



# **Aurora Theatre Company**

## **Financial Statements**

**For the Year Ended  
July 31, 2021**  
With Independent Auditors' Report Thereon

# AURORA THEATRE COMPANY

(A California Not-for-Profit Corporation)

## Management's Discussion and Analysis of Financial Information

As a result of the Covid-19 pandemic, The Aurora Theatre Company suspended live performances in March 2020. Earned income dropped from \$512,404 in the fiscal year ending July 31, 2020, to \$128,969 in the fiscal year ending July 31, 2021. Contributed income, exclusive of government grants, dropped from \$1,273,911 to \$909,265 in the same period. In total, earned and contributed revenue—exclusive of government grants—shrank \$748,081 year-over-year.

Readers of these financial statements are directed to the Statement of Functional Expenses (Page 5) for category-by-category detail regarding the expense reductions undertaken in response to Covid shut-downs. Fully sixty-six percent (66%) of the total year-over-year decrease in expenses is attributable to the suspension of live performances. These savings will not recur.

Beginning in April 2020, the Aurora received assistance from two important employment support programs. Taken together, these two—The Paycheck Protection Program (PPP) and the Employee Retention Credit (ERC)—account for \$371,166 of the year-over-year increase in Government Grants. Neither of these two employee-focused programs is expected to recur.

Additionally, Management has no expectation that any of the Covid-related state and local assistance programs from which the theatre has also benefited will recur.

In the closing weeks of the fiscal year ending July 31, 2021, the Aurora received \$684,519 in Shuttered Venue Operators Grant (SVOG) funding. As outlined in Footnote 14, sixty-nine percent (69%) of this funding was recognized in the fiscal year ending July 31, 2021. The remainder will be recognized during the fiscal year ending July 21, 2022.

Please note: While the Aurora did receive a supplemental SVOG grant in October 2021 (see footnote 21), the Shuttered Venues program has ended. There are no plans to revive it.

The non-recurring governmental assistance programs that have sustained the Aurora since its stage went dark in 2020 are complex and inter-leaved. The rules governing each of them have changed more than once. As a result, Management has not had the luxury of certainty regarding the support for which it applied until long after spending decisions had to be made. Generally speaking, revenue has trailed related expenses by months. As a result, the effects of these life-line programs echo through three years of financial statements—the fiscal years ending July 31, 2020, 2021, and 2022.

Management strongly advises readers to use a multi-year lens, rather than a single year lens, when evaluating the financial condition of the organization. Doing so will provide the most accurate picture of where the Aurora stands as it emerges from the pandemic.

# AURORA THEATRE COMPANY

(A California Not-for-Profit Corporation)

## Mission and Values Statement

As the storyteller for our community, Aurora Theatre Company inspires new audiences and longtime theatre lovers alike with the visceral power of live theatre. Our venues, the most intimate professional stages in the Bay Area, highlight great acting, nuanced language, and an immediacy that makes for exhilarating theatre. By telling profoundly relevant stories, we're building a new culture of theatregoing in the Bay Area and contributing to a revitalization of theatre nationwide, challenging all of us to think deeper, laugh louder, and engage more purposefully and profoundly with our neighbors and our world.

- We commit ourselves to championing racial justice, to better embodying anti-racist practices, and to confronting and dismantling oppression (including but not limited to racism, sexism, ableism, homophobia, transphobia, ageism, xenophobia, and religious intolerance) in everything we do.
- We recognize that Aurora Theatre Company is located on land that was stolen from the Chochenyo Ohlone people. Our community has benefited from this land, and we owe the Ohlone people a collective debt.
- We value Bay Area theatre artists for their excellence, for their engagement, and for the local authenticity they bring to our productions.
- We value the great plays of the past for the way their lessons resonate with today's issues, and new plays for the way they move today's conversations forward.

## History and Background

In 1992, Bay Area actor/director Barbara Oliver gathered local artists to form a professional theatre that would produce plays with words, ideas, and people as the focus of each production. Today, Aurora Theatre Company has "risen to become one of the most important regional theatres in the area" and a "must-see midsize theatre" (San Francisco Chronicle). In a normal year, Aurora hosts a six-play production season of over 200 performances in its Downtown Berkeley Arts District home. In the 150-seat Alafi Auditorium and 49-seat Harry's UpStage, patrons are never more than 15 feet away from the stage. The seasons are an eclectic mix of cutting edge contemporary pieces, reimagined classics, and brand-new work. Aurora fosters the development of new plays through Originate+Generate, an extensive commissioning and new play development program.

Joining Managing Director Julie Saltzman, Kellner, Josh Costello took the helm in 2019 as Aurora's third Artistic Director, following Tom Ross's 15-year tenure in the role. Costello is committed to upholding Aurora's legacy, expanding new work development, growing Aurora's student matinee program, and also launching initiatives -- such as a Community Partners Program -- that reach more diverse audiences and ground Aurora even more firmly in the Bay Area community.

Aurora has built an outstanding reputation in the Bay Area's arts community as a theatre which presents relevant programming, maintains a bold artistic vision, operates with integrity, treats staff and artists fairly, and attracts the continued loyal support of its donors and audience members. Entering its thirtieth year of operation, Aurora has received many accolades from audiences and critics. Its productions have garnered many regional awards, including "Best Of" accolades in every major Bay Area daily newspaper. The Wall Street Journal has "nothing but praise for the Aurora," while The Contra Costa Times stated, "perfection is probably an unattainable ideal in a medium as fluid as live performance, but Aurora Theatre comes luminously close."

