributions receivable, net                                                              | (3,240,345)         | (973,554)            |
| Prepaid expenses                                                                           | (853,269)           | (436,512)            |
| Deposits                                                                                   | (133,137)           | 15,797               |
| Accounts payable and accrued expenses                                                      | 999,595             | 377,439              |
| Deferred performance revenue                                                               | 1,123,581           | 1,637,604            |
| Executive retirement plan                                                                  | 5,613               | 27,528               |
| Refundable advance                                                                         | (3,343,808)         | 3,036,801            |
| Net cash provided by operating activities                                                  | <u>463,608</u>      | <u>5,966,170</u>     |
| Cash flows from investing activities                                                       |                     |                      |
| Purchase of investments                                                                    | (190,184)           | (89,641)             |
| Proceeds from sale of investments                                                          | 95,926              | 417,155              |
| Purchases of property and equipment and construction in progress payments                  | (21,001,791)        | (6,955,629)          |
| Net cash used in investing activities                                                      | <u>(21,096,049)</u> | <u>(6,628,115)</u>   |
| Cash flows from financing activities                                                       |                     |                      |
| Repayment of line of credit                                                                | -                   | (2,900,000)          |
| Repayment of long-term debt                                                                | (513,626)           | (204,237)            |
| Net cash used in financing activities                                                      | <u>(513,626)</u>    | <u>(3,104,237)</u>   |
| Net decrease in cash                                                                       | (21,146,067)        | (3,766,182)          |
| Cash, cash equivalents and restricted cash, beginning of year                              | <u>26,010,103</u>   | <u>29,776,285</u>    |
| Cash, cash equivalents and restricted cash, end of year                                    | <u>\$ 4,864,036</u> | <u>\$ 26,010,103</u> |
| Cash, cash equivalents and restricted cash consisted of the following:                     |                     |                      |
| Cash and cash equivalents                                                                  | \$ 1,762,514        | \$ 5,338,799         |
| Restricted cash                                                                            | <u>3,101,522</u>    | <u>20,671,304</u>    |
|                                                                                            | <u>\$ 4,864,036</u> | <u>\$ 26,010,103</u> |

Supplemental disclosure of cash flow information

|                                        |              |              |
|----------------------------------------|--------------|--------------|
| Cash paid during the year for interest | \$ 1,516,594 | \$ 1,442,438 |
|----------------------------------------|--------------|--------------|

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

Berkeley Repertory Theatre  
Notes to Financial Statements  
August 31, 2022

1. NATURE OF OPERATIONS

Berkeley Repertory Theatre (the "Organization") is a professional, not-for-profit theatre company founded in 1968. Guided by core values of storytelling, rigor, innovation, equity, discovery, and sustainability, the Organization's mission is to create ambitious theatre that entertains and challenges its audiences, provokes civic engagement, and inspires people to experience the world in new and surprising ways. The Organization performs in its 400-seat thrust stage and its 600-seat proscenium stage in Berkeley, California. Over 5.5 million people have enjoyed nearly 500 shows produced by the Organization, which have gone on to win six Tony Awards, seven Obie Awards, nine Drama Desk Awards, one Grammy Award, one Pulitzer Prize, and many other honors. The Organization received the Tony Award for Outstanding Regional Theatre in 1997. To formalize, enhance, and expand the processes by which the Organization makes theatre, The Ground Floor: Center for the Creation and Development of New Work was launched in 2012. The School of Theatre engages and educates some 20,000 people each year and helps build the audiences of tomorrow with its nationally recognized programs.

In 2020, the Organization launched the Resilience Campaign, a five-year, \$20 million campaign to sustain the Organization through the COVID-19 pandemic and recovery and support the staff and artists behind its work on stage and in the community. As of August 31, 2022, approximately \$15 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 Organization 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 Organization'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 Organization. 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.

