

THE PLAYWRIGHTS' CENTER, INC.

FINANCIAL STATEMENTS
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT

JUNE 30, 2009

THE PLAYWRIGHTS' CENTER, INC.

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' 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	6-10

INDEPENDENT AUDITORS' REPORT

Board of Directors
The Playwrights' Center, Inc.
Minneapolis, Minnesota

We have audited the accompanying statement of financial position of The Playwrights' Center, Inc. (a nonprofit organization) as of June 30, 2009, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Center's 2008 financial statements and, in our report dated September 29, 2008 we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Playwrights' Center, Inc. as of June 30, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

St. Paul, Minnesota
September 16, 2009

Olsen Thielen & Co., Ltd.

THE PLAYWRIGHTS' CENTER, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2009

(With Comparative Totals for 2008)

ASSETS		
	<u>2009</u>	<u>2008</u>
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 1,013,129	\$ 611,865
Current Portion of Pledges Receivable	287,500	483,000
Other Receivables	1,366	2,166
Prepaid Expenses	680	500
Total Current Assets	<u>1,302,675</u>	<u>1,097,531</u>
OTHER ASSETS:		
Non-Current Pledges Receivable	<u>465,208</u>	<u>132,972</u>
PROPERTY AND EQUIPMENT:		
Building Improvements	1,191,536	1,183,136
Equipment	69,039	44,335
Total	<u>1,260,575</u>	<u>1,227,471</u>
Less Accumulated Depreciation	<u>429,496</u>	<u>383,624</u>
Net Property and Equipment	<u>831,079</u>	<u>843,847</u>
TOTAL ASSETS	<u>\$ 2,598,962</u>	<u>\$ 2,074,350</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Current Portion of Long-Term Debt	\$ 4,500	\$ 4,200
Accounts Payable	17,167	11,066
Accrued Expenses	9,143	14,349
Deferred Revenue	8,432	3,932
Total Current Liabilities	<u>39,242</u>	<u>33,547</u>
LONG-TERM DEBT	<u>2,061</u>	<u>6,577</u>
NET ASSETS:		
Unrestricted	902,451	911,454
Temporarily Restricted	1,655,208	1,122,772
Total Net Assets	<u>2,557,659</u>	<u>2,034,226</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,598,962</u>	<u>\$ 2,074,350</u>

The accompanying notes are an integral part of the financial statements.

THE PLAYWRIGHTS' CENTER, INC.

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009**

(With Comparative Totals for 2008)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2009</u>	<u>Total 2008</u>
REVENUE AND SUPPORT:				
Private Contributions	\$ 619,636	\$ 1,022,236	\$ 1,641,872	\$ 918,185
Governmental Agency Grants	33,003	25,000	58,003	52,514
Donated Services	16,477	-	16,477	20,187
Interest	11,126	-	11,126	17,137
Membership Fees	38,348	-	38,348	31,566
Program Service Fees	3,790	-	3,790	2,175
Rental Income	11,700	-	11,700	19,266
Miscellaneous	64,966	-	64,966	33,918
Net Assets Released from Restrictions	514,800	(514,800)	-	-
Total Revenue and Support	<u>1,313,846</u>	<u>532,436</u>	<u>1,846,282</u>	<u>1,094,948</u>
EXPENSES:				
Program Services	1,123,976	-	1,123,976	964,253
Management and General	131,200	-	131,200	72,689
Fundraising	67,673	-	67,673	33,560
Total Expenses	<u>1,322,849</u>	<u>-</u>	<u>1,322,849</u>	<u>1,070,502</u>
CHANGE IN NET ASSETS	(9,003)	532,436	523,433	24,446
NET ASSETS at Beginning of Year	<u>911,454</u>	<u>1,122,772</u>	<u>2,034,226</u>	<u>2,009,780</u>
NET ASSETS at End of Year	<u>\$ 902,451</u>	<u>\$ 1,655,208</u>	<u>\$ 2,557,659</u>	<u>\$ 2,034,226</u>

The accompanying notes are an integral part of the financial statements.