## Board of Directors and Management Team

| Name                     | Position          | Name          | Position                  |
|--------------------------|-------------------|---------------|---------------------------|
| Joan Catherine Braun     | President         | Lance Gardner | Member                    |
| Kitt Shute               | Vice President    | Rosalind Kim  | Member                    |
| Rebecca Parlette-Edwards | Treasurer         | Ellen Levine  | Member                    |
| George Hisert            | Secretary         | Craig Moody   | Member                    |
|                          |                   | Ed Schneider  | Member                    |
| Gertrude E. Allen        | Member            | Kinman Tong   | Member                    |
| Elizabeth Burwell        | Member            | Tom Worth     | Member                    |
| Josh Costello            | Artistic Director | Sharon Dolan  | Interim Managing Director |

# AURORA THEATRE COMPANY

(A California Not-for-Profit Corporation)

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**AURORA THEATRE COMPANY**  
2081 Addison Street  
Berkeley, California 94704  
(510) 843-4822; Fax (510) 843-4826  
Web Site Address: [www.auroratheatre.org](http://www.auroratheatre.org)



**INDEPENDENT AUDITORS' REPORT**

The Board of Directors  
Aurora Theatre Company

We have audited the accompanying financial statements of Aurora Theatre Company (a California nonprofit organization) which comprise the statement of financial position as of July 31, 2021 and the related statements of activities and changes in net assets, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

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

***Auditors' Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Aurora Theatre Company as of July 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

We have previously audited Aurora Theatre Company's July 31, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 24, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended July 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Danville, California  
December 17, 2021

**AURORA THEATRE COMPANY****Statements of Financial Position  
July 31, 2021 and 2020****Assets**

|                               | <b>Total<br/>2021</b> | <b>Total<br/>2020</b> |
|-------------------------------|-----------------------|-----------------------|
| Current Assets:               |                       |                       |
| Cash and cash equivalents     | \$ 1,088,238          | \$ 318,570            |
| Investments                   | 341,230               | 149,381               |
| Accounts receivable           | -                     | 19,209                |
| Grants and pledges receivable | 225,246               | 12,430                |
| Deposits                      | 25,564                | 25,564                |
| Prepaid expenses              | 83,922                | 29,129                |
| Total current assets          | <u>1,764,200</u>      | <u>554,283</u>        |
| Noncurrent Assets:            |                       |                       |
| Property and equipment, net   | 1,873,450             | 1,970,950             |
| Right of use asset - premises | -                     | 98,718                |
| Total noncurrent assets       | <u>1,873,450</u>      | <u>2,069,668</u>      |
| Total assets                  | <u>\$ 3,637,650</u>   | <u>\$ 2,623,951</u>   |

**Liabilities and Net Assets**

|   |                     |                     |
|---|---------------------|---------------------|
| Current Liabilities:                        |                     |                     |
| Accounts payable and accrued liabilities    | \$ 144,486          | \$ 72,255           |
| Advance ticket sales                        | 321,036             | 67,150              |
| Unearned income                             | 7,098               | 7,114               |
| Lease liability - current portion           | -                   | 119,180             |
| Refundable advances                         | 209,519             | 156,400             |
| Total current liabilities                   | <u>682,139</u>      | <u>422,099</u>      |
| Net Assets:                                 |                     |                     |
| Without donor restrictions:                 |                     |                     |
| Undesignated - operating activities         | 1,576,917           | 647,860             |
| Board designated - capital improvements     | 1,326,023           | 1,423,523           |
| Total net assets without donor restrictions | <u>2,902,940</u>    | <u>2,071,383</u>    |
| With donor restrictions:                    |                     |                     |
| Time or purpose                             | 27,571              | 105,469             |
| In perpetuity                               | 25,000              | 25,000              |
| Total net assets with donor restrictions    | <u>52,571</u>       | <u>130,469</u>      |
| Total net assets                            | <u>2,955,511</u>    | <u>2,201,852</u>    |
| Total liabilities and net assets            | <u>\$ 3,637,650</u> | <u>\$ 2,623,951</u> |

## AURORA THEATRE COMPANY

### Statement of Activities and Changes in Net Assets For the Year Ended July 31, 2021 *(with Summarized Financial Information for the Year Ended July 31, 2020)*

|  | 2021                                 |                                   |              |              |
|--|--------------------------------------|-----------------------------------|--------------|--------------|
|  | Net Assets                           |                                   | Totals       |              |
|  | <i>Without Donor</i><br>Restrictions | <i>With Donor</i><br>Restrictions | 2021         | 2020         |
| <b>Changes in net assets:</b>  |                                      |                                   |              |              |
| <i>Contributed income:</i>   |                                      |                                   |              |              |
| Individuals  | \$ 358,186                           | \$ 375                            | \$ 358,561   | \$ 433,870   |
| Board of directors   | 242,680                              | 1,100                             | 243,780      | 186,930      |
| Bequests   | 180,064                              | -                                 | 180,064      | -            |
| Foundations  | 93,500                               | 24,000                            | 117,500      | 375,617      |
| Corporate  | 3,765                                | -                                 | 3,765        | 8,289        |
| Government grants  | 915,899                              | -                                 | 915,899      | 35,900       |
| In-kind contributions  | 5,595                                | -                                 | 5,595        | 238,409      |
| Special events   | -                                    | -                                 | -            | 30,796       |
| Total contributed income   | 1,799,689                            | 25,475                            | 1,825,164    | 1,309,811    |
| <i>Earned revenue:</i>   |                                      |                                   |              |              |
| Subscriptions / memberships  | 108,087                              | -                                 | 108,087      | 290,418      |
| Single and other ticket sales  | 12,540                               | -                                 | 12,540       | 208,113      |
| Concessions and other  | 8,342                                | -                                 | 8,342        | 13,873       |
| Total earned revenue   | 128,969                              | -                                 | 128,969      | 512,404      |
| <i>Net assets released from restrictions:</i>  |                                      |                                   |              |              |
| Satisfaction by passage of time  | 115,000                              | (115,000)                         | -            | -            |
| Satisfaction of program and related restrictions                                     | 1,080                                | (1,080)                           | -            | -            |
| Total net assets released  | 116,080                              | (116,080)                         | -            | -            |
| Total revenue and support  | 2,044,738                            | (90,605)                          | 1,954,133    | 1,822,215    |
| <i>Expenses:</i>   |                                      |                                   |              |              |
| Performances and production  | 753,259                              | -                                 | 753,259      | 1,273,863    |
| General and administrative   | 211,435                              | -                                 | 211,435      | 403,191      |
| Fundraising  | 150,920                              | -                                 | 150,920      | 225,213      |
| Total expenses   | 1,115,614                            | -                                 | 1,115,614    | 1,902,267    |
| <i>Increase (decrease) in net assets before investment earnings and depreciation</i> |                                      |                                   |              |              |
| Investment earnings and depreciation   | 929,124                              | (90,605)                          | 838,519      | (80,052)     |
| Interest and dividends   | 2,885                                | -                                 | 2,885        | 4,551        |
| Realized gains on investments  | 345                                  | -                                 | 345          | 39           |
| Unrealized gains on investments  | 9,410                                | -                                 | 9,410        | 2,352        |
| Total investment income  | 12,640                               | -                                 | 12,640       | 6,942        |
| Depreciation and amortization expense  | 97,500                               | -                                 | 97,500       | 99,388       |
| Increase (decrease) in net assets  | 844,264                              | (90,605)                          | 753,659      | (172,498)    |
| Net assets at beginning of year  | 2,071,383                            | 130,469                           | 2,201,852    | 2,374,350    |
| Reclassification of restricted net assets  | (12,707)                             | 12,707                            | -            | -            |
| Net assets at end of year  | \$ 2,902,940                         | \$ 52,571                         | \$ 2,955,511 | \$ 2,201,852 |