Berkeley Repertory Theatre  
Notes to Financial Statements  
August 31, 2022

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 Organization 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, 2022, restricted cash represents bond proceeds for ongoing construction in progress (see Note 10).

Cash deposits

The Organization 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, 2022. Investments received through gifts are recorded at estimated fair value at the date of donation.

Berkeley Repertory Theatre  
Notes to Financial Statements  
August 31, 2022

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 Organization 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 Organization 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 Organization'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 Organization'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.

Management has elected, as a practical expedient, to measure the fair value of investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company, on the basis of the net asset value ("NAV") per share of the investment (or its equivalent) if the NAV of the investment (or its equivalent) is calculated in a manner consistent with the measurement principles of accounting for investment companies as of the entity's measurement date. Management has elected to adopt the practical expedient for its investments in real estate income trust funds.

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 Organization establishes an allowance for doubtful accounts at a level considered adequate to cover anticipated credit losses on outstanding trade accounts receivable. The Organization determined that an allowance for doubtful accounts was not considered necessary at August 31, 2022.

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.

Berkeley Repertory Theatre  
Notes to Financial Statements  
August 31, 2022

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 barriers have been overcome and the right of return or right of release has been 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, 2022, management has determined that no allowance for uncollectible contributions was required.

Contributed goods and services

Contributed materials and equipment are reflected as contributions in the accompanying statements at their estimated fair values at date of receipt. Contributed services are reflected in the financial statements at the fair value of the services received. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. The Organization received contributed goods of \$396,046 for the year ended August 31, 2022. There were no contributed services meeting the criteria above received during the year ended August 31, 2022.

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 Organization 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 Organization, 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 Organization, 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.

Berkeley Repertory Theatre  
Notes to Financial Statements  
August 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Net assets with donor restrictions

As of August 31, 2022, net assets with donor restrictions of \$12,276,368 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, 2022, net assets with donor restrictions of \$3,160,780 are generally restricted by the donors for investment in perpetuity as an endowment. The terms of certain of the Organization'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 Organization occasionally enters into collaborative agreements with other artistic producers relating to specific productions in which the Organization 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 co-production or enhancement funds from the other party to pay for a portion of direct expenses. Co-production and enhancement funds received in advance of the production are included in deferred performance revenue and recognized as co-production/enhancement revenue at the time the related production begins.

Berkeley Repertory Theatre  
Notes to Financial Statements  
August 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Admissions

The Organization'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 Organization recognizes such admissions revenue when the performance has taken place. Concession revenues are recognized upon transfer of goods to the patrons. The Organization 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 Organization offers multiple subscription packages, whereby patrons can pay a subscription fee to receive a credit for use towards a future ticket purchase for the Organization's productions. The Organization records the subscription program fees as deferred performance revenue and records admissions revenues as the credits are redeemed for tickets or passage of time.

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 program services, general and administrative, and fundraising classifications on the basis of space usage and on estimates made by the Organization's management.

Income tax

The Organization 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.



Berkeley Repertory Theatre  
Notes to Financial Statements  
August 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

The Organization 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, 2022, the Organization does not have any significant uncertain tax positions for which a reserve would be necessary. The Organization files United States of America ("U.S.") federal, and U.S. state tax returns. For U.S. state tax returns, the Organization is generally no longer subject to tax examinations for years prior to 2016. For U.S. federal tax returns, the Organization is no longer subject to tax examination for years prior to 2017.

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

The Organization 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 Organization's account balances and the amounts reported in the statement of financial position.

The Organization 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 Organization'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.

Berkeley Repertory Theatre  
Notes to Financial Statements  
August 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Organization's financial statements as of and for the year ended August 31, 2021, from which the summarized information was derived.

Reclassifications

Certain amounts presented in the prior year financial statements have been reclassified to conform to the current year presentation. Such reclassifications had no net effect on total assets, liabilities, net assets, changes in net assets, or cash flows from the amount previously presented.

