

History Theatre, Inc.

St. Paul, Minnesota

Financial Statements
Auditor's Report
For the Years Ended
June 30, 2021 and 2020



CERTIFIED PUBLIC ACCOUNTANTS

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Carpenter, Evert & Associates

Certified Public Accountants

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Independent Auditor's Report

Board of Directors
History Theatre, Inc.
St. Paul, Minnesota

We have audited the accompanying financial statements of History Theatre, Inc., which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and changes in net assets, functional expense, 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.

Auditor's 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 of 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 History Theatre, Inc. 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.

Carpenter, Evert & Associates, Ltd.
Certified Public Accountants

Minneapolis, Minnesota
November 29, 2021

HISTORY THEATRE, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

<u>ASSETS</u>	<u>2021</u>	<u>2020</u>
Current Assets:		
Cash and Cash Equivalents	\$ 1,538,583	\$ 1,287,950
Accounts Receivable	5,690	5,524
Grants and Contributions Receivable	69,435	32,730
Prepaid Expenses	97,957	84,924
Total Current Assets	<u>1,711,665</u>	<u>1,411,128</u>
Grants and Contributions Receivable	40,000	-
Property and Equipment - Net	<u>29,314</u>	<u>40,307</u>
 TOTAL ASSETS	 <u>\$ 1,780,979</u>	 <u>\$ 1,451,435</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable	\$ 6,401	\$ 14,779
Notes Payable-PPP Loan	78,667	-
Accrued Wages and Vacation	23,807	37,476
Other Accrued Expense	85,500	-
Deferred Ticket Income	163,291	106,154
Total Current Liabilities	<u>357,666</u>	<u>158,409</u>
Net Assets:		
Without Donor Restrictions:		
Board Designated	300,000	300,000
Undesignated	917,675	796,454
Total Without Donor Restrictions	<u>1,217,675</u>	<u>1,096,454</u>
With Donor Restrictions	<u>205,638</u>	<u>196,572</u>
Total Net Assets	<u>1,423,313</u>	<u>1,293,026</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 1,780,979</u>	 <u>\$ 1,451,435</u>

The accompanying Notes to Financial Statements
are an integral part of these statements.

HISTORY THEATRE, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:						
Grants and Contributions	\$ 558,416	\$ 95,000	\$ 653,416	\$ 424,664	\$ 28,800	\$ 453,464
Government Contributions	334,110	-	334,110	389,478	199,491	588,969
Ticket Sales	60,663	-	60,663	1,198,572	-	1,198,572
Special Event:						
Special Event Income	55,218	-	55,218	85,348	-	85,348
Costs of Direct Benefit to Donors	(10,176)	-	(10,176)	(1,824)	-	(1,824)
Net Special Event	45,042	-	45,042	83,524	-	83,524
Education Income	18,446	-	18,446	24,280	-	24,280
Retail Sales	-	-	-	74,794	-	74,794
Other Income	733	-	733	46,888	-	46,888
Net Assets Released from Restrictions:						
Satisfaction of Purpose Restrictions	55,934	(55,934)	-	85,134	(85,134)	-
Satisfaction of Time Restrictions	30,000	(30,000)	-	80,000	(80,000)	-
Total Support and Revenue	1,103,344	9,066	1,112,410	2,407,334	63,157	2,470,491
Expense:						
Program Services:						
Artistic and Production	760,933	-	760,933	1,905,341	-	1,905,341
Education	10,156	-	10,156	22,028	-	22,028
Total Program Services	771,089	-	771,089	1,927,369	-	1,927,369
Support Services:						
Management and General	158,860	-	158,860	300,731	-	300,731
Fundraising	52,174	-	52,174	132,267	-	132,267
Total Support Services	211,034	-	211,034	432,998	-	432,998
Total Expense	982,123	-	982,123	2,360,367	-	2,360,367
Change in Net Assets	121,221	9,066	130,287	46,967	63,157	110,124
Net Assets - Beginning of Year	1,096,454	196,572	1,293,026	1,049,487	133,415	1,182,902
Net Assets - End of Year	\$ 1,217,675	\$ 205,638	\$ 1,423,313	\$ 1,096,454	\$ 196,572	\$ 1,293,026

The accompanying Notes to Financial Statements are an integral part of these statements.

