

Audited Financial Statements

The Theatre at Boston Court dba
BC BOSTON COURT
XC PASADENA

December 31, 2021

Quigley & Miron

The Theatre at Boston Court dba Boston Court Pasadena
Audited Financial Statements
Table of Contents
December 31, 2021

Page
Number

Independent Auditor's Report	1
Audited Financial Statements	
Statement of Financial Position.....	3
Statement of Activities.....	4
Statement of Functional Expenses.....	5
Statement of Cash Flows.....	6
Notes to Financial Statements.....	7

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Independent Auditor's Report

Board of Directors
The Theatre at Boston Court dba Boston Court Pasadena
Pasadena, California

Opinion

We have audited the accompanying financial statements of The Theatre at Boston Court dba Boston Court Pasadena (Organization), a nonprofit organization, which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2021, and the changes in its net assets and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited The Theatre at Boston Court's December 31, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 15, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Los Angeles, California
November 30, 2022

The Theatre at Boston Court dba Boston Court Pasadena
Statement of Financial Position
December 31, 2021
(with comparative totals for 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
Assets				
Cash and cash equivalents	\$ 324,467	\$ 52,400	\$ 376,867	\$ 226,816
Grants receivable—Note 3		205,900	205,900	223,450
Other receivables	8,127		8,127	12,233
Prepaid expenses	18,777		18,777	20,314
Theatre facility lease —Note 4		1,152,000	1,152,000	1,536,000
Property and equipment, net —Note 5	64,751		64,751	72,286
Total Assets	\$ 416,122	\$ 1,410,300	\$ 1,826,422	\$ 2,091,099
Liabilities and Net Assets				
Liabilities				
Accounts payable and accrued expenses	\$ 82,437	\$	\$ 82,437	\$ 68,490
Deferred revenue	13,837		13,837	13,837
Total Liabilities	96,274		96,274	82,327
Net Assets				
Without donor restrictions	319,848		319,848	205,922
With donor restrictions—Note 6		1,410,300	1,410,300	1,802,850
Total Net Assets	319,848	1,410,300	1,730,148	2,008,772
Total Liabilities and Net Assets	\$ 416,122	\$ 1,410,300	\$ 1,826,422	\$ 2,091,099

See notes to financial statements.

The Theatre at Boston Court dba Boston Court Pasadena
Statement of Activities
Year Ended December 31, 2021
(with comparative totals for 2020)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2021 Total</u>	<u>2020 Total</u>
Public Support and Revenue				
Contributions and grants	\$ 557,422	\$ 234,200	\$ 791,622	\$ 786,601
PPP grant—Note 8	104,195		104,195	77,000
In-kind contribution —Note 4				1,920,000
Special events				
Gross revenue				44,134
Less cost of direct benefit to donors				(4,243)
Special Events, Net				39,891
Ticket and subscription revenue	15,849		15,849	48,306
Rental revenue	16,051		16,051	7,917
Concessions, workshop, and other revenues	2,065		2,065	2,772
Other income	1,547		1,547	
Total Public Support and Revenue	697,129	234,200	931,329	2,882,487
Net assets released from restrictions	626,750	(626,750)		
Total Public Support, Revenue, and Reclassifications	1,323,879	(392,550)	931,329	2,882,487
Expenses				
Program services				
Theater programs	517,028		517,028	392,278
Music programs	106,354		106,354	38,273
Arts and other programs	113,347		113,347	393,251
Total Program Services	736,729		736,729	823,802
General and administrative	360,861		360,861	367,807
Fundraising	112,363		112,363	80,866
Total Expenses	1,209,953		1,209,953	1,272,475
Change in Net Assets	113,926	(392,550)	(278,624)	1,610,012
Net Assets at Beginning of Year	205,922	1,802,850	2,008,772	398,760
Net Assets at End of Year	\$ 319,848	\$ 1,410,300	\$ 1,730,148	\$ 2,008,772

See notes to financial statements.

