

**HONOLULU THEATRE FOR YOUTH**

**FINANCIAL STATEMENTS**

**YEAR ENDED MAY 31, 2022**

**(With Independent Auditor's Report)**

## TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
Financial Statements	
Statements of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 16

**CHOO, OSADA & LEE, CPAs, INC.**  
CERTIFIED PUBLIC ACCOUNTANTS

1136 12TH AVENUE  
SUITE 240  
HONOLULU, HAWAII 96816

TELEPHONE (808) 734-1921

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees  
Honolulu Theatre for Youth  
Honolulu, Hawaii

**Opinion**

We have audited the accompanying financial statements of Honolulu Theatre For Youth (a nonprofit organization), which comprise the statement of financial position as of May 31, 2022, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Honolulu Theatre For Youth as of May 31, 2022, 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.

**Basis for Opinion**

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

**Responsibilities of Management for the Financial Statements**

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

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

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material

misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

#### **Report on Summarized Comparative Information**

We have previously audited the financial statements of Honolulu Theatre For Youth as of and for the year ended May 31, 2021, and our report thereon dated October 21, 2021, expressed an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The summarized comparative information presented herein as of and for the year ended May 31, 2021, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements from which it has been derived.

*Chao, Cecelia & Lu, CPAs, Inc.*

Honolulu, Hawaii  
November 14, 2022

**HONOLULU THEATRE FOR YOUTH  
STATEMENT OF FINANCIAL POSITION  
YEARS ENDED MAY 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 888,558	738,721
Investments in marketable securities	166,860	174,007
Accounts receivable	39,202	16,448
Contributions receivable	-	3,011
Grants receivable	113,179	255,383
Costume inventory	25,000	25,000
Prepaid and deferred expenses	23,032	7,833
Property and equipment, net of accumulated depreciation and amortization	66,814	45,027
Deposits	<u>7,765</u>	<u>7,765</u>
Total assets	<u>\$ 1,330,410</u>	<u>1,273,195</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Obligations under capital lease	\$ 13,004	-
Accounts payable	9,440	8,629
Accrued liabilities	117,108	38,941
Notes payable	150,000	363,190
Deferred revenue	<u>25,250</u>	<u>21,360</u>
	<u>314,802</u>	<u>432,120</u>
Net assets		
Without donor restrictions	857,156	673,703
With donor restrictions	<u>158,452</u>	<u>167,372</u>
	<u>1,015,608</u>	<u>841,075</u>
Total liabilities and net assets	<u>\$ 1,330,410</u>	<u>1,273,195</u>

See accompanying notes.

**HONOLULU THEATRE FOR YOUTH**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED MAY 31, 2022 (With Comparative Totals for 2021)**

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and revenue				
Contributions	\$ 156,067	397,688	553,755	480,796
Government grants	199,724	620,217	819,941	697,706
Contributed facilities and equipment	179,100	-	179,100	164,100
Admission revenue	128,775	-	128,775	25,751
Production revenue	71,018	-	71,018	160,750
Tuition revenue	131,369	-	131,369	46,993
Other revenue	7,267	-	7,267	2,740
Special events	83,310	-	83,310	86,190
Investment income	486	2,720	3,206	2,652
Net realized and unrealized gain on investments	-	-	-	32,970
Net assets released from restrictions satisfied by usage	1,020,041	(1,020,041)	-	-
	<u>1,977,157</u>	<u>584</u>	<u>1,977,741</u>	<u>1,700,648</u>
Expenses and losses				
Program services	1,532,649	-	1,532,649	1,398,392
Management and general	166,621	-	166,621	153,860
Fundraising	92,019	-	92,019	112,788
Direct cost of special events	1,240	-	1,240	386
Total expenses	<u>1,792,529</u>	<u>-</u>	<u>1,792,529</u>	<u>1,665,426</u>
Net realized and unrealized loss on investments	1,175	9,504	10,679	-
	<u>1,793,704</u>	<u>9,504</u>	<u>1,803,208</u>	<u>1,665,426</u>
Increase (decrease) in net assets	183,453	(8,920)	174,533	35,222
Net assets				
At beginning of year	<u>673,703</u>	<u>167,372</u>	<u>841,075</u>	<u>805,853</u>
At end of year	<u>\$ 857,156</u>	<u>158,452</u>	<u>1,015,608</u>	<u>841,075</u>

See accompanying notes.