## AURORA THEATRE COMPANY

### Statements of Cash Flows For the Years Ended July 31, 2021 and 2020

|  | 2021         | 2020         |
|--|--------------|--------------|
| <i>Cash flows from operating activities:</i>   |              |              |
| Increase (decrease) in net assets  | \$ 753,659   | \$ (172,498) |
| Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities: |              |              |
| Depreciation   | 97,500       | 99,388       |
| Bad debt expense   | 580          | 36,500       |
| Realized gains on investments  | (345)        | (39)         |
| Unrealized gains on investments  | (9,410)      | (2,352)      |
| Changes in:  |              |              |
| Accounts receivable  | 19,209       | 11,837       |
| Grants and pledges receivable  | (213,396)    | 214,836      |
| Deposits   | -            | 5,419        |
| Prepaid expenses   | (54,793)     | 22,519       |
| Right of use asset - premises  | 98,718       | 276,317      |
| Accounts payable and accrued liabilities   | 72,231       | 7,356        |
| Advance ticket sales   | 253,886      | (514,670)    |
| Unearned income  | (16)         | (122)        |
| Refundable advances  | 53,119       | 156,400      |
| Net cash provided by operating activities  | 1,070,942    | 140,891      |
| <i>Cash flows from investing activities:</i>   |              |              |
| Net acquisition of investments   | (182,094)    | -            |
| Net redemption of investments  | -            | 303,960      |
| Net cash (used for) provided by investing activities   | (182,094)    | 303,960      |
| <i>Cash flows from financing activities:</i>   |              |              |
| Principal payments/adjustments applied to lease liability  | (119,180)    | (255,855)    |
| Net cash used for financing activities   | (119,180)    | (255,855)    |
| Net increase in cash and cash equivalents  | 769,668      | 188,996      |
| Cash and cash equivalents at beginning of year   | 318,570      | 129,574      |
| Cash and cash equivalents at end of year   | \$ 1,088,238 | \$ 318,570   |
| <i>Supplemental Disclosures:</i>   |              |              |
| Interest expense   | \$ -         | \$ -         |
| Taxes paid   | \$ 150       | \$ 150       |



**AURORA THEATRE COMPANY**

**Statement of Functional Expenses  
For the Year Ended July 31, 2021**

*(with Summarized Financial Information for the Year Ended July 31, 2020)*

|                                       | <b>Performances<br/>and<br/>Production</b> | <b>General<br/>and<br/>Adminis-<br/>trative</b> | <b>Fund-<br/>raising</b> | <b>Total<br/>Expenses<br/>2021</b> | <b>Total<br/>Expenses<br/>2020</b> |
|---------------------------------------|--|---|--------------------------|------------------------------------|------------------------------------|
| Compensation:                         |  |   |                          |                                    |                                    |
| Salaries, payroll taxes and benefits  | \$ 575,794                                 | \$ 160,132                                      | \$ 122,527               | <b>\$ 858,453</b>                  | \$ 1,180,251                       |
| Professional fees                     | 24,501                                     | 6,000   | 1,350                    | <b>31,851</b>                      | 159,805                            |
| Bad debt expense                      | -  | 580   | -                        | <b>580</b>                         | 36,500                             |
| Bank, credit card and investment fees | -  | 11,434  | -                        | <b>11,434</b>                      | 20,885                             |
| Development, events and fundraising   | 5,495                                      | -   | 7,154                    | <b>12,649</b>                      | 17,078                             |
| Education                             | 2,200                                      | -   | -                        | <b>2,200</b>                       | 2,200                              |
| Insurance                             | 2,656                                      | 2,331   | 442                      | <b>5,429</b>                       | 6,206                              |
| Marketing and advertising             | 15,503                                     | -   | -                        | <b>15,503</b>                      | 67,270                             |
| Miscellaneous                         | 7,990                                      | 5,543   | -                        | <b>13,533</b>                      | 9,090                              |
| Occupancy (rent and utilities)        | 61,682                                     | 17,154  | 13,126                   | <b>91,962</b>                      | 229,370                            |
| Performances and production           | 27,727                                     | -   | -                        | <b>27,727</b>                      | 86,275                             |
| Postage and shipping                  | 70   | 19  | 15                       | <b>104</b>                         | 1,912                              |
| Printing and publications             | 679  | 189   | 144                      | <b>1,012</b>                       | 5,271                              |
| Repairs, maintenance and equipment    | 8,173                                      | 2,273   | 1,739                    | <b>12,185</b>                      | 34,580                             |
| Supplies                              | 1,184                                      | 329   | 252                      | <b>1,765</b>                       | 2,935                              |
| Telephone and systems                 | 18,348                                     | 5,102   | 3,904                    | <b>27,354</b>                      | 38,946                             |
| Travel and hospitality                | 1,257                                      | 349   | 267                      | <b>1,873</b>                       | 3,693                              |
| Total expenses                        | <b>\$ 753,259</b>                          | <b>\$ 211,435</b>                               | <b>\$ 150,920</b>        | <b>\$ 1,115,614</b>                | <b>\$ 1,902,267</b>                |

Notes to Financial Statements  
July 31, 2021

**1. Organization**

Aurora Theatre Company (“Aurora”) was incorporated in 1992 as a California tax-exempt, non-profit corporation. Aurora is entering its 29<sup>th</sup> year of operations and is uniquely positioned in downtown Berkeley surrounded by a diverse and active urban community. Audiences consist of theatre patrons from the East Bay, San Francisco, and the greater Northern California area.

