

Wagon Wheel Theater, Inc.

Independent Auditor's Report and Financial Statements

September 30, 2021

Wagon Wheel Theater, Inc.

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Independent Auditor's Report

Board of Directors
Wagon Wheel Theater, Inc.
Warsaw, Indiana

We have audited the accompanying statement of financial position of Wagon Wheel Theater, Inc. (Organization) as of September 30, 2021, and the related notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this statement of financial position 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 a statement of financial position that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this statement of financial position 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 statement of financial position is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement of financial position. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statement of financial position, 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 statement of financial position 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 statement of financial position.

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 statement of financial position referred to above presents fairly, in all material respects, the financial position of Wagon Wheel Theater, Inc. as of September 30, 2021, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

We have reviewed the accompanying statements of activities, functional expenses and cash flows for the year ended September 30, 2021. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the 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.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the statements of activities, functional expenses and cash flows for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying statements of activities, functional expenses and cash flows in order for them to be in accordance with accounting principles generally accepted in the United States of America.

FORVIS,LLP

Fort Wayne, Indiana
July 18, 2022

Wagon Wheel Theater, Inc.
Statement of Financial Position
September 30, 2021 (Audited)

	2021
Assets	
Cash	\$ 1,160,758
Prepaid expenses and other assets	137,158
Property and equipment, net	1,585,047
Total assets	\$ 2,882,963
 Liabilities and Net Assets	
Liabilities	
Accounts payable and accrued expenses	\$ 24,664
Deferred revenue	731,869
Line of credit	110,611
Note payable	572,887
Total liabilities	1,440,031
 Net Assets	
Without donor restrictions	899,768
With donor restrictions	543,164
Total net assets	1,442,932
Total liabilities and net assets	\$ 2,882,963

Wagon Wheel Theater, Inc.
Statement of Activities
Year Ended September 30, 2021 (Reviewed)

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains and Other Support			
Contributions and grants	\$ 1,029,591	\$ 79,849	\$ 1,109,440
Ticket and subscription sales	875,374	-	875,374
Food service revenue	91,815	-	91,815
Ad and sponsorship revenue	109,335	-	109,335
Rental and other income	66,833	-	66,833
Net assets released from restrictions	122,785	(122,785)	-
Total revenue, gains and other support	<u>2,295,733</u>	<u>(42,936)</u>	<u>2,252,797</u>
Expenses			
Salaries and benefits	642,679	-	642,679
Production costs and fees	246,847	-	246,847
Advertising	134,629	-	134,629
Housing	22,336	-	22,336
Food expense	32,193	-	32,193
Computer expense	12,334	-	12,334
Postage and supplies	19,582	-	19,582
Utilities	59,386	-	59,386
Repairs and maintenance	25,111	-	25,111
Depreciation and amortization	63,892	-	63,892
Interest	32,975	-	32,975
Professional fees	79,639	-	79,639
Other	69,003	-	69,003
Total expenses	<u>1,440,606</u>	<u>-</u>	<u>1,440,606</u>
Change in Net Assets	855,127	(42,936)	812,191
Net Assets, Beginning of Year	<u>44,641</u>	<u>586,100</u>	<u>630,741</u>
Net Assets, End of Year	<u>\$ 899,768</u>	<u>\$ 543,164</u>	<u>\$ 1,442,932</u>

Wagon Wheel Theater, Inc.
Statement of Functional Expenses
Year Ended September 30, 2021 (Reviewed)

	Program	Management and General	Fundraising	Total
Salaries and benefits	\$ 401,340	\$ 203,839	\$ 37,500	\$ 642,679
Production costs and fees	246,847	-	-	246,847
Advertising	134,629	-	-	134,629
Housing	22,336	-	-	22,336
Food expense	32,193	-	-	32,193
Computer expense	-	12,334	-	12,334
Postage and supplies	2,549	16,601	432	19,582
Utilities	-	59,386	-	59,386
Repairs and maintenance	-	25,111	-	25,111
Depreciation and amortization	26,101	37,791	-	63,892
Interest	-	32,975	-	32,975
Professional fees	42,590	37,049	-	79,639
Other	13,784	48,969	6,250	69,003
	<u>\$ 922,369</u>	<u>\$ 474,055</u>	<u>\$ 44,182</u>	<u>\$ 1,440,606</u>

Wagon Wheel Theater, Inc.
Statement of Cash Flows
Year Ended September 30, 2021 (Reviewed)