**HONOLULU THEATRE FOR YOUTH**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED MAY 31, 2022 (With Comparative Totals for 2021)**

	2022				2021	
	Program Services	Administration	Fundraising	Direct Cost of Special Events	Total	Total
Salaries and housing allowances	\$ 760,557	77,307	66,582	-	904,446	894,515
Employee benefits	144,421	19,222	7,942	-	171,585	163,571
Payroll taxes	62,920	11,516	3,451	-	77,887	67,032
Total salaries and related expenses	967,898	108,045	77,975	-	1,153,918	1,125,118
Fees for service	98,535	18,797	1,516	-	118,848	74,690
Advertising and promotion	15,080	139	-	-	15,219	27,545
Office expenses	8,978	3,164	1,054	-	13,196	27,614
Information technology	-	2,961	-	-	2,961	3,535
Royalties	964	-	-	-	964	-
Occupancy	82,563	11,967	10,760	-	105,290	112,371
Travel	52,403	840	-	-	53,243	8,941
Conference and meetings	-	5,966	-	-	5,966	1,256
Interest	-	4,416	-	-	4,416	4,240
Depreciation	17,124	4,267	-	-	21,391	19,543
Insurance	17,054	2,107	631	-	19,792	20,215
Production	258,955	-	-	-	258,955	212,643
Repairs and maintenance	429	752	-	-	1,181	7,805
Other	12,666	3,200	83	-	15,949	19,524
Special events	-	-	-	1,240	1,240	386
Total expenses	\$ 1,532,649	166,621	92,019	1,240	1,792,529	1,665,426

See accompanying notes.

**HONOLULU THEATRE FOR YOUTH  
STATEMENT OF CASH FLOWS  
YEARS ENDED MAY 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Increase in net assets	\$ 174,533	35,222
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation and amortization	21,391	19,543
Net realized and unrealized loss (gain) on investments	10,679	(32,970)
Forgiveness of PPP loan	(213,190)	(184,600)
(Increase) decrease in:		
Accounts receivable	(22,754)	(14,433)
Contributions receivable	3,011	5,161
Grants receivable	142,204	(212,782)
Other receivables	-	1,718
Prepaid and deferred expenses	(15,199)	3,026
Deposits	-	4,351
Increase (decrease) in:		
Accounts payable	811	1,132
Accrued liabilities	78,167	11,053
Deferred revenue	3,890	8,974
	<u>183,543</u>	<u>(354,605)</u>
Net cash provided (used) by operating activities		
Cash flows from investing activities		
Proceeds from sale of investments	1,396	1,221
Purchases of investments	(4,928)	(3,701)
Purchases of property and equipment	(27,178)	(30,670)
	<u>(30,710)</u>	<u>(33,150)</u>
Net cash used by investing activities		
Cash flows from financing activities		
Proceeds from notes payable	-	363,190
Principal payments on capital lease	(2,996)	(6,905)
	<u>(2,996)</u>	<u>356,285</u>
Net cash provided (used) by financing activities		
Net increase (decrease) in cash	149,837	(31,470)
Cash and cash equivalents at beginning of year	<u>738,721</u>	<u>770,191</u>
Cash and cash equivalents at end of year	<u>\$ 888,558</u>	<u>738,721</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	\$ 476	143
Supplemental disclosure of noncash investing and financing activities		
Equipment acquired under capital lease	\$ 16,000	-

See accompanying notes.



**HONOLULU THEATRE FOR YOUTH  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 2022**

**NOTE 1 – NATURE OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES, AND  
USE OF ESTIMATES**

Nature of organization

Honolulu Theatre for Youth (Theatre) is a nonprofit corporation organized under the laws of the State of Hawaii. It was organized to produce professional theatre and drama education programs that make a difference in the lives of young people, families and educators in the State of Hawaii.