THE PLAYWRIGHTS' CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2009

(With Comparative Totals for 2008)

	Program Services					Supporting Activities			Total 2008			
	The Lab	McKnight Fellowship Programs	Jerome Fellowship Programs	Playlabs	McKnight Theater Artist	Many Voices	Membership	Total Program Services		Management General	Fund-raising	Supporting Activities
Salaries:												
Staff	\$ 160,081	\$ 41,761	\$ 34,801	\$ 41,761	\$ 25,519	\$ 30,160	\$ 32,481	\$ 366,564	\$ 60,320	\$ 37,120	\$ 97,440	\$ 464,004
Artistic	44,499	3,888	3,059	8,787	364	2,009	9,198	71,804	—	—	—	71,804
Employee Benefits	18,584	4,848	4,040	4,848	2,963	3,501	4,166	42,950	6,751	4,309	11,060	54,010
Payroll Taxes	15,561	4,060	3,383	4,060	2,481	2,931	3,158	35,634	5,864	3,608	9,472	45,106
Total Personnel Costs	238,725	54,557	45,283	59,456	31,327	38,601	49,003	516,952	72,935	45,037	117,972	634,924
Fellowships	31,100	61,250	50,000	1,800	75,000	12,500	—	231,650	—	—	—	231,650
Contract Services	37,947	2,449	2,055	4,363	1,291	2,169	8,061	58,335	14,656	8,950	23,606	81,941
Publicity/Newsletter	9,149	3,199	2,846	3,688	5,886	1,957	4,292	31,017	2,572	283	2,855	33,872
Interest/Fees	1,325	150	75	75	75	75	150	1,925	1,220	75	1,295	3,220
Building Maintenance/Repair	9,722	2,234	1,872	2,234	1,365	1,620	1,273	20,320	3,444	799	4,243	24,563
Occupancy	5,214	1,360	1,134	1,360	832	982	1,058	11,940	1,964	1,209	3,173	15,113
Printing	12,169	3,413	2,545	6,502	2,087	2,465	3,584	32,765	2,458	2,706	5,164	37,929
Production Costs	14,778	1,072	1,213	3,953	1,602	757	2,746	26,121	4,596	2,579	7,175	33,296
Telephone	3,266	851	710	852	520	615	664	7,478	1,231	757	1,988	9,466
Insurance	6,080	1,584	1,321	1,585	968	1,145	1,233	13,916	2,290	1,409	3,699	17,615
Postage	4,053	1,058	882	1,058	646	764	822	9,283	1,528	941	2,469	11,752
Travel	25,007	2,496	26	8,835	—	—	1,363	37,727	2,756	957	3,713	41,440
Supplies	3,120	814	678	814	497	588	633	7,144	1,176	724	1,900	9,044
Artistic Contractors	3,335	—	—	440	—	—	—	3,775	—	—	—	3,775
Other Artistic Costs	30,227	4,604	1,802	17,189	4,032	708	4,040	62,602	7,105	70	7,175	69,777
Subscription and Staff Development	1,521	300	150	150	150	150	300	2,721	2,916	575	3,491	6,212
Miscellaneous	5,079	808	574	658	461	517	300	8,397	2,390	602	2,992	11,389
Total Other Expenses	203,092	87,642	67,893	55,556	95,412	27,012	30,519	567,116	52,302	22,636	74,938	642,054
Total Expense Before Depreciation	441,817	142,199	113,166	115,012	126,739	65,613	79,522	1,084,068	125,237	67,673	192,910	1,276,978
Depreciation	11,467	6,880	6,881	5,505	2,294	2,294	4,587	39,908	5,963	—	5,963	45,871
Total Expenses	\$ 453,284	\$ 149,079	\$ 120,047	\$ 120,517	\$ 129,033	\$ 67,907	\$ 84,109	\$ 1,123,976	\$ 131,200	\$ 67,673	\$ 198,873	\$ 1,322,849

The accompanying notes are an integral part of the financial statements.

THE PLAYWRIGHTS' CENTER, INC.