**2. Summary of Significant Accounting Policies**

**Basis of Presentation** – The financial statements of Aurora have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (“US GAAP”).

**Measure of Operations** – The statements of activities reflect all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to Aurora’s ongoing operations which include a variety of programmatic activities. Nonoperating activities are limited to resources that generate return from interest-bearing deposits and other activities considered to be of a more unusual or nonrecurring nature.

**Cash and Cash Equivalents** – Cash and cash equivalents include all monies in FDIC-insured bank accounts and highly liquid investments with maturity dates of less than three months. Cash equivalents include short-term interest-bearing investments in money market and liquid asset accounts. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

**Concentrations of Credit Risk** – Financial instruments that potentially subject Aurora to concentrations of credit risk consist principally of cash and cash equivalents and deposits. Aurora maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. Aurora manages deposit concentration risk by placing cash and money market accounts with financial institutions believed to be creditworthy.

To date, Aurora has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and grants receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from reputable organizations and foundations supportive of Aurora’s mission.

**Accounts, Grants and Pledges Receivable** – Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization, if applicable, is included in contribution revenue. Conditional promises to give are not included as support until the conditions are met.

Aurora determined that no allowance for doubtful uncollectible accounts receivable is needed based on historical experience, an assessment of economic conditions, and a review of subsequent collections. It is the policy of the organization to periodically assess receivables to determine proper carrying value.

Notes to Financial Statements  
July 31, 2021

**2. Summary of Significant Accounting Policies** *(continued)*

**Investments** – Investments are reported at fair value with gains and losses included in the statement of activities and changes in net assets. Aurora follows the provisions of *ASC 958.320, Investments – Debt and Equity Securities of Not-for-Profit Entities* and has estimated the fair value of its investments using available market information and other valuation methodologies. Accordingly, the estimates presented are not necessarily indicative of the amounts that Aurora could realize in a current market exchange. The use of different assumptions and/or estimation methods may have a material effect on the estimated fair value amounts. The estimates are based on pertinent information available to management as of July 31, 2021 and 2020. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, current estimates of fair value may differ significantly from the statements presented, especially in light of the impact on financial markets as a result of COVID-19.

Investments include money market funds, certificates of deposit, and mutual funds. Purchased investments are initially stated at cost. Investments received by gift are recorded at market value at the date of contribution. Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with gains and losses included on the statement of activities and changes in net assets.

Aurora's investments consist of a diverse mixture of funds established for a variety of purposes. As required by ASC 958.320, net assets associated with investments are classified and reported based on the existence or absence of donor-imposed restrictions. Aurora has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, Aurora classifies as net assets with donor restrictions – in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

**Comparative Financial Information** – The accompanying financial statements include certain prior-year summarized comparative information in total but not by functional category. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with the audited financial statements for the year ended July 31, 2020, from which the summarized information was derived.

**In-Kind Contributions** – In-kind contributions are reflected at the fair value of the contribution received in accordance with *ASC 958.605.30-11*. The contributions of services, equipment, and other materials are recognized if they (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.

**Contributed Services** – Volunteers donate a substantial amount of time to Aurora. While significant in value, these services are not recorded in the financial statements since they are not susceptible to objective measurement or valuation.

Notes to Financial Statements  
July 31, 2021

**2. Summary of Significant Accounting Policies** *(continued)*

**Functional Allocation of Expenses** – The costs of providing program and other activities have been summarized on a functional basis in the statements of activities in accordance with the requirements of *ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*, which requires CIF to report expenses by their natural classification. Every natural expense must be broken out into individual functional categories on an analysis of expenses by their nature and function. Accordingly, certain costs have been allocated among services and supporting services benefited. Such allocations are determined by management on an equitable basis. A majority of expenses (salaries, wages, and payroll taxes, among others) have been distributed based on time and effort using Aurora’s payroll allocations. Other expenses have been allocated in accordance with the specific services received from vendors or other rational allocation methods.

**Use of Estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Accordingly, actual results could differ from those estimates.

**Unearned Revenue (Advance Ticket Sales)** – Subscriptions for the subsequent August-through-July program season are recorded as advance ticket sales and are recognized as revenue in the subsequent fiscal year.

**Reclassifications** – Certain prior year amounts have been reclassified to conform to fiscal year 2021 presentation. These changes had no impact on previously reported changes in net assets.

**Advertising (Marketing and Promotion)** – Marketing and promotion costs are incurred by Aurora to promote its programs and are expensed as incurred. Marketing and promotion expense amounted to \$67,270 and \$110,066 for the years ended July 31, 2021 and 2020, respectively, and such costs are reflected on the statement of functional expenses.

**Property and Equipment** – Aurora’s policy is to record acquisitions of property and equipment at cost or, if donated, at fair market value on the date of donation. Depreciation expense is calculated using the straight-line method over the estimated useful lives which range from five to 40 years. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities.

Costs of maintenance and repairs are expensed currently. Aurora reviews the carrying values of all assets for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated economic utility and/or future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. Aurora has determined that no long-lived assets were impaired during the years ended July 31, 2021 and 2020.

Notes to Financial Statements  
July 31, 2021

**2. Summary of Significant Accounting Policies** *(continued)*

***Fair Value Measurements*** – Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions.

The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). Aurora groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1

Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

Level 2

Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset/liability; and,
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3

Unobservable inputs that cannot be corroborated by observable market data.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing model of the asset and does not necessarily correspond to our assessment of the quality, risk or liquidity profile of the asset or liability.

***Revenue and Revenue Recognition*** – Revenue is recognized in accordance with authoritative guidance, including *ASU 2018-08, Not-for-Profit Entities (Topic 605)* and *ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606)*.

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. A transfer of funds with a conditional promise to contribute are accounted for as a refundable advance until the conditions have been substantially met. Certain payments received include both elements of contributed income and earned income, and management evaluates such transactions to determine the proper revenue rules to apply and to bifurcate the revenue components. When applicable, revenue earned under a contractual arrangement (an “exchange transaction”) is recognized when earned and therefore measured as services are provided in accordance with Topic 606.

Notes to Financial Statements  
July 31, 2021

**2. Summary of Significant Accounting Policies** *(continued)*

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized.

