A NOISE WITHIN

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

A NOISE WITHIN
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YEAR ENDED JUNE 30, 2021 AND 2020

INDEPENDENT AUDITORS' REPORT

Board of Directors
A Noise Within
Pasadena, California

We have audited the accompanying financial statements of A Noise Within, which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditors consider 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.

Board of Directors
A Noise Within

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of A Noise Within as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 2 to the financial statement, the entity has adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Our opinion is not modified with respect to this matter.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Pasadena, California
December 28, 2021

A NOISE WITHIN
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

	2021	2020
ASSETS		
Cash and Cash Equivalents	$ 1,682,780	$ 1,024,613
Accounts and Other Receivable	241,257	48,194
Contributions Receivable, Net of Allowance of $3,398	212,263	40,152
Prepaid Expenses and Other Assets	18,913	53,937
Deferred Compensation Investments (Note 8)	373,650	231,625
Property and Equipment, Net (Note 4)	10,375,983	10,725,295
Total Assets	$ 12,904,846	$ 12,123,816
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	$ 47,944	$ 74,019
Deferred Revenue	401,171	383,210
Deferred Compensation Liability	373,650	231,625
Loans Payable (Note 5)	721,086	725,881
Total Liabilities	1,543,851	1,414,735
NET ASSETS		
Without Donor Restrictions:		
Undesignated	10,697,772	10,304,884
Board Designated - Plant Fund	350,212	295,182
Total Without Donor Restrictions	11,047,984	10,600,066
With Donor Restrictions (Note 6)	313,011	109,015
Total Net Assets	11,360,995	10,709,081
Total Liabilities and Net Assets	$ 12,904,846	$ 12,123,816

See Accompanying Notes to Financial Statements.

A NOISE WITHIN
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
REVENUES AND SUPPORT				
Revenues:				
Ticket Sales	$ 24,672	$ -	$ 24,672	$ 1,052,920
Education Programs	99,838	-	99,838	63,986
Other Income	16,249	-	16,249	80,080
	140,759	-	140,759	1,196,986
Support:				
Contributions and Grants	1,301,937	266,476	1,568,413	1,303,329
Government Assistance	853,452	-	853,452	-
Special Event, Net	144,102	-	144,102	158,807
Interest Income	346	-	346	3,624
	2,299,837	266,476	2,566,313	1,465,760
Net Assets Released from Restrictions	62,480	(62,480)	-	-
Total Revenue and Support	2,503,076	203,996	2,707,072	2,662,746
EXPENSES				
Program:				
Theatre Productions	813,886	-	813,886	1,571,182
Education Programs	426,931	-	426,931	960,526
	1,240,817	-	1,240,817	2,531,708
Supporting Services:				
General and Administrative	219,145	-	219,145	258,139
Fundraising and Development	218,941	-	218,941	239,488
	438,086	-	438,086	497,627
Total Expenses Before Depreciation and Interest	1,678,903	-	1,678,903	3,029,335
Change in Net Assets Before Depreciation and Interest	824,173	203,996	1,028,169	(366,589)
Depreciation	(359,628)	-	(359,628)	(359,579)
Interest	(16,627)	-	(16,627)	(17,169)
CHANGE IN NET ASSETS	447,918	203,996	651,914	(743,337)
Net Assets – Beginning of Year	10,600,066	109,015	10,709,081	11,452,418
NET ASSETS – END OF YEAR	$ 11,047,984	$ 313,011	$ 11,360,995	$ 10,709,081

See Accompanying Notes to Financial Statements.

A NOISE WITHIN
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT			
Revenues:			
Ticket Sales	$ 1,052,920	$ -	$ 1,052,920
Education Programs	63,986	-	63,986
Other Income	80,080	-	80,080
	1,196,986	-	1,196,986
Support:			
Contributions and Grants	1,246,270	57,059	1,303,329
Special Event, Net	158,807	-	158,807
Interest income	3,624	-	3,624
	1,408,701	57,059	1,465,760
Net Assets Released from Restrictions	282,871	(282,871)	-
Total Revenue and Support	2,888,558	(225,812)	2,662,746
EXPENSES			
Program:			
Theatre Productions	1,571,182	-	1,571,182
Education Programs	960,526	-	960,526
	2,531,708	-	2,531,708
Supporting Services:			
General and Administrative	258,139	-	258,139
Fundraising and Development	239,488	-	239,488
	497,627	-	497,627
Total Expenses Before Depreciation and Interest	3,029,335	-	3,029,335
Change in Net Assets Before Depreciation and Interest	(140,777)	(225,812)	(366,589)
Depreciation	(359,579)	-	(359,579)
Interest	(17,169)	-	(17,169)
NET CHANGE IN NET ASSETS	(517,525)	(225,812)	(743,337)
Net Assets – Beginning of Year	11,117,591	334,827	11,452,418
NET ASSETS – END OF YEAR	$ 10,600,066	$ 109,015	$ 10,709,081

See Accompanying Notes to Financial Statements.