The Theatre's primary sources of support and revenue are admission and production fees from theatrical performances, donations from corporations and individuals, grants from government agencies and charitable foundations, tuition from drama education programs, and proceeds from fundraising events.

Cash and cash equivalents

For purposes of the statement of cash flows, the Theatre considers all highly liquid debt instruments purchased with a maturity of three months or less and not included in the Theatre's investment portfolio to be cash equivalents.

Accounts receivable

The Theatre extends unsecured credit to certain customers, primarily schools in Hawaii.

Accounts receivable are recorded when admission fees have been earned for theatrical performances. Accounts receivable are written off when they are determined to be uncollectible. Allowances for doubtful accounts are based on management's assessment of customers' credit histories.

Investments in marketable securities

Investments in marketable securities consist of mutual funds and are stated at fair value.

Costume inventory

A fixed amount representing the aggregate cost of costume inventory on hand has been capitalized, and the cost of new costumes is expensed in the statement of activity. The difference between this method and the capitalization of new costumes and expensing of discarded costumes is not significant.

Property and equipment

Property and equipment is recorded at cost or fair value at date of donation and depreciated using the straight-line method over the estimated useful lives of the assets.

It is the Theatre's policy to capitalize property and equipment over \$600; lesser amounts are expensed.

Equipment under capital lease is stated at the lower of the present value of minimum lease payments or the fair value at the inception of the lease, and is amortized over the lesser of the lease term or the estimated useful life of the related asset.

Deferred revenue and expenses

Admission fees, production fees, tuition fees, and certain grant proceeds received in advance are deferred until earned.

Direct costs associated with future theatrical productions or education programs are deferred until productions or programs have occurred.

**HONOLULU THEATRE FOR YOUTH  
NOTES TO FINANCIAL STATEMENTS - continued  
MAY 31, 2022**

**NOTE 1 – NATURE OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES, AND  
USE OF ESTIMATES - continued**

Revenue Recognition

Admission, production and tuition fees received in advance are deferred until earned. Revenue from all other significant sources is recognized when goods or services are provided.

Contributions

Contributions are recorded as support with restrictions and without restrictions depending on the existence and/or nature of any donor restrictions. When a restriction expires, net assets with restrictions are reclassified to net assets without restrictions.

Contributions receivable are recognized as support in the period in which an unconditional promise has been made by the donor.

Contributed facilities and equipment use has been recorded as support and corresponding expense in the statements of activities.

Donated services have not been recorded in the accompanying financial statements since these services do not meet the criteria for recognition. However, many individuals volunteer their time and perform a variety of tasks that assist the Theatre with various programs services and management efforts.

Functional allocation of expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, office and occupancy, which are allocated on a square-footage basis, as well as salaries and benefits, which are allocated on the basis of estimates of time and effort.

Advertising

Advertising costs are expensed in the period in which they are incurred.

Income taxes

The Theatre is exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code and is classified as an organization that is not a private foundation by the Internal Revenue Service; the Theatre is also exempt from state income taxes under Section 235 of the Hawaii Revised Statutes.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

**HONOLULU THEATRE FOR YOUTH  
NOTES TO FINANCIAL STATEMENTS - continued  
MAY 31, 2022**

**NOTE 2 – CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist primarily of deposits in Hawaii banks.

At May 31, 2022, deposits in excess of federally insured limits amounted to approximately \$470,000.

**NOTE 3 – FAIR VALUE MEASUREMENTS**

The Financial Accounting Standards Board (FASB) has established a framework for measuring fair value in conformity with generally accepted accounting principles and for disclosures about fair value measurements. As a part of this framework, the FASB has established a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1 - Observable inputs such as quoted prices in active markets;

Level 2 - Inputs, other than quoted market prices in active markets, that are observable either directly or indirectly; and

Level 3 - Unobservable inputs in which there is little or no market data, and which require significant management judgment or estimation.

The Theatre uses appropriate valuation techniques based on available inputs to measure fair value. When available, the Theatre measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

The Theatre recognizes transfers between the levels in the fair value hierarchy at the end of the reporting period.