	2021
Operating Activities	
Change in net assets	\$ 812,191
Items not requiring (providing) operating activities cash flows	
Depreciation and amortization	63,892
Contributions received for acquisition of long-lived assets	(42,000)
Gain on forgiveness of PPP loan	65,700
Changes in	
Accounts receivable	20,054
Prepaid expenses and other assets	34,682
Accounts payable and accrued expenses	(34,087)
Deferred revenue	(109,421)
Net cash provided by operating activities	811,011
Investing Activity , purchase of property and equipment	(60,800)
Financing Activities	
Payments on long-term debt	(17,035)
Borrowing on line of credit	10,000
Contributions received for acquisition of long-lived assets	42,000
Net cash provided by financing activities	34,965
Increase in Cash	785,176
Cash, Beginning of Year	375,582
Cash, End of Year	\$ 1,160,758
Supplemental Cash Flows Information	
Interest paid	\$ 32,975

Wagon Wheel Theater, Inc.
Notes to Financial Statements
September 30, 2021

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Wagon Wheel Theater, Inc. (Organization) is a performing arts center which provides experiences that create community unity, educational opportunity and economic growth. The Organization primarily generates revenue through subscription and ticket sales, as well as contributions and grants.

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 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 revenue, expenses gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. There were no cash equivalents as of September 30, 2021.

At September 30, 2021, the Organization's cash accounts exceeded federally insured limits by approximately \$691,000.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation, except donated assets which are recorded at fair value as of the date of the gift. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset. Upon sale or retirement of land, buildings and equipment, the cost and related accumulated depreciation are eliminated from the respective accounts, and resulting gain or loss is included in the statements of activities. All purchases in excess of \$1,000 are capitalized, while lesser amounts are charged to expense.

Long-Lived Asset Impairment

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the year ended September 30, 2021.

Wagon Wheel Theater, Inc.
Notes to Financial Statements
September 30, 2021

Contributions

Contributions are provided to the Organization either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the Organization overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Gifts having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Gifts of land, buildings, equipment and other long-lived assets are reported as revenue and net assets without donor restrictions unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as revenue and net assets with donor restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in a reclass of net assets with donor restrictions are reported when the long-lived assets are placed in service.

Wagon Wheel Theater, Inc.

Notes to Financial Statements

September 30, 2021

Government Grants

Government grant funding is recognized as revenue as the Organization meets the conditions prescribed by the grant agreement, performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant expenditures are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Deferred Revenue

Deferred revenue consists primarily of advance ticket sales and subscription fees. Tickets are sold in advance of upcoming shows or performances and are recorded as deferred revenue until the related performance occurs. Subscription fees cover a fixed period and are billed to subscribers on a particular date. The fees are deferred and recognized as revenue over the subscription period.

Net Assets – Basis of Presentation

Net assets, revenue, expenses, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. The definitions used to clarify and report net assets are as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations and are available for use in general operations or are part of what's invested in property, plant and equipment (net of related debt)

Net Assets With Donor Restrictions – Net assets subject to donor imposed stipulations that will be met either by actions of the Organization or the passage of time

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. However, the Organization is subject to federal income tax on any unrelated business taxable income.

Functional Allocation of Expenses

The costs of supporting the Organization's program and supporting activities have been summarized on a natural basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Certain costs have been allocated among the program and supporting services categories based on time and effort and other methods.

Wagon Wheel Theater, Inc.
Notes to Financial Statements
September 30, 2021

Note 2: Revenue From Contracts With Customers

Ticket Sales and Subscription Revenue

Ticket sales revenue includes the consideration to which the Organization is entitled in exchange for providing admission to specific events. These amounts are due from customers and include variable consideration for discounted and complimentary tickets. Revenue is recognized as performance obligations are satisfied when the specified event has occurred, at a single point in time, and the Organization does not believe it is required to provide additional goods or services related to the sale.

Similarly, subscription revenue includes the consideration to which the Organization is entitled in exchange for providing admission to a series of specific events. Subscriptions are sold in advance of the events and cover a specified number of events per subscription. These amounts are due from customers and include variable consideration for discounted and complimentary subscriptions. Revenue is recognized over time as performance obligations are satisfied over the course of the subscription.

Food Service Revenue

Revenue from contracts with customers for food service sales is reported at the amount that reflects the consideration to which the Organization is entitled in exchange for providing food and beverage to customers. These amounts are due from customers and includes variable consideration for discounted and complimentary meals. The Organization has elected to apply an accounting policy election which permits the Organization to exclude from revenue (transaction price) any amounts collected from customers on behalf of governmental authorities, such as sales tax. Therefore, the Organization presents revenue net of sales taxes and similar revenue-based taxes.

Revenue is recognized as performance obligations are satisfied when the specified event has occurred, at a single point in time, and the Organization does not believe it is required to provide additional goods or services related to the sale.

Ad and Sponsorship Revenue

Ad and sponsorship revenue includes the consideration to which the Organization is entitled for providing advertisement for customers' benefit during performances and in publications related to upcoming and current performances. These amounts are due from customers and include variable consideration for discounted ads.