**Net Assets** – Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Thus, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions represent funds which are available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has the ability to designate, from net assets without donor restrictions, net assets for certain board-designated purposes, and it has opted to do so as of July 31, 2021 and 2020. Components of designated net assets are provided in Note 18.

Net Assets With Donor Restrictions

Net assets with donor restrictions represent funds which are subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed 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 can be perpetual in nature, where the donor stipulates that such resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. 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.

**Income Taxes** – Aurora is organized as California nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as organizations described in IRC Section 501(c)(3), qualify for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii), and has been determined not to be private foundations under IRC Sections 509(a)(1) and (3), respectively. Aurora is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. Aurora is not required to file an Exempt Organization Business Income Tax Return (Form 990-T) because it had no unrelated business taxable income for the years ended July 31, 2021 and 2020.

Aurora has received notification from the Internal Revenue Service and the State of California that it qualifies for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. The exemptions are subject to periodic review by the federal and state taxing authorities and management is confident that Aurora continues to satisfy all federal and state statutes in order to qualify for continued tax exemption status.

**Recent and Relevant Accounting Pronouncements** – The following pronouncements are relevant to Aurora:

In August 2016, the FASB issued *ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Aurora has followed the recommendation of the update to ensure presentation conformity of its financial statements.

Notes to Financial Statements  
July 31, 2021

**2. Summary of Significant Accounting Policies** *(continued)*

In February 2016, the FASB issued *ASU 2016-02, Leases (Topic 842) Accounting for Leases*, which requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. Topic 842 was subsequently amended by *ASU No. 2018-01*, *ASU No. 2018-10*, and *ASU No. 2018-11*. This new pronouncement is effective for fiscal years beginning after December 15, 2021, but Aurora has elected early implementation. This standard establishes a right-of-use model (ROU) that requires a lessee to recognize a ROU asset and lease liability on the statements of financial position for all leases with a term longer than 12 months. Leases are required to be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the statements of activities and changes in net assets.

In August 2014, the FASB issued *ASU 2014-15, Presentation of Financial Statements—Going Concern (Subtopic 205-40) Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*, which requires an organization's management to evaluate whether there are conditions and events, considered in the aggregate, that raise substantial doubt about an entity's ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued, when applicable). As of December 17, 2021 (the date of the Independent Auditors' Report), Aurora management has made this evaluation and has determined that Aurora has the ability to continue as a going concern.

In June 2018, the FASB issued *ASU 2018-08, Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The FASB issued this update to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this Update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. Accordingly, Aurora has incorporated these clarifying standards within the audited financial statements.

In May 2014, the FASB completed its Revenue Recognition project by issuing *ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606)*. This guidance establishes the principles to report useful information to users of financial statements about the nature, timing, and uncertainty of revenue from contracts with customers. The guidance (1) Removes inconsistencies and weaknesses in existing revenue requirements, (2) Provides a more robust framework for addressing revenue issues, (3) Improves comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets, (4) Provides more useful information to users of financial statements through improved disclosure requirements, and (5) Simplifies the preparation of financial statements by reducing the number of requirements to which an organization must refer.

In November 2016, the FASB issued *ASU 2016-18, Restricted Cash*. This guidance requires entities to show the changes in the total of cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows. As a result, entities will no longer present transfers between cash and cash equivalents and restricted cash and restricted cash equivalents in the statement of cash flows. When cash, cash equivalents, restricted cash and restricted cash equivalents are presented in more than one line item on the statements of financial position, the new guidance requires a reconciliation of the totals in the statement of cash flows to the related captions in the statements of financial position.

# AURORA THEATRE COMPANY

## Notes to Financial Statements July 31, 2021

### 3. Cash and Cash Equivalents

Cash and cash equivalents of \$1,088,238 and \$318,570 at July 31, 2021 and 2020, respectively, include all funds in banks (cash on hand and noninterest-bearing checking) with original commitment durations of 90 days or less. All cash balances are available for general operating purposes and are domiciled in noninterest-bearing accounts.

### 4. Accounts, Grants and Pledges Receivable

Accounts, grants and pledges receivable consist of the following at July 31:

|   | 2021       | 2020      |
|---|------------|-----------|
| Accounts receivable                           | \$ -       | \$ 19,209 |
| Grants and pledges receivable                 | 225,246    | 12,430    |
| Total accounts, grants and pledges receivable | \$ 225,246 | \$ 31,639 |

Accounts, grants and pledges receivable are generally due from various foundations payable to Aurora within the next fiscal year. Aurora uses the direct write-off method with regards to receivables deemed uncollectible. During the years ended July 31, 2021 and 2020, Aurora recognized bad debt expense for uncollectible grants and pledges receivable amounting to \$580 and \$36,500, respectively. Management has evaluated the receivables as of July 31, 2021 and determined that such amounts are fully collectible based on the financial strength of the donors involved. Accordingly, Aurora has not established an allowance for uncollectible amounts.

### 5. Investments

Investments consist of the following at July 31:

|   | 2021       |            | 2020       |            |
|---|------------|------------|------------|------------|
|   | Cost       | Fair Value | Cost       | Fair Value |
| Money market accounts (earning interest at 0.01% per annum as of July 31, 2021) | \$ 283,098 | \$ 283,098 | \$ 103,317 | \$ 103,317 |
| Fixed income  | -          | -          | -          | -          |
| Mutual funds  | 41,865     | 58,132     | 39,663     | 46,064     |
| Total investments   | \$ 324,963 | \$ 341,230 | \$ 142,980 | \$ 149,381 |

During the years ended July 31, 2021 and 2020, earnings on investments were reinvested. Investments are recorded at cost when purchased. Investments received by gift are recorded at fair value at the date of contribution. Realized and unrealized gains and losses are reflected on the statement of activities and changes in net assets. Realized investment gains amounted to \$345 and \$39 for the years ended July 31, 2021 and 2020, respectively. Unrealized investment gains amounted to \$9,410 and \$2,352 for the years ended July 31, 2021 and 2020, respectively.

*(continued)*



# AURORA THEATRE COMPANY

## Notes to Financial Statements July 31, 2021

### 5. Investments *(continued)*

Aurora has a Finance Committee which has the responsibility for establishing Aurora's return objectives (generally lower rates of return associated with more stable and safer investments) and to define the risk parameters (generally low risk securities, certificates of deposit and mutual funds). The committee routinely oversees investment performances and reviews cash flows necessary to sustain Aurora's operating activities.