HISTORY THEATRE, INC.
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED JUNE 30, 2021 WITH COMPARATIVE TOTALS FOR 2020

	2021					2020					
	Program Services			Support Services		Program Services			Support Services		
	Artistic & Production	Education	Program Services	Management & General	Fund-raising	Total Support Services	Artistic & Production	Education	Program Services	Total Support Services	
Salaries	\$ 348,022	\$ -	\$ 348,022	\$ 56,554	\$ 30,452	\$ 87,006	\$ 1,094,738	\$ -	\$ 348,022	\$ 435,028	\$ 1,094,738
Employee Benefits	64,286	-	64,286	10,446	5,625	16,071	167,962	-	64,286	80,357	167,962
Payroll Taxes	18,273	-	18,273	2,969	1,599	4,568	97,855	-	18,273	22,841	97,855
Total Personnel Costs	430,581	-	430,581	69,969	37,676	107,645	1,360,555	-	430,581	538,226	1,360,555
Occupancy	105,982	-	105,982	9,421	2,355	11,776	121,610	-	105,982	117,758	121,610
Other Contract Services	48,457	-	48,457	7,726	5,459	13,185	99,088	-	48,457	61,642	99,088
Professional Fees	-	-	-	51,934	-	51,934	58,740	-	-	51,934	58,740
Production Costs	45,253	-	45,253	-	-	-	108,517	-	45,253	45,253	108,517
Contract Artist Fees	40,740	-	40,740	-	-	-	261,281	-	40,740	40,740	261,281
Advertising and Marketing	32,523	-	32,523	-	-	-	178,859	-	32,523	32,523	178,859
Insurance	18,242	-	18,242	1,621	405	2,026	9,458	-	18,242	20,268	9,458
Office Supplies	3,941	3,941	7,882	3,941	1,314	5,255	16,084	-	3,941	13,137	16,084
Credit Card and Other Bank Fees	12,903	-	12,903	-	-	-	49,720	-	12,903	12,903	49,720
Equipment Rental	2,805	2,805	5,610	2,805	934	3,739	13,200	-	2,805	9,349	13,200
Telephone	2,348	2,348	4,696	2,348	782	3,130	7,623	-	2,348	7,826	7,623
Dues and Subscriptions	-	-	-	3,849	2,566	6,415	4,825	-	3,849	6,415	4,825
Miscellaneous	1,280	-	1,280	2,867	-	2,867	17,909	-	1,280	4,147	17,909
Printing	1,062	1,062	2,124	1,062	354	1,416	36,520	-	1,062	3,540	36,520
Depreciation	14,816	-	14,816	1,317	329	1,646	16,378	-	14,816	16,462	16,378
Total Expense	\$ 760,933	\$ 10,156	\$ 771,089	\$ 158,860	\$ 52,174	\$ 211,034	\$ 2,360,367	\$ 982,123	\$ 771,089	\$ 982,123	\$ 2,360,367

The accompanying Notes to Financial Statements are an integral part of this statement.

HISTORY THEATRE, INC.
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED JUNE 30, 2020