Change in accounting principle

In September 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-07, Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets. The standard requires nonprofit organizations to expand their financial statement presentation and disclosure of contributed nonfinancial assets, including in-kind contributions. The standard includes disclosure of information on an entity's policies on contributed nonfinancial assets about monetization and utilization during the reporting period, information on donor-imposed restrictions, and valuation techniques. The Organization adopted ASU 2020-07 with a date of the initial application of October 1, 2021 using the full retrospective method.

3. CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following:

|                                       |                            |
|---------------------------------------|----------------------------|
| Due in less than one year             | \$ 2,989,307               |
| Due in one to five years              | 5,888,639                  |
| Due in more than five years           | 851,504                    |
| Discounts on contributions receivable | <u>(553,040)</u>           |
|                                       | 9,176,410                  |
| Less current portion                  | <u>(2,989,307)</u>         |
|                                       | <u><u>\$ 6,187,103</u></u> |

Contributions receivable expected to be collected in more than one year from August 31, 2022 are discounted at a rate of return respective to the year that the contribution was originally promised. Contributions receivable are recorded using a discount rate ranging from 0.28% to 3.30%.

Berkeley Repertory Theatre  
Notes to Financial Statements  
August 31, 2022

3. CONTRIBUTIONS RECEIVABLE (continued)

As of August 31, 2022, current contributions receivable was comprised of approximately \$2,866,000 and \$123,000 of restricted and unrestricted contributions, respectively.

4. INVESTMENTS

Investments consisted of the following:

|                       |                     |
|-----------------------|---------------------|
| Operating investments | \$ 111,776          |
| Long-term investments | 416,337             |
| Endowment investments | <u>4,339,445</u>    |
|                       | <u>\$ 4,867,558</u> |

Investments consisted of the following:

|                             |                     |
|-----------------------------|---------------------|
| Fixed income                | \$ 389,858          |
| Mutual funds                | 1,401,349           |
| Stocks and options          | 1,230,432           |
| Exchange traded funds       | 1,124,080           |
| Alternative strategies fund | <u>721,839</u>      |
|                             | 4,867,558           |
| Less current investments    | <u>(111,776)</u>    |
|                             | <u>\$ 4,755,782</u> |

Investment loss, net consisted of the following:

|                                    |                     |
|------------------------------------|---------------------|
| Interest and dividends             | \$ 141,440          |
| Net realized and unrealized losses | (1,075,658)         |
| Investment management fees         | <u>(44,225)</u>     |
|                                    | <u>\$ (978,443)</u> |

Berkeley Repertory Theatre  
Notes to Financial Statements  
August 31, 2022

5. FAIR VALUE MEASUREMENTS

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of August 31, 2022:

|                                         | Level 1             | Level 2     | Level 3     | Fair Value          |
|-----------------------------------------|---------------------|-------------|-------------|---------------------|
| Fixed income                            | \$ 389,858          | \$ -        | \$ -        | \$ 389,858          |
| Mutual Funds                            | 1,401,349           | -           | -           | 1,401,349           |
| Stocks and options                      | 1,230,432           | -           | -           | 1,230,432           |
| Exchange traded funds                   | 1,124,080           | -           | -           | 1,124,080           |
|                                         | <u>\$ 4,145,719</u> | <u>\$ -</u> | <u>\$ -</u> | 4,145,719           |
| Investments measured at net asset value |                     |             |             | 721,840             |
|                                         |                     |             |             | <u>\$ 4,867,559</u> |

\* In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) as a practical expedient to fair value have not been classified in the fair value hierarchy. This investment represents the real estate income trust fund. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of financial position.

6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

|                                 |                      |
|---------------------------------|----------------------|
| Land                            | \$ 2,802,299         |
| Building and improvements       | 37,865,525           |
| Production equipment            | 3,146,689            |
| Office and facilities equipment | 946,918              |
| Software                        | 272,039              |
| Construction in progress        | 35,396,552           |
|                                 | 80,430,022           |
| Accumulated depreciation        | (19,761,002)         |
|                                 | <u>\$ 60,669,020</u> |

Depreciation expense totaled \$1,016,366 for the year ended August 31, 2022.