Revenue is recognized as performance obligations are satisfied when the specified event has occurred, at a single point in time, and the Organization does not believe it is required to provide additional goods or services related to the sale.

Wagon Wheel Theater, Inc.
Notes to Financial Statements
September 30, 2021

Contract Balances

The following table provides information about the Organization’s deferred revenue related to contracts with customers:

	2021
Deferred revenue, beginning of the year	\$ 709,890
Deferred revenue, end of the year	592,869

Transaction Price and Recognition

The Organization determines the transaction price based on standard charges for goods and services provided, reduced by discounts and complimentary tickets provided in accordance with the Organization’s policy. The Organization determines its estimates of explicit price concessions based on its discount policies.

The Organization has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the following factors:

- Payers that have different reimbursement and payment methodologies
- Organization’s line of business that provided the service

For the year ended September 30, 2021, the Organization recognized revenue of \$628,509 from goods and services that transfer to the customer at a point in time, and \$448,015 for services that transfer to the customer over time.

Note 3: Property and Equipment

	2021
Land	\$ 378,300
Buildings	1,055,558
Building improvements	51,553
Furniture, fixtures and equipment	344,675
Construction in progress	146,603
	1,976,689
Less accumulated depreciation	(391,642)
Total	\$ 1,585,047

Wagon Wheel Theater, Inc.
Notes to Financial Statements
September 30, 2021

Note 4: Line of Credit

The Organization has a \$200,000 revolving line of credit expiring on May 25, 2023. The line of credit is secured and bears interest at the prime rate plus 50 basis points (3.75 percent at September 30, 2021) and is payable monthly. There was \$110,611 borrowed against the line as of September 30, 2021.

Note 5: Note Payable

The Organization has a mortgage note payable outstanding in the amount of \$572,887 as of September 30, 2021, which is due to a related party. The amount is payable in monthly installments of principal and interest (4.5 percent) of \$3,493, with a balloon payment due on December 18, 2024, in the amount of \$518,066. The note is secured by real property.

The future maturities of debt at September 30, 2021, are:

2022	\$ 16,477
2023	17,234
2024	18,026
2025	<u>521,150</u>
	<u>\$ 572,887</u>

Wagon Wheel Theater, Inc.
Notes to Financial Statements
September 30, 2021

Note 6: Net Assets

Donor-restricted net assets at September 30, 2021, are available for the following purposes or periods:

	2021
Subject to expenditure for specified purpose	
Capital acquisition	\$ 505,315
Specific events or performances	37,849
	\$ 543,164

Net assets were released from restrictions due to the following:

	2021
Capital acquisition	\$ 54,827
Specific events or performances	67,958
	\$ 122,785

Note 7: Coronavirus Aid, Relief, and Economic Security (CARES) Act

The Organization received loans pursuant to the Paycheck Protection Program (PPP) established by the CARES Act, and has elected to account for the funding as conditional contributions by applying ASC Topic 958-605, *Revenue Recognition*. Revenue is recognized when conditions are met, which include meeting FTE and salary reduction requirements and incurring eligible expenditures. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration, or lender; as a result of such audit, adjustments could be required to the recognition of revenue.

The Organization received the first round of funding on April 15, 2020, in the amount of \$65,700. The Organization recognized the revenue related to this round of funding in the year ended September 30, 2021, as all relevant conditions had been met at year-end. This revenue is reported within contribution and grant revenue on the statement of activities.

The Organization received the second round of funding on March 27, 2021, in the amount of \$139,000. The Organization had not met all conditions related to the funding as of September 30, 2021, and as such, has recorded the balance as a liability as of September 30, 2021, and has reported it within deferred revenue on the statement of financial position.

Wagon Wheel Theater, Inc.

Notes to Financial Statements

September 30, 2021

Note 8: Significant Estimates, Concentrations and Uncertainties

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Contributions and Grants

Approximately 54 percent of all contributions and grants in 2021 related to proceeds received from the Shuttered Venue Operators Grant program established by the Economic Aid to Hard-Hit Small Business, Nonprofits and Venues Act in response to COVID-19. The SVOG program was established to support the ongoing operations of eligible live venues and operators, live venue promoters, theatrical producers and other similar organizations. Revenue from this program totaled \$601,606 during 2021.

Risks and Uncertainties

As a result of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the Organization. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Note 9: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, total \$764,197 as of September 30, 2021, and consist of cash. The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Organization has a \$200,000 line of credit (Note 4) which is available to be drawn on if needed.

Note 10: Subsequent Events

Subsequent events have been evaluated through July 18, 2022, which is the date the financial statements were available to be issued.