A NOISE WITHIN
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR 2020)

	2021					
	Program Services					
	Theater Productions	Education Programs	Management and General	Fundraising	Total	2020 Total
Salaries and Benefits	$ 539,800	$ 258,226	$ 161,097	$ 203,136	$ 1,162,259	$ 1,887,998
Production Artistic and Technical Fees	38,974	19,200	42	42	58,258	142,014
Production Supplies, Material and Expenses	29,341	14,451	-	-	43,792	142,005
Royalties and Fees	6,869	3,383	-	-	10,252	53,349
Education Related Expenses	-	29,466	-	-	29,466	52,040
Marketing and Public Relations	22,289	9,251	552	4,607	36,699	284,186
Merchant and Bank Charges	24,865	14,919	4,973	4,973	49,730	88,367
Professional Fees	16,378	8,189	20,765	-	45,332	60,358
Utilities	56,203	28,102	9,367	-	93,672	100,862
Repairs and Maintenance	24,994	12,497	4,166	-	41,657	51,763
Insurance and Taxes	30,803	15,401	5,134	-	51,338	99,067
Office Expenses	23,370	13,846	13,049	6,183	56,448	67,326
Total Expenses Before Depreciation and Interest	$ 813,886	$ 426,931	$ 219,145	$ 218,941	$ 1,678,903	$ 3,029,335
Depreciation	$ 215,777	$ 107,888	$ 35,963	$ -	$ 359,628	$ 359,579
Interest	9,976	4,988	1,663	-	16,627	17,169
Total Expenses Before Special Events Costs	$ 1,039,639	$ 539,807	$ 256,771	$ 218,941	$ 2,055,158	$ 3,406,083
Special Events Costs	$ -	$ -	$ -	$ 16,453	$ 16,453	$ 8,001
Cost of Concessions Sales	-	-	-	-	-	15,715
Total Expenses	$ 1,039,639	$ 539,807	$ 256,771	$ 235,394	$ 2,071,611	$ 3,429,799

See Accompanying Notes to Financial Statements.

A NOISE WITHIN
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020

	Program Services				
	Theater Productions	Education Programs	Management and General	Fundraising	Total
Salaries and Benefits	$ 953,839	$ 564,370	$ 167,280	$ 202,509	$ 1,887,998
Production Artistic and Technical Fees	95,037	46,817	80	80	142,014
Production Supplies, Material and Expenses	95,143	46,862	-	-	142,005
Royalties and Fees	35,744	17,605	-	-	53,349
Education Related Expenses	-	52,040	-	-	52,040
Marketing and Public Relations	160,673	111,650	404	11,459	284,186
Merchant and Bank Charges	44,183	26,510	8,837	8,837	88,367
Professional Fees	19,415	9,707	21,236	10,000	60,358
Utilities	60,517	30,259	10,086	-	100,862
Repairs and Maintenance	31,058	15,529	5,176	-	51,763
Insurance and Taxes	59,440	29,720	9,907	-	99,067
Office Expenses	16,133	9,457	35,133	6,603	67,326
Total Expenses Before Depreciation and Interest	$ 1,571,182	$ 960,526	$ 258,139	$ 239,488	$ 3,029,335
Depreciation	$ 215,747	$ 107,874	$ 35,958	$ -	$ 359,579
Interest	10,302	5,150	1,717	-	17,169
Total Expenses Before Special Events Costs	$ 1,797,231	$ 1,073,550	$ 295,814	$ 239,488	$ 3,406,083
Special Events Costs	$ -	$ -	$ -	$ 7,995	$ 7,995
Cost of Concessions Sales	15,715	-	-	-	15,715
Total Expenses	$ 1,812,946	$ 1,073,550	$ 295,814	$ 247,483	$ 3,429,793

See Accompanying Notes to Financial Statements.