	Program Services			Support Services			Total All Services
	Artistic & Production	Education	Program Services	Management & General	Fund-raising	Support Services	
Salaries	\$ 875,790	\$ -	\$ 875,790	\$ 142,316	\$ 76,632	\$ 218,948	\$ 1,094,738
Employee Benefits	134,370	-	134,370	21,835	11,757	33,592	167,962
Payroll Taxes	78,284	-	78,284	12,721	6,850	19,571	97,855
Total Personnel Costs	1,088,444	-	1,088,444	176,872	95,239	272,111	1,360,555
Occupancy	109,449	-	109,449	9,729	2,432	12,161	121,610
Other Contract Services	48,748	-	48,748	25,533	24,807	50,340	99,088
Professional Fees	-	-	-	58,740	-	58,740	58,740
Production Costs	108,517	-	108,517	-	-	-	108,517
Contract Artist Fees	261,281	-	261,281	-	-	-	261,281
Advertising and Marketing	178,859	-	178,859	-	-	-	178,859
Insurance	8,512	-	8,512	757	189	946	9,458
Office Supplies	4,826	4,825	9,651	4,825	1,608	6,433	16,084
Credit Card and Other Bank Fees	49,720	-	49,720	-	-	-	49,720
Equipment Rental	3,960	3,960	7,920	3,960	1,320	5,280	13,200
Telephone	2,287	2,287	4,574	2,287	762	3,049	7,623
Dues and Subscriptions	-	-	-	2,895	1,930	4,825	4,825
Miscellaneous	15,042	-	15,042	2,867	-	2,867	17,909
Printing	10,956	10,956	21,912	10,956	3,652	14,608	36,520
Depreciation	14,740	-	14,740	1,310	328	1,638	16,378
Total Expense	\$ 1,905,341	\$ 22,028	\$ 1,927,369	\$ 300,731	\$ 132,267	\$ 432,998	\$ 2,360,367

The accompanying Notes to Financial Statements are an integral part of this statement.

HISTORY THEATRE, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

<u>Increase (Decrease) in Cash and Cash Equivalents</u>	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 130,287	\$ 110,124
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	16,462	16,378
PPP Loan Forgiveness	(189,891)	(284,500)
Grants and Contributions Receivable-LT	(40,000)	-
Increases (Decreases) in Current Liabilities:		
Accounts Payable	(8,378)	(45,831)
Accrued Wages and Vacation	(13,669)	(35,468)
Other Accrued Expense	85,500	-
Deferred Ticket Income	57,137	(371,210)
Decreases (Increases) in Current Assets:		
Accounts Receivable	(166)	6,410
Grants and Contributions Receivable	(36,705)	28,991
Prepaid Expenses	(13,033)	(15,298)
Net Cash (Used) by Operating Activities	<u>(12,456)</u>	<u>(590,404)</u>
Cash Flows from Investing Activities:		
Purchase of Property and Equipment	(5,469)	(14,726)
Net Cash (Used) by Investing Activities	<u>(5,469)</u>	<u>(14,726)</u>
Cash Flows from Financing Activities:		
Proceeds from the Issuance of Notes Payable - PPP Loan	268,558	284,500
Net Cash Provided by Financing Activities	<u>268,558</u>	<u>284,500</u>
Net Increase (Decrease) in Cash and Cash Equivalents	250,633	(320,630)
Cash and Cash Equivalents - Beginning of Year	<u>1,287,950</u>	<u>1,608,580</u>
Cash and Cash Equivalents - End of Year	<u>\$ 1,538,583</u>	<u>\$ 1,287,950</u>

The accompanying Notes to Financial Statements
are an integral part of these statements.

HISTORY THEATRE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

1. Summary of Significant Accounting Policies

Organizational Purpose

Started in 1978, the mission of History Theatre, Inc. (the Theatre) is to create and produce plays about Minnesota, the Midwest and the diverse American experience. The Theatre's vision is to be recognized as the nation's foremost producer of innovative works with historical themes that include original and wide-ranging perspectives.

The Theatre's programs are as follows:

Artistic and Production – The Theatre provides quality performances by hiring the finest playwrights, composers, actors, designers and technicians.

Education – Committed to community outreach and services, the Theatre provides educational resources and experiences for both adults and youth. The Theatre also provides education matinees designed for students, which include all main stage shows and post-show discussion sessions.

Fund Accounting

In order to observe the limitation and restrictions placed on resources available to the Theatre, the accounts are maintained in accordance with the principles of fund accounting. This is the procedure whereby resources are classified for accounting and reporting purposes into net asset groupings established according to their nature and restrictions. A description of the groupings is as follows:

Net Assets without Donor Restrictions – Net assets available for use in general operations and not subject to donor-imposed restrictions. These net assets include both board designated and undesignated amounts. Property and equipment is reported as net assets without donor restrictions.