At May 31, 2022, the fair value of financial assets that are measured on a recurring basis were as follows:

	<u>Level 1</u>
Investments in mutual funds	<u>\$ 166,860</u>

**HONOLULU THEATRE FOR YOUTH  
NOTES TO FINANCIAL STATEMENTS - continued  
MAY 31, 2022**

**NOTE 4 – ENDOWMENTS**

The Theatre is subject to the provisions of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Board of Trustees has interpreted UPMIFA as requiring the Theatre to preserve the original gift of donor-restricted endowment funds as net assets with restrictions, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Theatre classifies as restricted net assets (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is classified as restricted net assets until those amounts are appropriated for expenditure by the Theatre in a manner consistent with the standard of prudence prescribed by UPMIFA.

At May 31, 2022, the Theatre’s endowment consisted of two individual funds established to provide unrestricted support to the Theatre’s activities.

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Theatre to retain as a fund of perpetual duration. At May 31, 2022, the fair value of invested assets assigned to individual donor restricted endowment net asset balances required to be maintained in perpetuity had no deficiency.

The Theatre, with the approval of the Board of Trustees, has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding while also maintaining the long-term purchasing power of those assets. The Board of Trustees has also created a committee for the purpose of managing the endowment.

The Theatre has a policy of appropriating investment earnings for distribution.

At May 31, 2022, the composition of the endowment fund by net asset class was as follows:

Without donor restrictions	\$ -
With donor restrictions	<u>148,587</u>
	<u>\$ 148,587</u>

**HONOLULU THEATRE FOR YOUTH  
NOTES TO FINANCIAL STATEMENTS - continued  
MAY 31, 2022**

**NOTE 4 – ENDOWMENTS – continued**

The following is a reconciliation of the changes in the endowments by net asset class for the year ended May 31, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Balances at June 1, 2021	\$ -	155,371	155,371
Investment income	-	2,720	2,720
Net realized and unrealized depreciation	-	(9,504)	(9,504)
Balances at May 31, 2022	<u>\$ -</u>	<u>148,587</u>	<u>148,587</u>

**NOTE 5 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The following reflects the Theatre’s financial assets available within one year of the balance sheet date for general expenditure. The assets have been reduced by amounts not available for general use because of donor-imposed restrictions. Amounts available include Board-approved appropriations from the endowment fund for the following year as well as donor-restricted amounts that are available for expenditure in the following year:

Cash and cash equivalents	\$ 888,558
Investments in marketable securities	166,860
Accounts, contributions and grants receivable	152,381
Costume inventory	25,000
Prepaid and deferred expenses	<u>23,032</u>
Total financial assets	1,255,831
Donor imposed restrictions	
Endowment fund investments	<u>(113,343)</u>
	<u>\$ 1,142,488</u>

**HONOLULU THEATRE FOR YOUTH  
NOTES TO FINANCIAL STATEMENTS - continued  
MAY 31, 2022**

**NOTE 6 - PROPERTY AND EQUIPMENT**

At May 31, 2022, property and equipment consisted of the following:

Furniture and equipment	\$ 184,004
Leasehold improvements	48,996
Auto and trucks	<u>30,412</u>
	263,412
Less accumulated depreciation and amortization	<u>196,598</u>
	<u>\$ 66,814</u>

Currently included in property and equipment are the following amounts related to capital leases:

Equipment	\$ 16,000
Less accumulated amortization	<u>3,200</u>
	<u>\$ 12,800</u>

Depreciation and amortization for the year ended May 31, 2022 included amortization of capital leases of approximately \$3,200.

**NOTE 7 – LINE OF CREDIT**

At May 31, 2022, the Theatre had a \$50,000 line of credit with a Hawaii bank. Drawings on the line incur interest at 2% above the bank's prime rate (4.00% at May 31, 2022) and are secured by substantially all of the Theatre's assets. There was no outstanding balance on the line of credit at May 31, 2022.

