

Matrix Theatre
Company

Audited Financial
Statements

For the year ended
September 30, 2020

CONTENTS

Independent Auditor's Report	1
Financial Statements	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6



INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Matrix Theatre Company

We have audited the accompanying financial statements of Matrix Theatre Company (a nonprofit organization), which comprise the statement of financial position as of September 30, 2020, and the related statements of activities and cash flows 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.

Auditor's 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 auditor's 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 Matrix Theatre Company as of September 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Jason F. Clausen, P.C.

Fraser, MI
April 20, 2021

MATRIX THEATRE COMPANY
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2020

Assets

Current assets	
Cash and cash equivalents	\$ 64,635
Investments	20,480
Accounts and grants receivable - current, net	44,528
Prepaid expenses	<u>2,570</u>
Total current assets	132,213
Property and equipment, net	1,343
Other assets	
Grants receivable, net of current portion	<u>10,000</u>
Total other assets	<u>10,000</u>
Total assets	<u><u>143,556</u></u>

Liabilities and net assets

Current liabilities	
Accounts payable	3,771
Accrued expenses	665
Deferred revenue	<u>14,525</u>
Total current liabilities	<u>18,961</u>
Total liabilities	18,961

Net assets

Net assets without donor restrictions	63,448
Net assets with donor restrictions	<u>61,147</u>
Total net assets	<u>124,595</u>
Total liabilities and net assets	<u><u>\$ 143,556</u></u>

See independent auditor's report and financial statements

MATRIX THEATRE COMPANY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
<u>Revenue and other support</u>			
Government grants	\$ 18,000	\$ -	\$ 18,000
Grants and contributions	87,671	25,000	112,671
Program fees	3,878	-	3,878
Special events, net of direct costs totaling \$341	12,105	-	12,105
Investment income	(217)	-	(217)
Other revenue	-	15,300	15,300
Net assets released from restrictions	<u>67,240</u>	<u>(67,240)</u>	<u>-</u>
Total revenue and other support	188,677	(26,940)	161,737
<u>Expense</u>			
Program services	124,068	-	124,068
Management and general	41,968	-	41,968
Fundraising	<u>3,002</u>	<u>-</u>	<u>3,002</u>
Total expense	<u>169,038</u>	<u>-</u>	<u>169,038</u>
Change in net assets	19,639	(26,940)	(7,301)
Net assets, beginning of period	<u>43,809</u>	<u>88,087</u>	<u>131,896</u>
Net assets, end of period	<u>\$ 63,448</u>	<u>\$ 61,147</u>	<u>\$ 124,595</u>

See independent auditor's report and financial statements

MATRIX THEATRE COMPANY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

<u>Description</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 36,671	\$ 10,757	\$ 1,467	\$ 48,895
Payroll taxes	2,849	835	114	3,798
Employee benefits	5,330	1,564	213	7,107
Professional and contractual services	13,295	19,062	-	32,357
Occupancy	32,421	3,684	737	36,842
Telephone and internet	7,463	848	170	8,481
Equipment and office	2,219	253	50	2,522
Registration, dues, and bank fees	1,780	203	40	2,023
Production and merchandise costs	1,071	-	-	1,071
Advertising and promotion	2,971	3,782	-	6,753
Lodging and meals	100	100	-	200
Insurance	6,755	767	154	7,676
Depreciation	11,143	113	57	11,313
Total expenses on the statement of activities	<u>\$ 124,068</u>	<u>\$ 41,968</u>	<u>\$ 3,002</u>	<u>\$ 169,038</u>

See independent auditor's report and financial statements

MATRIX THEATRE COMPANY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

<u>Cash flows from operating activities</u>	
Change in net assets	\$ (7,301)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	11,313
Reclassify investment income and expenses	593
<u>Changes in operating assets and liabilities</u>	
Decrease in receivables	11,283
Decrease in prepaid expenses	(70)
Decrease in accounts payable	(4,311)
Decrease in accrued expenses	(512)
Increase in deferred revenue	<u>14,525</u>
Net cash provided by operating activities	<u>25,520</u>
Net increase in cash and cash equivalents	25,520
Cash and cash equivalents, beginning of period	<u>39,115</u>
Cash and cash equivalents, end of period	<u><u>\$ 64,635</u></u>

Cash paid for interest during the fiscal year was \$0.

MATRIX THEATRE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE 1 – NATURE OF ACTIVITIES

Matrix Theatre Company (the “Organization”) is a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code as an organization that is not a private foundation. The Organization is dedicated to fostering a community of creativity and social justice through the development and productions of original theatre.

The Organization uses the transformative power of theatre to change lives, build community, and foster social justice. It creates opportunities for children, youth, adults and elders, especially those in isolated or challenged communities to become creators, producers, and audience of theatre.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

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 and expenses during the reporting period. Actual results could differ from those estimates.

Classification of Net Assets

The Organization prepares its financial statements in accordance with FASB ASC 958-205, “Financial Statements of Not-for-Profit Organizations”. Under FASB ASC 958-205, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, and net assets with donor restrictions. As permitted under the provisions of FASB 958-605, the Organization records donor-restricted contributions whose restrictions have been satisfied in the same reporting period as unrestricted support in such year.

Recognition of Donor Restrictions

Contributions that are restricted by the donor are reported as an increase in net asset with donor restrictions. When the restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Cash and Cash Equivalents

Cash and cash equivalents are defined as cash on hand and demand deposits in banks plus short-term investments that are readily convertible to cash as well as investments with original maturities of three months or less.

Concentration of Credit Risk

The Organization places its cash with federally insured financial institutions. The Organization’s balances in the accounts may, at times, exceed \$250,000, up to which is federally insured. Management has deemed this as a normal business risk. As of September 30, 2020, the Organization did not have any deposits in excess of federally insured limits.