A NOISE WITHIN
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 651,914	$ (743,337)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	359,628	359,579
PPP Loan Forgiveness	(409,400)	-
Changes in Assets and Liabilities:		
Contributions Receivable, Net	(172,111)	346,591
Accounts and Other Receivable	(193,063)	(35,135)
Prepaid Expenses and Other Assets	35,024	71,918
Deferred Compensation Investment	(142,025)	58,163
Accounts Payable and Accrued Expenses	(26,075)	(7,655)
Deferred Revenue	17,961	(16,621)
Deferred Compensation Liability	142,025	(58,163)
Net Cash Provided (Used) by Operating Activities	263,878	(24,660)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(10,316)	(51,227)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Loans Payable	(42,134)	(37,669)
Proceed from Loans Payable	446,739	409,400
Net Cash Provided by Financing Activities	404,605	371,731
NET CHANGE IN CASH AND CASH EQUIVALENTS	658,167	295,844
Cash and Cash Equivalents - Beginning of Year	1,024,613	728,769
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 1,682,780	$ 1,024,613
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	$ 16,627	$ 17,169

See Accompanying Notes to Financial Statements.

NOTE 1 ORGANIZATION

A Noise Within (the Organization) is a California public benefit corporation organized in 1992 which operates a classical theatre company in Pasadena, California. The Organization produces classic theatre as an essential means to enrich our community by embracing universal human experiences, expanding personal awareness and challenging individual perspectives.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting to conform to generally accepted accounting principles in the United States of America (U.S. GAAP) as applicable to nonprofit entities. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein have been classified and are reported as follows:

Net Assets Without Donor Restrictions – Net assets without donor restrictions are resources available to support operations, including donor-restricted contributions whose restrictions are met in the same reporting period and net assets designated by the board of directors for specific purposes. The Board of Directors has designated a plant fund for the use of major facilities expenses.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions that are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. 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.

Revenue Recognition

Ticket revenue is recognized at a point in time of the related performance. Payments for ticket sales for performances that occur subsequent to year-end are shown as deferred revenue.

Education program revenue is recognized in the period during which the academic services are rendered (over time).

Contributions revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions.

Cash and Cash Equivalents

Cash and cash equivalents include operating cash and plant fund, which is invested in money market funds.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts and Other Receivable

Accounts and other receivable are valued at net realized value. During the year ended June 30, 2021, the Organization received $444,052 employee retention tax credit created by the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which is included in government assistance in the accompanying statements of activities. At June 30, 2021, Accounts and other receivable includes $218,549 receivable from employee retention tax credit and $22,708 program related receivable. Management believes that all accounts and other receivable are fully collectible as of June 30, 2021 and 2020.

Deferred Compensation Investments

Deferred compensation investments are stated at fair value which is based on quoted market prices.

Property and Equipment

Property and equipment which is purchased or constructed is stated at cost; assets acquired by gift are stated at fair value at the date of acquisition. The Organization capitalizes property and equipment purchases of $5,000 or more. The Organization uses the straight-line method for the computation of depreciation of long-lived assets according to the following schedule of useful lives:

Building	40 Years
Building improvements	5 to 20 Years
Furniture and equipment	5 to 10 Years
Website	3 Years

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Impairment losses, if any, are recognized when estimated future cash flows (undiscounted and without interest charges) derived from such assets are less than their carrying values. Management believes no such impairment occurred during the years ended June 30, 2021 and 2020.

Contributions and Grants

Unconditional promises to give are recorded as contribution receivables and revenues. For financial reporting purposes, the Organization distinguishes between contributions without donor restrictions and contributions with donor restrictions. Contributions on which donors have imposed restrictions which limit the use of the donated assets are reported as restricted. When such donor-imposed restrictions are met in subsequent reporting periods, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions. Contributed assets for which donors have not stipulated restrictions, as well as contributions on which donors have placed restrictions which are met within the same reporting period, are reported as contributions without donor restrictions.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unconditional promises that are expected to be collected within one year are recorded at net realizable value. Unconditional promises that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. As of June 30, 2021 and 2020, contributions receivable is expected to be collected within one year. An allowance for uncollectible contributions receivable may be estimated by management, based on such factors as prior collection history, type of contribution, and the nature of the fundraising activity. Conditional promises to give are not included as support until the conditions are substantially met. During the years ended June 30, 2021 and 2020, the Organization did not receive any conditional promises.

Functional Expense Allocation Methodology

The Organization's estimate of the functional expenses shared between program, management and general, and fundraising is based on a reasonable and consistent basis. Salaries and related expenses are allocated based upon management's estimated time expended by the employees. Facility related expenses, such as depreciation and utilities, are allocated based on the estimated facility square footage usage. Other expenses are allocated according to the Organization's estimates or on a direct basis.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Fair Value Measurements

FASB Accounting Standards Codification 820, *Fair Value Measurements and Disclosures (ASC 820)* establish a hierarchal disclosure framework which prioritizes and ranks the level of market price observability used in measuring fair value. This hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three levels:

Level 1 – Quoted market prices are available in active market for identical assets or liabilities as of the reporting date.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.