The Theatre at Boston Court dba Boston Court Pasadena
Statement of Functional Expenses
Year Ended December 31, 2021
(with comparative totals for 2020)

	Program Services				General and Administrative	Fundraising	2021 Total	2020 Total
	Theater Programs	Music Programs	Arts and Other Programs	Total				
Salaries	\$ 165,246	\$ 34,234	\$ 37,464	\$ 236,944	\$ 139,123	\$ 60,287	\$ 436,354	\$ 493,445
Employee benefits	17,408	3,606	3,841	24,855	14,656	6,351	45,862	15,681
Payroll taxes	7,140	1,479	23,810	32,429	6,072	2,605	41,106	43,765
Total Payroll Expenses	189,794	39,319	65,115	294,228	159,851	69,243	523,322	552,891
Occupancy	284,160	53,280	17,760	355,200	90,506	9,600	455,306	454,787
Professional fees			13,650	13,650	66,759	19,444	99,853	35,360
Production costs and fees	18,462	12,280	16,822	47,564			47,564	137,164
Office expenses					26,470		26,470	20,380
Insurance	18,224			18,224	3,417	1,139	22,780	20,364
Publicity and marketing						12,086	12,086	24,771
Depreciation	6,388	1,475		7,863	1,515	493	9,871	10,425
Dues and memberships					7,815		7,815	3,543
Bank charges					3,140		3,140	10,221
Miscellaneous fees and taxes					1,101		1,101	445
Postage and shipping					287	358	645	2,124
Cost of direct benefits to donors								4,243
Total Expenses by Function	517,028	106,354	113,347	736,729	360,861	112,363	1,209,953	1,276,718
Less expenses included with revenues on the statement of activities								
Cost of direct benefits to donors								(4,243)
Total Expenses	\$ 517,028	\$ 106,354	\$ 113,347	\$ 736,729	\$ 360,861	\$ 112,363	\$ 1,209,953	\$ 1,272,475

See notes to financial statements.

The Theatre at Boston Court dba Boston Court Pasadena
Statement of Cash Flows
Year Ended December 31, 2021
(with comparative totals for 2020)

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (278,624)	\$ 1,610,012
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
In-kind contribution		(1,920,000)
Amortization of deferred rent asset	384,000	384,000
Depreciation	9,871	10,425
Changes in operating assets and liabilities:		
Grants receivable	17,550	(184,775)
Other receivables	4,106	(12,233)
Prepaid expenses	1,537	2,853
Accounts payable and accrued expenses	13,947	20,999
Deferred revenue		(3,151)
Net Cash Provided by (Used in) Operating Activities	152,387	(91,870)
Cash Flows from Investing Activities		
Purchase of property and equipment	(2,336)	(3,625)
Net Cash Used in Investing Activities	(2,336)	(3,625)
Net Increase (Decrease) in Cash and Cash Equivalents	150,051	(95,495)
Cash and Cash Equivalents at Beginning of Year	226,816	322,311
Cash and Cash Equivalents at End of Year	\$ 376,867	\$ 226,816
Supplemental Disclosures		
Income taxes paid	<u>\$</u>	<u>\$</u>
Interest paid	<u>\$</u>	<u>\$</u>

See notes to financial statements.

The Theatre at Boston Court dba Boston Court Pasadena
Notes to Financial Statements
December 31, 2021
(with comparative totals for 2020)

Note 1—Organization and Summary of Significant Accounting Policies

Organization—The Theatre at Boston Court dba Boston Court Pasadena (the Organization) is a nonprofit corporation, organized for the purpose of creating and presenting high-quality music and theater works that are innovative, diverse, vital and adventurous in an intimate setting. Each year, the Organization produces more than 120 events in music and theatre, including an Emerging Artists Series, and a New Play Reading Festival. The Organization also showcases rotating visual art exhibits that complement the themes of their music and theatre programming, and offers more than two dozen free engagement events, designed to contribute to the cultural conversation around current events.

Financial Statement Presentation—The financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Organization recognizes contributions, including unconditional promises to give, as revenue in the period received. Contributions and net assets are classified based on the existence or absence of donor-imposed restrictions. The net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions—Net assets that are not subject to donor-imposed stipulations and that may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization’s management and the board of trustees.

Net assets with donor restrictions—Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; such restrictions that may or will be met either by actions of the Organization and/or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. Generally, the donors of such assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Measure of Operations—The statements of activities report all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of the Organization’s theater, music, and art programs and events, and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Income Taxes—The Organization is a nonprofit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (Code). Accordingly, no provision for income taxes is included in the financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code. Accounting standards require an organization to evaluate its tax positions and provide for a liability for any positions that would not be considered “more likely than not” to be upheld under a tax authority examination. Management has evaluated its tax positions and has concluded that a provision for a tax liability is not necessary at December 31, 2021 and 2020. Generally, the Organization’s information returns remain open for examination for a period of three (federal) or four (state of California) years from the date of filing.

Cash and Cash Equivalents—The Organization considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

The Theatre at Boston Court dba Boston Court Pasadena
Notes to Financial Statements—Continued

Note 1—Organization and Summary of Significant Accounting Policies—Continued

Grants Receivable—Grants receivable are recorded at fair market value at the date of the financial statement. The Organization considers grants receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required.