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2009
(With Comparative Totals for 2008)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 523,433	\$ 24,446
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By Operating Activities:		
Depreciation	45,871	46,185
Loss on Disposal of Assets	-	1,101
Changes in Assets and Liabilities:		
Pledges Receivable	(136,736)	(1,164)
Other Receivables	800	(800)
Prepaid Expenses	(180)	5,265
Accounts Payable	6,101	(6,302)
Accrued Expenses	(5,206)	4,768
Deferred Revenue	4,500	140
Net Cash Provided By Operating Activities	438,583	73,639
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Property and Equipment	(33,103)	(2,963)
Net Cash Used In Investing Activities	(33,103)	(2,963)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal Payments on Long-Term Debt	(4,216)	(24,415)
Net Cash Used In Financing Activities	(4,216)	(24,415)
NET INCREASE IN CASH AND CASH EQUIVALENTS	401,264	46,261
CASH AND CASH EQUIVALENTS at Beginning of Year	611,865	565,604
CASH AND CASH EQUIVALENTS at End of Year	\$ 1,013,129	\$ 611,865

The accompanying notes are an integral part of the financial statements.

THE PLAYWRIGHTS' CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Playwrights' Center, Inc. (the Center) is a nonprofit corporation established to provide services that support the development and public appreciation of playwrights and playwriting. The Center is committed to:

- Artistic excellence
- Diversity of aesthetic, culture, age and gender
- Playwright participation in governance
- Advocacy of Playwrights' work
- Freedom of expression

Basis of Presentation

In the accompanying financial statements, net assets that have similar characteristics have been combined into categories as follows:

Unrestricted - Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets include operating activities for the Center's programs, fundraising and general and administrative activities.

Temporarily Restricted - Net assets whose use by the Center is subject to donor-imposed stipulations that can be fulfilled by actions of the Center pursuant to those stipulations or that expire with the passage of time. Temporarily restricted net assets include the following major activities:

- Fellowships - Support, aside from Many Voices, is derived from contributions from outside persons and foundations and is restricted to developing emerging, mid-career and accomplished playwrights. Many Voices support is derived from contributions from outside foundations and is restricted to serve artists of color, providing training, grants, and other types of support to emerging playwrights.
- The Ruth Easton Lab - Support is derived from contributions from outside foundations and individuals, and is restricted to play development workshops. The workshops culminate in staged readings, including the Ruth Easton New Play Series, the Playwrights' Center's annual season of public staged readings; and the PlayLabs Festival, the Center's annual new play staged reading festival.
- Administrative - Support is derived from private contributions that are for general use of the Center to meet future administrative needs as the Center expands its programs.

Expenses are generally reported as decreases in unrestricted net assets. Expirations of donor-imposed stipulations that simultaneously increase one category of net assets and decrease another are reported as reclassifications between the applicable categories.

Temporarily restricted net assets for which donor-imposed restrictions are met in subsequent reporting periods are reclassified to unrestricted net assets and reported as net assets released from restrictions. Net assets which have no donor-stipulated restrictions, as well as contributions for which donors have stipulated restrictions but which are met within the same reporting period, are reported as unrestricted support.

THE PLAYWRIGHTS' CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Center's financial statements for the year ended June 30, 2008, from which the summarized information was derived.

Accounting Estimates

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

Cash Equivalents

The Center considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents. Cash equivalents are stated at cost, which approximates market value.

Contributions

Contributions are recognized when the donor makes a promise to give to the Center that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets only if the restrictions expire or are satisfied during the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of restrictions. Contributed materials, or investments are recorded at fair market value when received.

Receivables

Receivables are reported at the amount the Center expects to collect on balances outstanding at year-end. The Center monitors outstanding balances and periodically writes off balances that are determined to be uncollectible. The Center has concluded that losses on balances outstanding at year-end will not be significant.

Property and Depreciation

Property and equipment are recorded at original cost. Additions and improvements are capitalized. If the assets are sold, retired or otherwise disposed of in the ordinary course of business, the cost and related accumulated depreciation are removed from the books. Any gains or losses on property and equipment retirements are reflected currently in the statement of activities.

Depreciation is computed using the straight-line method based on estimated useful lives of the assets as follows:

Building Improvements	30 Years
Equipment	5 Years

THE PLAYWRIGHTS' CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Services

The Center recognizes revenue for donated professional services in the amount that it would cost to hire an employee to do the same work. The Center recognized \$19,067 of donated services during the years ended June 30, 2009 (\$20,187 during 2008).

Income Taxes

The Center operates on a nonprofit basis and has been granted tax-exempt status by the Internal Revenue Service under Section 501(c)(3). Therefore, the accompanying financial statements do not include a provision for income taxes.