Investment net asset composition by type of fund is summarized as follows as of July 31, 2021:

|                                   | <b>Net Assets<br/><i>Without</i><br/>Donor<br/>Restrictions</b> | <b>Net Assets<br/><i>With</i> Donor<br/>Restrictions</b> | <b>Total</b>      |
|-----------------------------------|---|--|-------------------|
| Donor-restricted investment funds | \$ -  | \$ 25,000  | \$ 25,000         |
| Board-designated investment funds | 316,230   | -  | 316,230           |
| <b>Total funds</b>                | <b>\$ 316,230</b>   | <b>\$ 25,000</b>   | <b>\$ 341,230</b> |

Changes in investment net assets for the year ended July 31, 2021 are summarized as follows:

|   | <b>Net Assets<br/><i>Without</i><br/>Donor<br/>Restrictions</b> | <b>Net Assets<br/><i>With</i> Donor<br/>Restrictions</b> | <b>Total</b>      |
|---|---|--|-------------------|
| Investment net assets at beginning of year  | \$ 124,381  | \$ 25,000  | \$ 149,381        |
| Investment income:                          |   |  |                   |
| Interest and dividends                      | 2,885   | -  | 2,885             |
| Net realized gains                          | 345   | -  | 345               |
| Net unrealized gains                        | 9,410   | -  | 9,410             |
| <b>Total investment income</b>              | <b>12,640</b>   | <b>-</b>   | <b>12,640</b>     |
| Net acquisition of investments              | 176,324   | -  | 176,324           |
| <b>Investment net assets at end of year</b> | <b>\$ 316,230</b>   | <b>\$ 25,000</b>   | <b>\$ 341,230</b> |

Investment net asset composition by type of fund is summarized as follows as of July 31, 2020:

|                                   | <b>Net Assets<br/><i>Without</i><br/>Donor<br/>Restrictions</b> | <b>Net Assets<br/><i>With</i> Donor<br/>Restrictions</b> | <b>Total</b>      |
|-----------------------------------|---|--|-------------------|
| Donor-restricted investment funds | \$ -  | \$ 25,000  | \$ 25,000         |
| Board-designated investment funds | 124,381   | -  | 124,381           |
| <b>Total funds</b>                | <b>\$ 124,381</b>   | <b>\$ 25,000</b>   | <b>\$ 149,381</b> |

*(continued)*

# AURORA THEATRE COMPANY

## Notes to Financial Statements July 31, 2021

### 5. Investments *(continued)*

Changes in investment net assets for the year ended July 31, 2020 are summarized as follows:

|  | <b>Net Assets<br/><i>Without</i><br/>Donor<br/>Restrictions</b> | <b>Net Assets<br/><i>With</i> Donor<br/>Restrictions</b> | <b>Total</b> |
|--|---|--|--------------|
| Investment net assets at beginning of year | \$ 425,950  | \$ 25,000  | \$ 450,950   |
| Investment return:                         |   |  |              |
| Investment income                          | 4,551   | -  | 4,551        |
| Net realized gains                         | 39  | -  | 39           |
| Net unrealized gains                       | 2,352   | -  | 2,352        |
| Total investment return                    | 6,942   | -  | 6,942        |
| Transfers and disposition of investments   | (308,511)   | -  | (308,511)    |
| Investment net assets at end of year       | \$ 124,381  | \$ 25,000  | \$ 149,381   |

#### 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 the Uniform Prudent Management of Institutional Funds Act (UPMIFA) requires Aurora to retain as a fund of perpetual duration. In accordance with ASU 2016-14, deficiencies of this nature would be reported in net assets with donor restrictions. There were no deficiencies of this nature as of July 31, 2021 and 2020. These deficiencies could arise in the future from unfavorable market fluctuations that occur after the investment of new contributions for donor-restricted endowment funds and continued appropriation for certain programs that is deemed prudent by the Finance Committee and the Board of Directors.

#### Return Objectives and Risk Parameters

Aurora has adopted investment and spending policies for investments that attempt to provide a predictable stream of funding to programs supported by its investments while seeking to maintain the purchasing power of all marketable assets. The organization's investments include those assets of donor-restricted funds that Aurora must hold temporarily for a donor-specified period(s) or in perpetuity in accordance with donor instructions. Under this policy, as approved by the Finance Committee and the Board of Directors, the investments are structured in a manner that is intended to produce results that approximate the price and yield results of the general market conditions (Dow Jones Industrial Average) while assuming a moderate level of investment risk. Aurora expects its investments, over time, to provide an average rate of return of between 2% to 4% annually. Actual returns in any given year may vary from this amount.

#### Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, Aurora 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). Aurora targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

*(continued)*

# AURORA THEATRE COMPANY

## Notes to Financial Statements July 31, 2021

### 5. Investments *(continued)*

#### Spending Policy and How the Investment Objectives Relate to Spending Policy

Aurora has periodically appropriated a portion of investments earnings for operations. Aurora currently seeks to promote growth of its investment funds for the purpose of creating a pool of investments that will generate income for support of its operations in the future. In establishing this policy, Aurora considered the long-term expected return on its investments. Accordingly, over the long term, Aurora expects the current spending policy to allow its investments to achieve annual growth. This is consistent with Aurora's objective to maintain the purchasing power of the investments held for a specified term as well as to provide additional real growth through new gifts and investment return.

### 6. Liquidity

Aurora regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the safeguarding of its available funds. Aurora has various sources of liquidity at its disposal, including cash and cash equivalents and other sources (including the future collection of receivables).

For purposes of analyzing resources available to meet general expenditures over a 12-month period, Aurora considers all expenditures related to its mission, as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, Aurora anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. The following table shows the total financial assets held by Aurora and the amounts of those financial assets readily available within one year of the balance sheet date to meet general expenditures:

|   | 2021         | 2020       |
|---|--------------|------------|
| Cash and cash equivalents   | \$ 1,088,238 | \$ 318,570 |
| Investments   | 341,229      | 149,381    |
| Accounts receivable   | -            | 19,209     |
| Grants and pledges receivable   | 225,246      | 12,430     |
| Subtotal  | 1,654,713    | 499,590    |
| Less: amounts not available to be used within one year:                             |              |            |
| Net assets with donor restrictions for programs                                     | (27,471)     | (15,469)   |
| Net assets with donor restrictions in perpetuity                                    | (25,000)     | (25,000)   |
| Financial assets available to meet general expenditures over the next twelve months | \$ 1,602,242 | \$ 459,121 |

Aurora receives a substantial amount of support by way of restricted contributions. Because donor restrictions require resources to be used in a particular manner or in a future period, Aurora must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets from these restricted contributions may not be available for general expenditures within one year.