**HONOLULU THEATRE FOR YOUTH  
NOTES TO FINANCIAL STATEMENTS - continued  
MAY 31, 2022**

**NOTE 8 – NOTE PAYABLE**

At May 31, 2022, note payable consisted of the following:

Note payable to Small Business Administration:  
Economic Injury Disaster Loan (EIDL)  
2.75% interest rate; secured by substantially  
all of the Theatre's assets; no payments due  
until January 2022, requires \$641 monthly  
principal and interest payments thereafter;  
due June 2050 \$ 150,000

Aggregate maturities of the note payable for the five years succeeding May 31, 2022 is as follows:

<u>Year ending May 31,</u>	
2023	\$ -
2024	3,400
2025	3,500
2026	3,600
2027	3,600

**HONOLULU THEATRE FOR YOUTH**  
**NOTES TO FINANCIAL STATEMENTS - continued**  
**MAY 31, 2022**

**NOTE 9 – LEASES**

The Theatre leases office and warehouse space under long-term, noncancelable operating leases which expire in 2026.

At May 31, 2022, the future minimum lease payments under noncancelable operating leases were as follows:

<u>Year ending May 31,</u>	<u>Capital Lease</u>	<u>Operating Leases</u>
2023	\$ 3,471	30,000
2024	3,471	17,000
2025	3,471	10,000
2026	3,471	11,000
2027	-	1,000
thereafter	-	-
	<hr/>	<hr/>
Total minimum payments required	13,884	<u>69,000</u>
Less amounts representing interest at 3.25%	<hr/> 880	
Obligation under capital lease	<u>\$ 13,004</u>	

Maturities of the obligation under capital lease for each of the five years succeeding May 31, 2022 are as follows:

<u>Year ending May 31,</u>	
2023	3,095
2024	3,197
2025	3,302
2026	3,410
2027	-

Rent expense for the year ended May 31, 2022 was comprised of the following:

Minimum rentals under noncancelable operating leases	\$ 29,743
Other	<hr/> 51,282
	<u>\$ 81,025</u>



**HONOLULU THEATRE FOR YOUTH  
NOTES TO FINANCIAL STATEMENTS - continued  
MAY 31, 2022**

**NOTE 9 – LEASES– continued**

During the year ended May 31, 2022, the Theatre made use of theatre facilities provided by a Honolulu church. The agreement called for monthly utility and security payments based on actual usage effective March 15, 2012. For the year ended May 31, 2022, the fair value of the use of those facilities in excess of payments made was estimated at approximately \$179,000, and was reflected as support, and corresponding expense, in the accompanying statement of activities.

**NOTE 10 – NET ASSETS**

At May 31, 2022, net assets with donor restrictions were as follows:

Artistic programs	\$	9,865
Donor-restricted endowment funds:		
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor		113,343
Unappropriated income; expendable for unrestricted purposes upon appropriation		<u>35,244</u>
	\$	<u>158,452</u>

**NOTE 11 – EMPLOYEE BENEFIT PLAN**

Effective January 1, 2014, the Theatre established a defined contribution employee benefit plan (Plan) under Section 401(k) of the Internal Revenue Code. The Plan covers substantially all employees, and an employee who is a member of the Plan may elect to contribute a portion of his or her salary to the Plan. For the year ended May 31, 2022, the Theatre did not make contributions to the Plan.

**NOTE 12 – INCOME TAXES**

The Theatre's Form 990, Return of Organization Exempt from Income Tax, for the years ended May 31, 2019 and forward are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

**NOTE 13 – ADVERTISING EXPENSE**

For the year ended May 31, 2022, advertising expense amounted to approximately \$15,000.

**HONOLULU THEATRE FOR YOUTH  
NOTES TO FINANCIAL STATEMENTS - continued  
MAY 31, 2022**

**NOTE 14 – COVID-19 PANDEMIC**

Hawaii's state and county governments instituted stay-at-home orders in response to the COVID-19 pandemic in March 2020. Government COVID restrictions were removed in 2021 and these relaxed policies continue through 2022. The economic uncertainties and potential financial impacts of COVID-19 remain unknown.

**NOTE 15 – DATE OF MANAGEMENT'S REVIEW**

Subsequent events have been evaluated through November 14, 2022, the date the financial statements were available to be issued.