Level 3 – Pricing inputs are unobservable and shall be used to measure fair value to the extent that observable inputs are not available. The inputs into the determination of fair value are based upon the best information available and require significant management judgment or estimation.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentration of credit risk are cash, investments, and receivables. The Organization’s cash and investments are held by major financial institutions insured by Federal Deposit Insurance Corporation and Securities Investor Protection Corporation up to their statutory limits. Concentrations of credit risk for student receivables are generally limited due to the dispersion over a wide creditor base.

Income Taxes

The Organization is a nonprofit, tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and is exempt from federal income and state franchise taxes on related income pursuant to Section 501(a) of IRC and similar provisions of the California Franchise Tax Code. The Organization does not engage in any significant unrelated trades or businesses. Accordingly, no provision for income taxes is required.

U.S. GAAP provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes all of the positions taken by the Organization are more likely than not to be sustained upon examination.

Reclassification

Certain reclassifications of amount previously reported have been made to the accompanying financial statements to maintain consistency between years presented. The reclassifications had no impact on previously reported net assets and change in net assets.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 28, 2021, the date the financial statements were available to be issued. Except as disclosed in Note 5, there were no subsequent events that would require additional adjustments or disclosures in these financial statements.

New Accounting Pronouncements Adopted During the Year

Management has completed its evaluation of the impact of adopting Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606),* on the Organization's financial statements and internal revenue recognition policies. The majority of the Organization's revenue recognition policies will not be impacted or will be minimally impacted by the new standard. The Organization adopted this ASU on July 1, 2020, using the modified retrospective approach and noted no changes to the previously issued audited financial statements.

NOTE 3 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, comprise the following:

	2021	2020
Cash and Cash Equivalents	$ 1,682,780	$ 1,024,613
Accounts and Other Receivable	241,257	48,194
Contributions Receivables Within One Year	212,263	40,152
Total	2,136,300	1,112,959
Less:		
Donor Purpose-Restricted Net Assets	(89,535)	(54,956)
Board Designated Net Assets	(350,212)	(295,182)
Total	$ 1,696,553	$ 762,821

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments; cash in excess of daily requirements are invested in money market fund. Although the Organization does not intend to spend from its board-designated reserves, these amounts could be made available if necessary.

NOTE 4 PROPERTY AND EQUIPMENT

At June 30, 2021 and 2020, property and equipment are as follows:

	2021		
	Cost	Accumulated Depreciation	Total
Land	$ 2,013,000	$ -	$ 2,013,000
Building and Improvements	10,942,427	2,721,750	8,220,677
Furniture and Equipment	531,594	389,288	142,306
Website	25,000	25,000	-
Total Property and Equipment	$ 13,512,021	$ 3,136,038	$ 10,375,983

	2020		
	Cost	Accumulated Depreciation	Total
Land	$ 2,013,000	$ -	$ 2,013,000
Building and Improvements	10,942,427	2,415,493	8,526,934
Furniture and Equipment	521,278	335,917	185,361
Website	25,000	25,000	-
Total Property and Equipment	$ 13,501,705	$ 2,776,410	$ 10,725,295

NOTE 5 LOANS PAYABLE

Promissory Notes

In June 2015, the Organization entered into a first promissory note with a bank in the amount of $607,026, secured by the Organization's deed of trust. The first promissory note bears fixed interest rate at 5% with monthly installment of $3,570 and a balloon payment of all unpaid balance at maturity. The first promissory note matures in June 2022. As of June 30, 2021 and 2020, the outstanding balance on this first promissory note was $167,656 and $201,055, respectively. During the years ended June 30, 2021 and 2020, interest expense was $9,425 and $11,101 on this promissory note, respectively.

In June 2020, the Organization entered into a secured second promissory note with the same bank in the amount of $53,000, for the purpose of paying monthly payments of principal and interest of the first promissory note. The Organization received the proceed of the second promissory note on August 10, 2020. The second promissory note bears fixed interest rate at 3% with monthly principal and interest payment of $295 and a balloon payment of all unpaid balance at maturity on June 2025. As of June 30, 2021, the outstanding balance on this second promissory note was $51,170. During the year ended June 30, 2021, interest expense was $1,416 on this promissory note.