As part of Aurora's liquidity management, the organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

# AURORA THEATRE COMPANY

## Notes to Financial Statements July 31, 2021

### 7. Fair Value Measurements

Composition of investments utilizing fair value measurements at July 31, 2021 is as follows:

|                               | Totals            | Level 1           | Level 2           | Level 3          |
|-------------------------------|-------------------|-------------------|-------------------|------------------|
| Investments                   | \$ 341,229        | \$ 341,229        | \$ -              | \$ -             |
| Grants and pledges receivable | 225,246           | -                 | 225,246           | -                |
| Deposits                      | 25,564            | -                 | -                 | 25,564           |
| Totals                        | <b>\$ 592,039</b> | <b>\$ 341,229</b> | <b>\$ 225,246</b> | <b>\$ 25,564</b> |

Composition of investments utilizing fair value measurements at July 31, 2020 is as follows:

|                               | Totals            | Level 1           | Level 2          | Level 3          |
|-------------------------------|-------------------|-------------------|------------------|------------------|
| Investments                   | \$ 149,381        | \$ 149,381        | \$ -             | \$ -             |
| Accounts receivable           | 19,209            | -                 | 19,209           | -                |
| Grants and pledges receivable | 12,430            | -                 | 12,430           | -                |
| Deposits                      | 25,564            | -                 | -                | 25,564           |
| Totals                        | <b>\$ 206,584</b> | <b>\$ 149,381</b> | <b>\$ 31,639</b> | <b>\$ 25,564</b> |

Fair value measurements establish a fair value hierarchy that prioritizes the input used to measure fair value. This hierarchy consists of three broad levels: (a) Level 1 measurement reflects the value of the investments at quoted prices in active markets for identical assets, generally without any adjustments, (b) Level 2 assets and liabilities are valued based on "observable inputs" other than quoted active market prices, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, and interest rates and yield curves, and (c) Level 3 assets and liabilities are valued based on "unobservable inputs," such as a company's own estimates and pricing models.

Assets Classified as Level 3: The significant unobservable inputs used in the fair value measurement of the entity's asset-backed gifts are the estimated future values of the underlying assets. The income approach uses valuation techniques to convert future amounts (for example, cash flows or earnings) to a single present amount (discounted). The measurement is based on the value indicated by current market expectations about those future amounts. Those valuation techniques principally include present value formulas which incorporate certain rate of return assumptions.

### 8. In-Kind Contributions

During the years ended July 31, 2021 and 2020, Aurora was the recipient of certain in-kind contributions. The composition of these contributions, as reflected on the statement of activities and changes in net assets, is summarized as follows:

|                             | 2021            | 2020              |
|-----------------------------|-----------------|-------------------|
| Consumables                 | \$ 5,595        | \$ 102            |
| Donated tickets             | -               | 238,307           |
| Total in-kind contributions | <b>\$ 5,595</b> | <b>\$ 238,409</b> |

# AURORA THEATRE COMPANY

## Notes to Financial Statements July 31, 2021

### 9. Property and Equipment

Property and equipment consist of the following at July 31:

|                                 | 2021                | 2020                |
|---------------------------------|---------------------|---------------------|
| Leasehold improvements phase I  | \$ 2,516,216        | \$ 2,516,216        |
| Leasehold improvements phase II | 855,366             | 855,366             |
| Theatre equipment               | 120,453             | 120,453             |
| Costumes and props              | 48,065              | 48,065              |
| Office equipment                | 40,345              | 40,345              |
| Intangibles                     | 5,000               | 5,000               |
| Less: accumulated depreciation  | (1,711,995)         | (1,614,495)         |
| Property and equipment, net     | <u>\$ 1,873,450</u> | <u>\$ 1,970,950</u> |

Depreciation and amortization expense amounted to \$97,500 and \$99,388 for the years ended July 31, 2021 and 2020, respectively.

### 10. Right of Use Asset and Leases

Through February 28, 2021, Aurora leased its office and theatre space under a multi-year operating lease. Effective March 1, 2021, occupancy was converted to a month-to-month arrangement and Aurora remits \$14,333 per month under the lease.

Previously, in accordance with *ASU 2016-02, Leases*, Aurora was required to reflect the present value of future operating lease payments (discounted at an appropriate borrowing rate) as a "Right of Use" asset and a corresponding lease liability. As of July 31, 2020, Aurora recorded a total lease liability in the amount of \$119,180 (all current) and a corresponding right of use asset for the premises in the amount of \$98,718. The weighted average discount rate associated with the calculation of the present value of the future lease payments as of July 31, 2020 was 4.0%, which represents Aurora's estimated incremental borrowing rate.

Total rental expense for office and theatre space amounted to \$78,517 and \$202,643 for the years ended July 31, 2021 and 2020, respectively.

### 11. Advertising

Advertising costs are expensed as incurred. Advertising expenses amounted to \$8,845 and \$39,903 for the years ended July 31, 2021 and 2020, respectively, and are reflected as a component of marketing and advertising on the statement of functional expenses.

### 12. Related Party Transactions

Certain Aurora board members made monetary contributions totaling \$242,680 and \$130,930 during the years ended July 31, 2021 and 2020, respectively.

Notes to Financial Statements  
July 31, 2021

**13. Advance Ticket Sales**

Advance ticket sales of \$321,036 and \$67,150 represent unearned revenue at July 31, 2021 and 2020, respectively. Such amounts consist of funds received in advance of certain performances scheduled for Aurora's subsequent fiscal year and are recognized as revenue in accordance with *Topic 606*. Such amounts have been reflected as short-term liabilities and will be recorded as ticket sale revenue on the statement of activities and changes in net assets when the performances are completed.