Property and Equipment—Property and equipment are stated at cost or, if donated, at the approximate fair market value at the date of donation. It is the Organization's policy to capitalize expenditures for these items in excess of \$500. Depreciation is provided using the straight-line method over the estimated useful lives of the assets of five years.

Concentrations of Credit Risk—Financial instruments which potentially subject the Organization to concentrations of credit risk consist of cash and grants receivable. The Organization places its cash with high credit quality financial institutions where the funds are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. At December 31, 2021 and 2020, the Organization had no cash balances in a financial institution in excess of the FDIC insurance limit. Grants receivable at December 31, 2021 and 2020 are due from a variety of individuals, foundations, corporations and governmental bodies well-known to the Organization with favorable past payment histories. Management of the Organization has assessed the credit risk associated with these receivables and has determined that an allowance for potential uncollectible amounts is not necessary.

Contribution and Revenue Recognition—The Organization's contribution and revenue recognition policies are as follows:

Contributions and grants—Contributions and grants 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 and grants 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 and grant is recognized. All other donor-restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a 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 statement of activities as net assets released from restrictions.

Special events revenue—The Organization periodically holds special events as fundraisers. Funds raised from special events are recognized when funds are received.

Ticket and subscription revenue—The Organization sells tickets for its productions to the general public. Patrons may purchase tickets for a full season, for several events or for a single event. Ticket and subscription revenue is recognized as income after the performance of the productions. Subscription revenue received in advance of a production season is reported as deferred revenue until the related season has begun.

Rental revenue—Rental income is recognized in the period in which the property rented is occupied.

Concessions, workshop, and other revenues—Concessions, workshop, and other revenues consist of concession sales, fees, and other activities performed by the Organization and are recognized at the time the transactions occur.

In-kind contributions—The Organization records the value of donated materials and services at their fair value at the date of donation. In-kind services are recorded only if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

The Theatre at Boston Court dba Boston Court Pasadena
Notes to Financial Statements—Continued

Note 1—Organization and Summary of Significant Accounting Policies—Continued

Advertising Expenses—Advertising is recorded as an expense when incurred.

Functional Expenses—The costs of providing the various program and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between the program services and supporting services benefitted. The methods of expense allocation are as follows:

<u>Allocated Expense</u>	<u>Method of Allocation</u>
Salaries	Time and effort
Employee benefits	Time and effort
Payroll taxes	Time and effort
Production costs and fees	Use by department
Professional fees	Time and effort
Occupancy	Use by department
Publicity and marketing	Use by department
Office expenses	Use by department
Bank charges	Applicable revenue
Insurance	Use by department
Postage and shipping	Use by department
Depreciation	Use by department
Dues and memberships	Use by department
Miscellaneous fees and taxes	Use by department

Use of Estimates—The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Comparative Financial Information—The financial statements include certain prior-year summarized comparative information in total but not by net asset class or by functional expense. Such information should be read in conjunction with the Organization’s financial statements for the year ended December 31, 2020.

Note 2—Availability and Liquidity

The Organization's goal is generally to maintain financial assets to meet 60 days of operating expenses (approximately \$135,000).

The following represents the availability and liquidity of the Organization's financial assets at December 31, 2021 to cover operating expenses for the next fiscal year:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 324,467	\$ 183,416
Other receivable	8,127	12,233
Current Availability of Financial Assets	<u>\$ 332,594</u>	<u>\$ 195,649</u>

Note 3—Grants Receivable

Grants receivable totaled \$205,900 and \$223,450 for the years ended December 31, 2021 and 2020, respectively, and are due within one year or less.

The Theatre at Boston Court dba Boston Court Pasadena
Notes to Financial Statements—Continued

Note 4—Theatre Facility Lease and In-Kind Contribution

On January 1, 2020, the Organization entered into a five-year in-kind operating lease ending December 31, 2024 for a 11,328 square foot theatre complex. The value of the five-year in-kind lease contribution is based on an estimated \$2.82 per square foot is \$1,920,000 and is recorded under theatre facility in-kind contribution in the statement of activities for the year ended December 31, 2020. During the years ended December 31, 2021 and 2020, the Organization recorded occupancy expense in the amount of \$384,000 related to this lease. Additionally, the Organization pays for operating and maintenance costs and 25% of property and liability insurance representing common costs, amounting to \$73,804 and \$85,404 for the years ended December 31, 2021 and 2020, respectively. These amounts totaling \$455,306 and \$454,787 are reported as occupancy expense on the statement of functional expense.