7. DEPOSITS

As of August 31, 2022, deposits of \$193,163 consist of insurance deposits, advances to general contractor, and an Actors' Equity bond deposit.

Berkeley Repertory Theatre  
Notes to Financial Statements  
August 31, 2022

8. DEFERRED PERFORMANCE REVENUE

Deferred performance revenue consisted of the following:

|                                            |                            |
|--------------------------------------------|----------------------------|
| Deferred performance revenue               | \$ 3,178,891               |
| Deferred co-production/enhancement revenue | 1,308,350                  |
| Deferred gift certificates                 | 71,951                     |
| Other deferred income                      | <u>161,673</u>             |
|                                            | <u><u>\$ 4,720,865</u></u> |

9. CREDIT FACILITY

The Organization 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 Organization, of either the Prime rate or AMERIBOR plus 2.35%. As of August 31, 2022, there was no outstanding balance on the line of credit.

10. LONG-TERM DEBT

On March 1, 2019, the Organization 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, 2022, \$5,238,505, \$27,157,074 and \$4,615,822 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 Organization 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 \$5,264,587 as of August 31, 2022.

Berkeley Repertory Theatre  
Notes to Financial Statements  
August 31, 2022

10. LONG-TERM DEBT (continued)

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

| <u>Year ending August 31,</u> |    |                             |
|-------------------------------|----|-----------------------------|
| 2023                          | \$ | 968,246                     |
| 2024                          |    | 999,233                     |
| 2025                          |    | 1,038,080                   |
| 2026                          |    | 1,074,950                   |
| 2027                          |    | 1,113,149                   |
| Thereafter                    |    | <u>37,082,330</u>           |
|                               |    | 42,275,988                  |
| Less: debt issuance cost      |    | <u>(619,463)</u>            |
| Long-term debt, net           |    | 41,656,525                  |
| Current portion               |    | <u>(968,246)</u>            |
|                               |    | <u><u>\$ 40,688,279</u></u> |

Under the terms of the debt obligations and related credit line, the Organization has agreed to maintain specific financial covenants. For the year ended August 31, 2022, the Organization received a waiver for failing to meet certain covenants.

During the year ended August 31, 2022, the Organization incurred \$1,533,382 of interest, of which \$1,093,410 was capitalized and reported as additions to the construction in progress account after a reduction by \$25,212 for interest received on the loan proceeds maintained in the bank. Net interest reported as expense for the year ended August 31, 2022 was \$439,972.

Berkeley Repertory Theatre  
Notes to Financial Statements  
August 31, 2022

11. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

|                                                                                                                                                                                |                      |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|
| Subject to expenditure for specified purpose:                                                                                                                                  |                      |
| Strategic initiatives                                                                                                                                                          | \$ 1,473,504         |
| Resilience campaign                                                                                                                                                            | 6,801,850            |
| All others                                                                                                                                                                     | <u>375,207</u>       |
|                                                                                                                                                                                | <u>8,650,561</u>     |
| Subject to passage of time:                                                                                                                                                    |                      |
| For the period September 1, 2022 to August 31, 2023                                                                                                                            | 1,268,283            |
| For the periods after August 31, 2023                                                                                                                                          | <u>2,308,767</u>     |
|                                                                                                                                                                                | <u>3,577,050</u>     |
| Subject to spending policy and appropriation - investment in perpetuity<br>(including original gift amount of \$3,396,564), the income from which is<br>expendable to support: |                      |
| Donor-restricted endowment funds                                                                                                                                               | 3,160,780            |
| Unappropriated endowment earnings                                                                                                                                              | <u>48,757</u>        |
|                                                                                                                                                                                | <u>3,209,537</u>     |
|                                                                                                                                                                                | <u>\$ 15,437,148</u> |