**14. Refundable Advances**

PPP Loan Program Under the CARES Act

During April 2020, Aurora applied for and received \$156,400 in a forgivable loan from the Small Business Administration (SBA) under the Paycheck Protection Program ("PPP"). Congress established the PPP to provide relief to small businesses during the coronavirus pandemic as part of the \$2 trillion Coronavirus Aid, Relief, and Economic Security (CARES) Act, P.L. 116-136. This legislation authorized the United States Treasury Department to use the SBA's 7(a) small business lending program to fund loans of up to \$10 million per borrower that qualifying businesses could spend to cover payroll, mortgage interest, rent, and utilities. During June 2021, Aurora applied for loan forgiveness and received lender approval at which time the refundable advance was removed and posted as government contributed income.

Shuttered Venue Operators Grant

During July 2021, Aurora was granted \$684,519 under the Shuttered Venue Operators Grant (SVOG) program which was established by the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act, and amended by the American Rescue Plan Act. The program includes over \$16 billion in grants to shuttered venues, to be administered by the SBA's Office of Disaster Assistance. During the year ended July 31, 2021, Aurora recognized \$475,000 in SVOG grant revenue, leaving \$209,519 to be deferred and recognized during the fiscal year ending July 31, 2022.

**15. Union Pension Plans**

Aurora is obligated to contribute funds to pension plans on behalf of its actors (Actors' Equity Association) and designers and artists (United Scenic Artists Pension and Welfare). These plans include all union employees covered by a collective bargaining agreement. Contributions to the union-operated plans amounted to \$1,701 and \$10,510 for the years ended July 31, 2021 and 2020, respectively, and are included with salaries, payroll taxes and benefits on the statement of functional expenses.

**16. Retirement Plan**

Aurora offers employees who are not covered by a collective bargaining agreement the opportunity for participation in a salary reduction retirement plan qualified under Internal Revenue Code Section 401(k). The plan has certain eligibility requirements and accepts rollover contributions, allows hardship distributions, and offers a loan option. Certain employees made contributions out of their gross earnings to the Plan. There were no contributions made to the Plan by Aurora for the years ended July 31, 2021 and 2020.

# AURORA THEATRE COMPANY

## Notes to Financial Statements July 31, 2021

### 17. Compensated Absences (Accrued Payroll and Related Benefits)

Financial statement presentation follows the recommendations of *ASC 710.25, Compensated Absences*. Under ASC 710.25, Aurora is required to record a liability for the estimated amounts of compensation for future absences. Employees are permitted to accrue a specific number of hours of vacation which is payable upon termination of the employee. Sick leave is not paid upon termination. Annual leave accruals are recorded in the financial statements as an accrued liability on the statements of financial position based on hourly rates in effect at the end of the year. Accrued vacation payroll liabilities amounted to \$35,694 and \$35,806 at July 31, 2021 and 2020, respectively, and are included with accounts payable and accrued liabilities on the statements of financial position.

### 18. Net Assets

#### Net Assets without Donor Restrictions

Net assets without donor restrictions of \$2,902,940 and \$2,071,383 at July 31, 2021 and 2020, respectively, represent the cumulative retained surpluses since the organization's inception.

The Board has designated a certain portion of net assets without donor restrictions in the amount of \$1,326,023 and \$1,423,523 at July 31, 2021 and 2020, respectively, for the purpose of estimating future capital improvements and was calculated by deducting the depreciation expense in the current fiscal year from the prior year designated balance. The designated portion is only an estimate of potential future expenditures which might be necessary to replace various components of the organization's infrastructure.

#### Net Assets with Donor Restrictions

Aurora recognizes support from net assets with donor restrictions when the restrictions imposed by the donors have been satisfied or expired. Net assets with donor restrictions consist of the following as of July 31:

|  | 2021             | 2020              |
|--|------------------|-------------------|
| Restricted for programs, scholarships and other purposes | \$ 2,096         | \$ 15,469         |
| Time-related restrictions from individuals               | 1,475            | 35,000            |
| Time-related restrictions from foundations               | 24,000           | 55,000            |
| Donor restricted in perpetuity for endowment fund        | 25,000           | 25,000            |
| Total net assets with donor restrictions                 | <u>\$ 52,571</u> | <u>\$ 130,469</u> |

Contributions of net assets with donor restrictions amounted to \$25,475 and \$60,000 for the years ended July 31, 2021 and 2020, respectively. Net assets released from restrictions amounted to \$116,080 and \$312,755 for the years ended July 31, 2021 and 2020, respectively. These amounts were transferred from net assets with donor restrictions to net assets without donor restrictions on the statement of activities and changes in net assets.

During the year ended July 31, 2021, management determined that a \$25,000 donor restricted contribution made in a prior year had not been separately identified within restricted net assets. A reclassification in the amount of \$12,707 was made to correct the balance and there was no impact on previously reported total net assets.

Notes to Financial Statements  
July 31, 2021

**19. Commitments and Contingencies**

In the normal course of business Aurora could be subject to certain commitments and contingencies which might not be fully reflected in the financial statements. Such commitments and contingencies also include risks associated with various economic and operating factors, which include (a) Grant restrictions and donor conditions which obligate Aurora to fulfill certain requirements as set forth in grant instruments, (b) Funding levels which vary based on factors beyond Aurora's control, such as generosity of donors and general economic conditions, (c) Employment and service agreements with key management personnel, and (d) Financial risks associated with funds on deposit at bank and investment brokerage accounts. Management believes that such commitments, contingencies and risks will not have a material adverse effect on the financial statements. Certain of the grants and contracts (including current and prior costs) are subject to audit and final acceptance by the various granting agencies. Management believes that such commitments, contingencies and risks will not have a material adverse effect on the financial statements.

**20. COVID-19**

As a result of COVID-19 and its variants, the worldwide threat continues to (a) impact financial markets, (b) threaten revenue streams, and (c) impact private enterprises with which Aurora conducts business. Business continuity, including supply chains and consumer demand across a broad range of industries and countries, continues to present challenges. Management monitors and evaluates its options. These financial statements reflect certain economic losses which impacted the years ended July 31, 2021 and 2020.

**21. Subsequent Events**

In compliance with *ASC 855, Subsequent Events*, Aurora has evaluated subsequent events through December 17, 2021, the date the financial statements were available to be issued. During October 2021, Aurora was granted an additional \$342,259 in funding under the Shuttered Venue Operators Grant. In the opinion of management, there are no other subsequent events which are required to be disclosed.