Net Assets with Donor Restrictions – Net Assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. The Theatre reports contributions restricted by donors as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, 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.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Theatre considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

HISTORY THEATRE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

1. Summary of Significant Accounting Policies (continued)

Accounts Receivable

The Theatre extends credit to its customers on terms it establishes for individual customers. Receivables are recorded at amounts billed and are generally due when billed. Amounts outstanding for more than 30 days are considered delinquent. Accounts receivable are generally uncollateralized and the Theatre does not charge interest on accounts receivable balances. The Theatre reviews accounts receivable balances on a periodic basis and writes off delinquent receivables when they are considered uncollectible. No allowance for doubtful accounts has been provided as accounts receivable are considered collectable.

Property and Equipment

All major expenditures above \$500 for property and equipment are capitalized at cost. Contributed items are recorded at fair market value at date of donation. Depreciation is provided through the use of the straight-line method.

Advertising

The Theatre uses advertising to promote its cause. Advertising costs are expensed as incurred. Advertising expense was \$32,523 and \$178,859 for the years ended June 30, 2021 and 2020, respectively.

Revenue and Revenue Recognition

The Theatre recognize contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

A portion of the Theatre's revenue is derived from federal and state contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Theatre has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. The Theatre received a \$268,558 PPP loan in the year ended June 30, 2021 and recorded the \$189,891 that it expects to be forgiven for expenses incurred in that year as Government Contributions per ASC 958-605. They expect to meet the conditions of the remaining \$78,667 in Notes Payable as of June 30, 2021 in the year ending June 30, 2022.

Ticket Sales and Education Income are recognized as revenue when the performance obligation of providing services are met.

HISTORY THEATRE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

1. Summary of Significant Accounting Policies (continued)

Revenue and Revenue Recognition (continued)

Special event income is equal to the fair value of the direct benefit to the donors and the contributions received related to the events. Deferred revenue is recorded when amounts are received, but the revenue is not yet earned.

The following provides information about significant changes in deferred ticket income for the years ended June 30:

	<u>2021</u>	<u>2020</u>
Deferred Ticket Income – Beginning of Year	\$ 106,154	\$ 477,364
Decreases due to revenue recognized	(12,953)	(477,364)
Increases due to cash received	<u>70,090</u>	<u>106,154</u>
Deferred Ticket Income – End of Year	<u>\$ 163,291</u>	<u>\$ 106,154</u>

Promises-To-Give (Grants and Contributions Receivable)

Unconditional promises-to-give are recognized in the period the promises are made. Conditional promises-to-give are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional.

Functional Allocation of Expense

Salaries and related expenses are allocated based on job descriptions and estimates. Expenses, other than salaries and related expenses, which are not directly identifiable by program or supporting service are allocated based on the best estimates of management.

Income Tax

The Theatre has a tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and has adopted Accounting for Uncertainty in Income Taxes, ASC 740-10. The Theatre's policy is to evaluate uncertain tax positions, at least annually, for the potential for income tax exposure from unrelated business income or from loss of nonprofit status. The Theatre continues to operate consistent with its original exemption application and each year takes the necessary actions to maintain its exempt status. It has been classified as an organization that is not a private foundation under the Internal Revenue Code and charitable contributions by donors are tax deductible. In compliance with its exempt status, the Theatre annually files a Return of Organization Exempt From Income Tax (Form 990).

HISTORY THEATRE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

1. Summary of Significant Accounting Policies (continued)

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 at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

In the year ending June 30, 2022, the Theatre received a \$1,123,616 grant award from the U. S. Small Business Administration under the Shuttered Venue Operators program. \$659,558 was received in July 2021 with the remainder to be paid if allowable expenses are incurred.

The Theatre has evaluated the effect that subsequent events would have on the financial statements through November 29, 2021, which is the date financial statements were available to be issued.

2. Uncertainties and Contingencies

The COVID-19 outbreak in the United States has caused business disruption through both mandated and voluntary suspension of operations. While many of the closings have re-opened, there is still uncertainties if there will be future disruptions due to additional outbreaks. Therefore, the Theatre expects this matter may impact its operating results, but reasonable estimates cannot be made at this time.