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

|                                            |                     |
|--------------------------------------------|---------------------|
| Expiration of time restrictions            | \$ 1,489,223        |
| Released for other purposes                | 38,892              |
| Released for strategic initiatives         | 474,500             |
| Approved expenditure of endowment earnings | 213,173             |
| Released from resilience campaign          | <u>50,000</u>       |
|                                            | <u>\$ 2,265,788</u> |

12. ENDOWMENT

The Organization's endowment consists of 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.

Berkeley Repertory Theatre  
Notes to Financial Statements  
August 31, 2022

12. ENDOWMENT (continued)

Interpretation of relevant law

The Organization's Board of Trustees has interpreted the California enacted version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as allowing the Organization to appropriate for expenditure or accumulate so much of an endowment fund as the Organization 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 Organization 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 Organization
- (7) The investment policies of the Organization

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 Organization to retain as a fund of perpetual duration. At August 31, 2022, three funds with original gift values of \$2,192,683, fair values of \$1,956,899 and deficiencies of \$235,784 were reported in net assets with donor restrictions. These deficiencies resulted from unfavorable market fluctuations for the donor-restricted endowment funds.



Berkeley Repertory Theatre  
Notes to Financial Statements  
August 31, 2022

12. ENDOWMENT (continued)

Return objectives and risk parameters

The Organization 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 Organization 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 Organization 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 Organization 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 Organization 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 Organization targets a diversified portfolio of equities, fixed income and cash equivalents.

Spending policy and how the investment objectives related to spending policy

The Organization has a policy of appropriating for distribution each year at most 5.00% of its endowment fund's average fair value over the previous 12 quarters; the expected distribution will be based on a target of 1.25% per quarter (5.00% per year). In establishing this policy, the Organization considered the long-term expected return on its endowment. This is consistent with the Organization'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:

|                                  | <u>Without Donor<br/>Restrictions</u> | <u>With Donor<br/>Restrictions</u> | <u>Total</u>        |
|----------------------------------|---------------------------------------|------------------------------------|---------------------|
| Donor-restricted endowment funds | \$ -                                  | \$ 3,209,537                       | \$ 3,209,537        |
| Board-designated endowment funds | <u>1,129,908</u>                      | <u>-</u>                           | <u>1,129,908</u>    |
|                                  | <u>\$ 1,129,908</u>                   | <u>\$ 3,209,537</u>                | <u>\$ 4,339,445</u> |

Berkeley Repertory Theatre  
Notes to Financial Statements  
August 31, 2022

12. ENDOWMENT (continued)

Endowment composition (continued)

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

|                                               | <u>Without Donor<br/>Restrictions</u> | <u>With Donor<br/>Restrictions</u> | <u>Total</u>        |
|-----------------------------------------------|---------------------------------------|------------------------------------|---------------------|
| Balance, August 31, 2021                      | \$ 1,602,536                          | \$ 4,017,994                       | \$ 5,620,530        |
| Investment loss                               |                                       |                                    |                     |
| Investment income                             | 35,233                                | 89,629                             | 124,862             |
| Net depreciation (realized and<br>unrealized) | <u>(276,786)</u>                      | <u>(684,913)</u>                   | <u>(961,699)</u>    |
| Total investment return                       | (241,553)                             | (595,284)                          | (836,837)           |
| Contributions                                 | 84,198                                | -                                  | 84,198              |
| Appropriation of net assets                   | (499,334)                             | (29,112)                           | (528,446)           |
| Transfer to board reserve                     | <u>184,061</u>                        | <u>(184,061)</u>                   | <u>-</u>            |
|                                               | <u>(472,628)</u>                      | <u>(808,457)</u>                   | <u>(1,281,085)</u>  |
| Balance, August 31, 2022                      | <u>\$ 1,129,908</u>                   | <u>\$ 3,209,537</u>                | <u>\$ 4,339,445</u> |

13. COMMITMENTS AND CONTINGENCIES

The Organization leases office equipment under non-cancelable operating leases. The terms of the agreements expire on various dates through October 2026.