Pathway Agreement

In March 2018, the Organization entered into an unsecured reimbursement agreement with an unrelated entity in the amount of $190,000 for a portion of costs relating to construction of a shared pedestrian walkway. The monthly payments are $1,000 for 190 months. The reimbursement agreement is non-interest bearing and the Organization imputed interest at 5%. As of June 30, 2021 and 2020, the outstanding principal of this reimbursement agreement was $108,521 and $115,426, respectively. During the years ended June 30, 2021 and 2020, the imputed interest expense was $5,786 and $6,343, respectively.

PPP Loan

In April 2020, the Organization received a loan in the amount of $409,440 to fund payroll and other eligible expenses through the Paycheck Protection Program (PPP) created by the CARES Act. The loans are unsecured and guaranteed by the Small Business Administration (SBA).

In March 2021, the Organization received a second round of PPP loan in the amount of $393,739 to fund payroll and other eligible expenses.

The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5, 2020) and was due over 24 months deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred and has a term of two years. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the Organization fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date.

NOTE 5 LOANS PAYABLE (CONTINUED)

PPP Loan (Continued)

The Organization is following ASC 470 Debt to account for the initial receipts related to the PPP Loan. On January 13, 2021, the SBA processed the Organization's first PPP Loan forgiveness application and loan proceeds were received by the bank from the SBA on this date. Therefore, the Organization was legally released from the debt and the loan forgiveness in the amount of $409,400 was recorded as a gain on extinguishment of debt, which is included in government assistance in the statement of activities for the year ended June 30, 2021. On December 24, 2021, the SBA processed the Organization's second PPP Loan forgiveness application and the Organization was legally released from the debt and the loan forgiveness in the amount of $393,739.

The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Organization's financial position.

Line of Credit

In May 2016, the Organization entered into a $200,000 line of credit agreement with a bank. Under the terms of the agreement, the line of credit bears interest rate at LIBOR plus 2.75% and expired in November 2020. The Organization did not renew the line of credit upon expiration. During the years ended June 30, 2021 and 2020, the Organization did not draw on this line of credit.

At June 30, 2021, future principal payments on the loans payable are as follows:

Year Ending June 30	Promissory Note	Pathway Agreement	PPP Loan	Total
2022	$ 169,669	$ 6,540	$ 393,739	$ 569,948
2023	2,075	6,867		8,942
2024	2,135	7,210	-	9,345
2025	2,205	7,571	-	9,776
2026	42,743	7,950	-	50,693
Thereafter	-	72,383	-	72,383
Total	$ 218,826	$ 108,521	$ 393,739	$ 721,086

NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2021 and 2020, net assets with donor restrictions were for the following purposes:

	2021	2020
Subject to Expenditure for Specified Purposes:		
Capital Improvements	$ 46,535	$ 49,456
Professional Development	18,000	5,500
Covid Relief	25,000	-
Subject to Passage of Time	223,476	54,059
Total	$ 313,011	$ 109,015

During the years ended June 30, 2021 and 2020, net assets were released as follows:

	2021	2020
Capital Improvements	$ 3,310	$ 20,822
Information Technology	-	30,000
Professional Development	5,500	-
Passage of Time	53,670	232,049
Total	$ 62,480	$ 282,871

NOTE 7 RETIREMENT PLAN

In July 2018, the Organization adopted a simple IRA plan (the Plan) for substantially all of its employees. The Organization matches participants' contribution up to 3% of the participants' base salary. During the years ended June 30, 2021 and 2020, the Organization made $25,044 and $29,557 contributions to the Plan, respectively.

NOTE 8 RETENTION PAYMENT PLAN

In 2016, the Organization set up a 457(b) deferred compensation plan for the benefit of the two Artistic Directors. Benefits may be forfeited due to involuntary separation from service for cause or involuntary separation from service. Benefits may be paid to the recipient in either a lump sum or over time, between 1 and 20 years. Under the agreement, the Organization makes annual credits to each of the Artistic Directors until January 1, 2029.

As of June 30, 2021 and 2020, accrued deferred compensation liability was $373,650 and $231,625, respectively. The Organization has set aside funds in marketable securities selected by the Artistic Directors. The marketable securities are considered as level 1 in the fair value measurement measured on a recurring basis.

NOTE 9 RISK AND UNCERTAINTY OF OPERATIONS

In March 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic and the pandemic continued in 2021. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. The COVID-19 pandemic has caused significant disruption to the operation of all theaters, including the Organization, and the recovery timeline is unclear.

While most of the Organization's offerings are to be presented for live audiences again in FY22 following over a year of virtual programming, variants of COVID-19 continue to present challenges to revenue forecasting. The Organization continues to generate impactful content for audiences approaching pre-pandemic levels, which builds back potential for earned revenue while maintaining contributed revenue sources.