3. Concentrations of Credit Risk

Financial instruments that potentially subject the Theatre to concentrations of credit risk consist principally of temporary cash investments. The Theatre places its temporary cash investments with financial institutions and limits the amount of credit exposure to any one financial institution. The amounts due for services and grants receivable are from local individuals and institutions. Concentrations of credit risk with respect to grants receivable are limited due to the financial stability of the contributors.

Concentrations of Credit Risk Arising from Cash Deposits in Excess of Insured Limits

At June 30, 2020, the Theatre held funds at local financial institutions in excess of federally insured limits.

HISTORY THEATRE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

4. Grants and Contributions Receivable

The balances of grants and contributions receivable are due as follows:

Due in the Year Ending June 30,

2022	\$ 69,435
2023	<u>40,000</u>
	<u>\$ 109,435</u>

5. Property and Equipment

The Theatre owned the following as of:

	<u>June 30,</u>		Estimated Useful Lives
	<u>2021</u>	<u>2020</u>	
Property and Equipment	\$ 109,035	\$ 103,565	3-10 years
Less Accumulated Depreciation	<u>79,721</u>	<u>63,258</u>	
	<u>\$ 29,314</u>	<u>\$ 40,307</u>	

Depreciation expense of \$16,462 and \$16,378 was recorded for the years ended June 30, 2021 and 2020, respectively.

6. Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of amounts for the following as of:

	<u>June 30,</u>	
	<u>2021</u>	<u>2020</u>
Subject to Expenditures for a Specified Purpose:		
Arts Learning, Access and Tour:		
Minnesota State Arts Board	\$ 111,935	\$ 140,172
Kim Loo Sisters:		
National Endowment for the Arts	10,000	10,000
Lance Belville New Work Fund:		
SRI	3,703	14,100
Education:		
Various	<u>-</u>	<u>2,300</u>
	<u>125,638</u>	<u>166,572</u>
Subject to Expenditures for Future Operations:		
McKnight Foundation	<u>80,000</u>	<u>30,000</u>
Total	<u>\$ 205,638</u>	<u>\$ 196,572</u>

HISTORY THEATRE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

7. Designated Net Assets

The Board of Directors made the following net asset designations as of:

	June 30,	
	2021	2020
The Facility and Capital Reserve	\$ 150,000	\$ 150,000
Succession Reserve Fund	75,000	75,000
Program Opportunity Reserve	75,000	75,000
Total	\$ 300,000	\$ 300,000

8. Liquidity and Availability

The following represents the Theatre's financial assets at:

	June 30,	
	2021	2020
Financial Assets:		
Cash and Cash Equivalents	\$ 1,538,583	\$ 1,287,950
Accounts Receivable	5,690	5,524
Grants and Contributions Receivable	109,435	32,730
Total Financial Assets	1,653,708	1,326,204
Less assets not available to be used for general expenditures within one year:		
Net Assets With Donor Restrictions	205,638	196,572
Board Designated as Reserve	300,000	300,000
Net Assets With Restrictions to be met within a year	(165,638)	(196,572)
Total assets not available for general expenditures within one year:	340,000	300,000
Financial assets available for general expenditures within one year:	\$ 1,313,708	\$ 1,026,204

The Theatre maintains a board-designated reserve of \$300,000 that is not considered available for use within one year. Although the Theatre does not intend to spend from this board-designated reserve, these amounts could be made available if necessary.

As part of the Theatre's liquidity plan, the Theatre has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

HISTORY THEATRE, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

9. Lease Commitments

The Theatre leases its theatre and office space currently on a month to month basis. Rental commitments under noncancelable leases for equipment in effect at June 30, 2021, total \$10,956. The future annual rental commitments for equipment are as follows:

<u>Due in the Year Ending June 30,</u>	
2022	\$ 5,976
2023	<u>4,980</u>
Total	<u>\$ 10,956</u>

Rent expense for the theatre and office space was \$113,968 and \$95,000 for the years ended June 30, 2021 and 2020, respectively.