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

| <u>Year ending August 31,</u> |                   |
|-------------------------------|-------------------|
| 2023                          | \$ 36,146         |
| 2024                          | 29,568            |
| 2025                          | 26,913            |
| 2026                          | 18,948            |
| 2027                          | <u>3,158</u>      |
|                               | <u>\$ 114,733</u> |

Total lease expense for the year ended August 31, 2022 was \$313,032.

Berkeley Repertory Theatre  
Notes to Financial Statements  
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14. RETIREMENT PLANS

Effective September 1, 1996, the Organization 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 Organization determines the amount (if any) to be contributed to the Plan by the Organization. Employer contributions totaled \$176,720 the Plan for the plan year ended August 31, 2022.

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

In 2014, the Organization 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. U.S. GAAP 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, 2022. The remaining deferred compensation accrued as of August 31, 2022 was \$156,353. As of August 31, 2022, \$156,353 was held in money market accounts and equity funds for the purpose of funding this deferred compensation obligation.

15. RELATED PARTY

During 2022, the Organization recognized contributions, including promises to give and gifts-in-kind, from members of its Board of Trustees of approximately \$6,215,146. As of August 31, 2022, there was \$6,974,249 in contributions receivable from members of the Board of Trustees. Amounts received during the year from members of the Board of Trustees were \$1,982,576 including payments received against promises to give that existed at August 31, 2021.

16. DONATED GOODS AND SERVICES

Donated goods and services consisted of the following:

|                                       |                   |
|---------------------------------------|-------------------|
| Artist hotel room discount            | \$ 366,390        |
| Catering services                     | 11,700            |
| Food, drinks and other goods for Gala | 16,006            |
| Props and paint                       | <u>1,950</u>      |
|                                       | <u>\$ 396,046</u> |

All donated goods and services received for the year ended August 31, 2022, were considered without donor restrictions.

Berkeley Repertory Theatre  
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17. CITY OF BERKELEY DONATION

In March 2001, the Organization 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 Organization sold the completed property to the City for \$4 million and leases it back for \$1 annually. The Organization 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 Organization 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 Organization's financial statements.

18. PAYCHECK PROTECTION PROGRAM LOAN

On April 18, 2020, the Organization 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 Organization 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. On July 30, 2021, Signature Bank notified the Organization that the loan and all accrued interest was fully forgiven by the SBA.

On March 17, 2021, the Organization received second loan proceeds of \$1,837,877 from a promissory note issued by Signature Bank, under the second round of PPP. The term on the loan was five years and the annual interest rate was 1.00%. If the Organization submits to lender a loan forgiveness application within 10 months following the end of the loan forgiveness covered period, the Organization 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 Organization. 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 Organization initially recorded the loan as a refundable advance and subsequently recognized grant revenue. The Organization recorded \$1,837,877 of the loan proceeds as a contribution during its fiscal year ended August 31, 2021. On December 16, 2021, Signature Bank notified the Organization that the second loan and all accrued interest was fully forgiven by the SBA. The Organization recorded \$13,746 of forgiven accrued interest as a contribution during the fiscal year ended August 31, 2022.

Berkeley Repertory Theatre  
Notes to Financial Statements  
August 31, 2022

19. SHUTTERED VENUE OPERATORS GRANT

On July 14, 2021 the Organization received grant proceeds of \$3,335,384 under the Shuttered Venue Operation Grant ("SVOG") agreement granted by the SBA. 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 Organization 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. On September 24, 2021, the Organization applied for a supplemental award of \$2,586,631, which was approved and increased the total award amount under the SVOG to \$5,922,015. Under the terms of the grant, the Organization was allowed to utilize the funds for qualifying expenditures of the program during the period September 1, 2021 through August 31, 2022, and recognized the entirety of the received funds as revenue during the year ended August 31, 2022 as government grant revenue in the accompanying statement of activities.