Note 5—Property and Equipment, Net

Net property and equipment at December 31, 2021 and 2020 consists of the following:

	<u>2021</u>	<u>2020</u>
Computer and theater equipment	\$ 129,336	\$ 127,000
Less accumulated depreciation	(64,585)	(54,714)
Net	<u>\$ 64,751</u>	<u>\$ 72,286</u>

Total depreciation expense recorded for the years ended December 31, 2021 and 2020 is \$9,870 and \$10,425, respectively.

Note 6—Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31, 2021 and 2020 are restricted for the following:

	<u>2021</u>	<u>2020</u>
Subject to restrictions for specified purpose:		
Sponsored projects	\$ 38,400	\$ 38,400
Productions	26,500	5,000
Interns	6,000	
Total Subject to Restrictions for Specified Purpose	<u>70,900</u>	<u>43,400</u>
Subject to time restrictions:		
Theatre facility	1,152,000	1,536,000
General operations	179,400	192,850
Music programs	8,000	18,000
Artist payroll		12,600
Total Subject to Time Restrictions	<u>1,339,400</u>	<u>1,759,450</u>
Total Net Assets with Donor Restrictions	<u>\$ 1,410,300</u>	<u>\$ 1,802,850</u>

The Theatre at Boston Court dba Boston Court Pasadena
Notes to Financial Statements—Continued

Note 6—Net Assets with Donor Restrictions—Continued

Net assets released from donor restrictions for the year ended December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Satisfaction of purpose restrictions:		
Theatre facility	\$ 384,000	\$ 384,000
Artist payroll	26,900	60,000
Productions	5,000	50,000
Music programs	18,000	12,901
	<u>433,900</u>	<u>506,901</u>
Total Satisfaction of Purpose Restrictions	433,900	506,901
Satisfaction of time restrictions	192,850	
	<u>192,850</u>	
Total Net Assets Released From Donor Restrictions	\$ 626,750	\$ 506,901

Note 7—Recent Accounting Pronouncements

Gifts-in-Kind—In September 2020, FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires increased transparency around the use and valuation of contributed nonfinancial assets (also known as gifts-in-kind) received by not-for-profit entities. Under the updated guidance, gifts-in-kind are required to be presented as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, and to be disaggregated in the notes to the financial statements by the category that depicts the type of contributed nonfinancial assets. There are additional required disclosures regarding qualitative information denoting whether the gifts-in-kind were monetized or utilized during the reporting period; the entity’s policy, if any, about monetizing rather than utilizing contributed nonfinancial assets; and the valuation techniques and inputs used to arrive at a fair value measure. ASU No. 2020-07 is to be applied retrospectively and is effective for annual reporting periods beginning after June 15, 2021, and interim periods within annual reporting periods beginning after June 15, 2022. Early adoption is permitted. The Organization is currently evaluating the impact that the adoption of ASU 2020-07 will have on its financial statements.

Note 8—PPP Grant

On May 7, 2020, the Organization received a Paycheck Protection Program (PPP) advance for \$77,000 from the U.S. Small Business Administration (SBA). The advance is designed to provide a direct incentive for small businesses struggling from the impact of the COVID-19 pandemic (see Note 9) to keep their workers on the payroll. The Organization recognized a total of \$77,000 in grant revenue during the year ended December 31, 2021 based on qualifying expenditures incurred, with no outstanding balance at year-end. Official forgiveness was received on April 11, 2021.

On March 19, 2021, the Organization received an additional PPP grant for \$104,195. The Organization recognized a total of \$104,195 in grant revenue during the year ended December 31, 2021 based on qualifying expenditures incurred, with no outstanding balance at year-end. Official forgiveness was received on December 7, 2021.

The Theatre at Boston Court dba Boston Court Pasadena
Notes to Financial Statements—Continued

Note 9—Risks and Uncertainties

In early March 2020, the COVID-19 virus was declared a global pandemic. Business continuity, including supply chains and consumer demand across a broad range of industries and countries, has been, and continues to be, severely impacted, as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. The Organization is continuing to conduct its activities, primarily on a remote basis, and to monitor the ongoing impact of the pandemic response on its overall operations. At the time of this reporting, the cumulative financial impact of the pandemic on the Organization cannot be fully determined, therefore no related adjustment has been made to these financial statements.

Note 10—Subsequent Events

Management evaluated all activities of the Organization through November 30, 2022, which is the date the financial statements were available to be issued, and concluded that, no material subsequent events have occurred that would require adjustment to the financial statements or disclosure in the notes to the financial statements.