The Financial Accounting Standards Board (FASB) has issued FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes*. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. FIN 48 prescribes a recognition threshold and measurement standards for the financial statement recognition and measurement of income tax positions taken or expected to be taken in income tax returns. This includes positions that the entity is exempt from income taxes except for taxes on unrelated business income. In addition, FIN 48 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

In December 2008, the FASB provided for a deferral of the effective date of FIN 48 for certain nonpublic entities to annual financial statements for fiscal years beginning after December 15, 2008. The Center has elected this deferral and, accordingly, will be required to adopt FIN 48 in its 2010 annual financial statements. Prior to adoption of FIN 48, the Center will continue to evaluate its uncertain tax positions and related income tax contingencies under FASB Statement No. 5, *Accounting for Contingencies*. SFAS No. 5 requires the Center to accrue for losses it believes are probable and can be reasonably estimated. Management is currently assessing the impact of FIN 48 but does not expect the adoption of FIN 48 will have a material effect on its future financial statements.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Retirement Plan

The Center provides retirement benefits for employees meeting certain length of service requirements. The annual expense is not material to the financial statements.

Reclassifications

Certain comparative totals for 2008 have been reclassified to conform with the 2009 presentation. These reclassifications had no effect on net assets or change in net assets at June 30, 2008.

THE PLAYWRIGHTS' CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - PLEDGES RECEIVABLE

Pledges receivable at June 30, 2009 are as follows:

Temporarily Restricted Promises	\$ 757,500
Discount of Promises to FMV at 2.25%	<u>(4,792)</u>
Total	752,708
Less Amount Due Within One Year	<u>(287,500)</u>
Total Pledges Receivable	<u>\$ 465,208</u>

Pledges receivable due in less than one year are \$287,500, with the remaining \$465,208 due in one to two years.

NOTE 3 - LONG-TERM DEBT

Long-term debt at June 30, 2009 is as follows:

Capital lease obligation payable in monthly installments of \$405, including 7.00% imputed interest, to November 2010. Secured by equipment.	\$ 6,561
Less Amount Due Within One Year	<u>4,500</u>
Long-Term Debt	<u>\$ 2,061</u>

Cash paid for interest was \$620 in 2009.

Principal payments required during the next two years are: 2010 - \$4,500 and 2011 - \$2,061.

NOTE 4 - RESTRICTIONS ON NET ASSETS

Net assets were released from donor restriction in 2009 by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

Satisfaction of Program Restrictions	\$ 504,300
Time Restrictions Expired	<u>10,500</u>
Net Assets Released from Restrictions	<u>\$ 514,800</u>

THE PLAYWRIGHTS' CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - RESTRICTIONS ON NET ASSETS (Continued)

Temporarily restricted net assets as of June 30, 2009 are from sources or are available for purposes as follows:

McKnight Fellowship	\$ 114,500
McKnight Theater Fellowship	198,000
MAG Fellowship	226,000
Jerome Fellowship	66,000
Playlabs	15,000
Many Voices	35,000
The Lab	780,000
Waring Jones - Facility Improvements	75,000
Administrative (Including Time Restricted)	150,500
Less Discount to Present Value	<u>(4,792)</u>
Total Temporarily Restricted Net Assets	<u>\$ 1,655,208</u>

NOTE 5 - RELATED PARTY TRANSACTIONS

The Playwrights' Theater Corporation leases the use of land and a building for program purposes to the Center for \$1 per year. Under this agreement, the Center has the rights to use the property for ten years with an option to renew the lease three times, each for ten-year intervals. The Playwrights' Center, Inc. renewed the lease on January 1, 2002 for the first of the three ten-year options.

NOTE 6 - CONCENTRATIONS

In 2009, the Center received approximately 23% of its support from The McKnight Foundation (28% in 2008) and approximately 19% of its support from The Andrew W. Mellon Foundation.

NOTE 7 - SUBSEQUENT EVENTS

The Center adopted Statement of Financial Accounting Standards (SFAS) No. 165, *Subsequent Events*, effective June 30, 2009. SFAS No. 165 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued.

The Center has evaluated subsequent events through September 16, 2009, the date the financial statements were available to be issued. The Center is not aware of any subsequent events that require recognition or disclosure in the financial statements.