20. EMPLOYEE RETENTION CREDIT

The Employee Retention Tax Credit ("ERC"), a refundable tax credit against certain employment taxes allowed to an eligible employer for qualifying wages, was established by the CARES Act and was subsequently amended through additional legislation. The tax credit is equal to 50% of the qualified wages, up to \$10,000 per employee, an employer whose business has been financially impacted by COVID-19 pays to employees after March 12, 2020, and before January 1, 2022. The Organization determined it was eligible to apply for the ERC and calculated a total ERC of \$41,552 for the wages paid during the period September 1, 2021 through December 31, 2021. As the ERC refund relates to salaries and wages paid during year ended August 31, 2021 and as the Organization has satisfied all conditions of the program, the Organization has recognized income for the calculated ERC for the year ended August 31, 2021.

21. LIQUIDITY AND FUNDS AVAILABLE

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

Berkeley Repertory Theatre  
Notes to Financial Statements  
August 31, 2022

21. LIQUIDITY AND FUNDS AVAILABLE (continued)

The following is a quantitative disclosure which describes assets that are available within one year of August 31, 2022 to fund general expenditures and other obligations when they become due:

|                                                                     |                     |
|---------------------------------------------------------------------|---------------------|
| Financial assets                                                    |                     |
| Cash and cash equivalents                                           | \$ 1,762,514        |
| Investments                                                         | 111,776             |
| Investments, noncurrent                                             | 4,755,782           |
| Accounts receivable                                                 | 208,293             |
| Contributions receivable, current portion                           | <u>2,989,307</u>    |
|                                                                     | <u>9,827,672</u>    |
| Less: amounts unavailable for general expenditures within one year: |                     |
| Donor-restricted endowment funds                                    | (3,209,537)         |
| Board designated funds                                              | <u>(1,129,908)</u>  |
|                                                                     | <u>(4,339,445)</u>  |
|                                                                     | <u>\$ 5,488,227</u> |

Some of the Organization'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 Organization 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 Organization 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 21, 2022 the Organization extended its line of credit in the amount of \$3,000,000 with Signature Bank, maturing on January 31, 2024, at an interest rate per annum of either the Prime Rate or AMERIBOR plus 2.35%, as chosen by the Organization.

On December 6, 2022 the Organization amended its line of credit with Signature Bank, increasing the amount from \$3,000,000 to \$5,000,000. As a result of the increase, the Organization was subject to a mandatory prepayment on February 28, 2023 for any amount exceeding \$3,000,000 on the line of credit. Once the prepayment is made by this date, the line of credit will be reduced to \$3,000,000.

On February 28, 2023 the Organization amended its line of credit with Signature Bank, increasing the amount to \$5,000,000 through the end of the term.

Berkeley Repertory Theatre  
Notes to Financial Statements  
August 31, 2022

22. SUBSEQUENT EVENTS (continued)

On March 12, 2023, Signature Bank was closed by the New York State Department of Financial Services and the Federal Deposit Insurance Corporation ("FDIC") was appointed as receiver. The FDIC immediately established Signature Bridge Bank, N.A. On March 20, 2023 certain deposits and loans of Signature Bridge Bank were assumed by New York Community Bancorp and absorbed by its Flagstar Bank subsidiary. All of the Organization's accounts and loans were part of the acquisition.

The Organization has evaluated subsequent events through March 31, 2023, 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 Organization's financial statements.