MATRIX THEATRE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts and Grants Receivable, Net

Accounts, contributions, and grants receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on accounts receivable using the allowance method. The allowance is based on experience and other circumstances, which may affect the ability of grantors, contributors, schools, or other serviced organizations to meet their obligations. Management estimates the allowance for doubtful accounts as of September 30, 2020 to be \$10,607.

Receivables are considered impaired if payments are not received in accordance with the grant, contributor, or other contractual terms. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

Current Financial Assets

The Organization has \$131,757 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash of \$64,636, investments of \$20,480 and the current portion of grants and accounts receivable totaling \$46,641. Certain grants receivable amounts are subject to donor restrictions as outlined in Note 6. The Organization has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$26,960. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Contributed Goods and Services

Contributed goods and services are recorded at fair values as revenues and expenses in the year pledged. In addition, the Organization receives services from a large number of volunteers who give significant amounts of their time to the Organization's programs, fundraising and management. Such services may include those that (a) create or enhance nonfinancial assets, or (b) require specialized skills provided by individuals possessing those skills and would typically need to be purchased if not contributed. The fair value of such services is recorded as revenue and as expense to the organization.

Property and Equipment

Property and equipment purchased by the Organization is carried on its books at cost. Property and equipment donated to the Organization has been recorded at its estimated value at the date of receipt by the Organization. Expenditures for major betterments and additions are charged to the property accounts, while replacements, maintenance and repairs which do not improve or extend the life of the respective assets are expensed currently.

Depreciation of property and equipment is provided under the straight-line method over the estimated useful lives of the respective assets.

MATRIX THEATRE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Directly identifiable expenses are charged to program and supporting services. Other expenses such as personnel costs, occupancy costs, insurance, and general office expenses are allocated to program and supporting services on the basis of periodic time and expense analyses as determined by management. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Advertising Expenses

Advertising costs are expensed as they are incurred. For the year ended September 30, 2020, advertising expenses totaled \$6,753.

Income Taxes

The Organization is a nonprofit organization exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore, is not subject to income tax on income derived from its exempt function. The Organization is no longer subject to examination by the Internal Revenue Service for tax years that ended prior to September 30, 2017.

NOTE 3 – INVESTMENTS

Generally accepted accounting principles (GAAP) defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. GAAP also established a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Basis of Fair Value Measurement

Level 1:

Valuations based on quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2:

Valuations based on quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets or liabilities.

Level 3:

Valuations based on unobservable inputs (i.e., the Organization's own data).

See independent auditor's report and financial statements

MATRIX THEATRE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE 3 – INVESTMENTS (CONTINUED)

As required by GAAP, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of assets and liabilities and their placement within the fair value hierarchy levels.

Following is a description of the valuation methodologies used for assets measured at fair value:

Money market funds: Valued at the fair value of the fund at the close of the stock market on the last business day of the year.

Mutual Funds: Valued at the accumulated unit value of the units held at the end of the year.

The following table presents financial assets measured at fair value on a recurring basis as of September 30, 2020:

		In Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
<u>September 30, 2020</u>	<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Levels 3)</u>
Money Market	\$ 1,977	\$ 1,977	\$ -	\$ -
Mutual Funds	<u>18,503</u>	<u>18,503</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 20,480</u>	<u>\$ 20,480</u>	<u>\$ -</u>	<u>\$ -</u>

Investment income for the year ended September 30, 2020, reported as a net of realized gains and losses, dividends and interest, brokerage fees of \$469, and unrealized market fluctuations was \$1,061.

NOTE 4 – PROPERTY AND EQUIPMENT

As of September 30, 2020, property and equipment consisted of the following:

Studio improvements	<u>\$ 23,524</u>
Total property and equipment	23,524
Less: accumulated depreciation	<u>22,181</u>
Net property and equipment	<u>\$ 1,343</u>

Depreciation expense was \$7,301 for the year ending September 30, 2020.

See independent auditor's report and financial statements

MATRIX THEATRE COMPANY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

NOTE 5 – CONTRIBUTED GOODS AND SERVICES

Directors, officers, and a substantial number of volunteers have donated significant amounts of their time to develop the Organization and assist in the operation of its various programs. There were no amounts recorded during the year ended September 30, 2020 for donated services that met the requirements under GAAP for recognition as income.

NOTE 6 – PAYCHECK PROTECTION PROGRAM (“PPP”) LOAN

On April 16, 2020, the Company received loan proceeds in the amount of \$15,300 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels.

On December 23, 2020, the full amount of the loan was forgiven and is recorded on the Statement of Activities.

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

The following table summarizes the portion of net assets that are restricted for the following purposes or periods at September 30, 2020:

Subject to expenditure for a specified purpose:

First-person accounts, oral histories & cultural perspectives	\$ 6,292
Paycheck Protection Program	8,230
R.A.C.E. Detroit 2020	12,425
Children’s Theatre Workshop	600
Shaun Nethercott Scholarship	<u>3,600</u>
	31,147

Subject to the passage of time:

For periods after September 30, 2020	<u>60,000</u>
Total net assets with donor restrictions	<u>\$ 61,147</u>

NOTE 8 - SUBSEQUENT EVENTS

The Organization has evaluated events and transactions for potential recognition or disclosure through the date of this report, which is the date the financial statements were available to be issued.

Accounting principles generally accepted in the United States of America require that financial statements recognize the effects of events subsequent to the balance sheet date that provide additional evidence about conditions that did or did not exist at the date of the balance sheet.

See independent auditor's report and financial statements