SINGLE AUDIT REPORTS AND SCHEDULES



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Berkeley Repertory Theatre (the "Organization"), which comprise the statement of financial position as of August 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated March 31, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Armanino<sup>LLP</sup>  
San Ramon, California

March 31, 2023

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY  
THE UNIFORM GUIDANCE

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

### **Report on Compliance for Each Major Federal Program**

#### **Opinion on Each Major Federal Program**

We have audited Berkeley Repertory Theatre (the "Organization")'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended August 31, 2022. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2022.

#### **Basis for Opinion on Each Major Federal Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

#### **Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.

## **Auditor’s Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization’s compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization’s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Organization’s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization’s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Report on Internal Control Over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weakness or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Armanino LLP". The signature is written in a cursive, flowing style.

Armanino<sup>LLP</sup>  
San Ramon, California

March 31, 2023

Berkeley Repertory Theatre  
Schedule of Expenditures of Federal Awards  
For the Year Ended August 31, 2022

| Federal Grantor/Pass-Through Grantor/<br>Program or Cluster Title | Assistance<br>Listing | Pass-Through<br>Entity<br>Identifying<br>Number | Total Federal<br>Expenditures |
|-------------------------------------------------------------------|-----------------------|-------------------------------------------------|-------------------------------|
| <u>Expenditures of Federal Awards</u>                             |                       |                                                 |                               |
| Small Business Administration                                     |                       |                                                 |                               |
| Direct awards                                                     |                       |                                                 |                               |
| Shuttered Venue Operators Grant                                   | 59.075                |                                                 | \$ <u>5,922,015</u>           |
| Pass-through program from:                                        |                       |                                                 |                               |
| Total Small Business Administration                               |                       |                                                 | <u>5,922,015</u>              |
| Total Expenditures of Federal Awards                              |                       |                                                 | <u><u>\$ 5,922,015</u></u>    |

The accompanying notes to the Schedule of Expenditures of Federal Awards  
are an integral part of this schedule.

Berkeley Repertory Theatre  
Notes to Schedule of Expenditures of Federal Awards  
August 31, 2022

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Berkeley Repertory Theatre (the "Organization") under programs of the federal government for the year ended August 31, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or limited as to reimbursement. Pass-through entity identifying numbers are presented where available and applicable.

Berkeley Repertory Theatre  
 Schedule of Findings and Questioned Costs  
 For the Year Ended August 31, 2022

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

|                                                                                           |               |
|-------------------------------------------------------------------------------------------|---------------|
| Type of auditor's report issued:                                                          | Unmodified    |
| Internal control over financial reporting:                                                |               |
| Material weakness(es) identified?                                                         | No            |
| Significant deficiency(ies) identified that are not considered to be material weaknesses? | None reported |
| Noncompliance material to financial statements noted?                                     | No            |

Federal Awards

|                                                                                                    |               |
|----------------------------------------------------------------------------------------------------|---------------|
| Internal control over major programs:                                                              |               |
| Material weakness(es) identified?                                                                  | No            |
| Significant deficiency(ies) identified that are not considered to be material weaknesses?          | None reported |
| Type of auditor's report issued on compliance for major programs:                                  | Unmodified    |
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No            |
| Identification of major programs:                                                                  |               |

| <u>Name of Federal Program or Cluster</u>                               | <u>Assistance Listing</u> |
|-------------------------------------------------------------------------|---------------------------|
| Shuttered Venue Operators Grant                                         | 59.075                    |
| Dollar threshold used to distinguish between Type A and Type B programs | \$750,000                 |
| Auditee qualified as low-risk auditee?                                  | No                        |



Berkeley Repertory Theatre  
Schedule of Findings and Questioned Costs  
For the Year Ended August 31, 2022

SECTION II - SUMMARY OF FINANCIAL STATEMENT FINDINGS

There are no financial statement findings to be reported.

SECTION III - SUMMARY OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no federal award findings to be reported.

Berkeley Repertory Theatre  
Summary Schedule of Prior Audit Findings  
For the Year Ended August 31, 2022

There were no prior year findings.