



Financial Statements
May 31, 2023 and 2022

Fargo Theatre Management Corporation

Fargo Theatre Management Corporation

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Independent Auditor's Report

The Board of Directors
Fargo Theatre Management Corporation
Fargo, North Dakota

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Fargo Theatre Management Corporation, which comprise the statements of financial position as of May 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Fargo Theatre Management Corporation as of May 31, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities of the Audit of the Financial Statements section of our report. We are required to be independent of Fargo Theatre Management Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 these 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 Fargo Theatre Management Corporation's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities of 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 GAAS 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 GAAS, 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 Fargo Theatre Management Corporation'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 Fargo Theatre Management Corporation'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.

Eide Bailly LLP

Fargo, North Dakota
October 23, 2023

Fargo Theatre Management Corporation

Statements of Financial Position

May 31, 2023 and 2022

	2023	2022
Assets		
Current Assets		
Cash	\$ 478,466	\$ 530,495
Accounts receivable	12,300	20,727
Grant receivable	2,100	2,195
Inventory	5,162	6,037
Prepaid expenses	4,754	944
Total current assets	502,782	560,398
Financing Lease Right-of-Use Asset	13,759	-
Property and Equipment		
Less accumulated depreciation	1,222,903	1,331,652
Total assets	<u>\$ 1,739,444</u>	<u>\$ 1,892,050</u>
Liabilities and Net Assets		
Current Liabilities		
Current maturities of long-term debt	\$ 14,381	\$ 21,035
Current portion of finance lease liability	2,119	-
Accounts payable	15,546	28,520
Accrued payroll liabilities	5,970	8,130
Other accrued liabilities	4,929	4,102
Total current liabilities	42,945	61,787
Long-Term Liabilities		
Long-term debt, less current maturities	323,597	330,089
Financing lease liability, net of current portion	11,819	-
Total liabilities	378,361	391,876
Net Assets		
Without donor restrictions		
Investment in property and equipment, net of related debt	884,925	980,528
Undesignated	474,058	517,451
Total net assets without donor restrictions	1,358,983	1,497,979
With donor restrictions	2,100	2,195
Total net assets	1,361,083	1,500,174
Total liabilities and net assets	<u>\$ 1,739,444</u>	<u>\$ 1,892,050</u>

Fargo Theatre Management Corporation

Statements of Activities
Year Ended May 31, 2023

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Program Revenue and Public Support			
Film and general operations	\$ 280,399	\$ -	\$ 280,399
Events and productions	265,868	-	265,868
Public support	123,012	-	123,012
Public support, non-financial assets	24,153	-	24,153
Net assets released from restrictions	95	(95)	-
Total program revenue and public support	693,527	(95)	693,432
Expenses			
Program services expense			
Film and general operations	362,032	-	362,032
Events and production	188,375	-	188,375
Total program services expenses	550,407	-	550,407
Supporting services expense			
Management and general	178,292	-	178,292
Fundraising and development	103,824	-	103,824
Total supporting services expenses	282,116	-	282,116
Total expenses	832,523	-	832,523
Change in Net Assets	(138,996)	(95)	(139,091)
Net Assets, Beginning of the Year	1,497,979	2,195	1,500,174
Net Assets, End of Year	\$ 1,358,983	\$ 2,100	\$ 1,361,083

Fargo Theatre Management Corporation

Statements of Activities
Year Ended May 31, 2022

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Program Revenue and Public Support			
Film and general operations	\$ 236,986	\$ -	\$ 236,986
Events and productions	199,468	-	199,468
Public support	532,205	-	532,205
Public support, non-financial assets	22,019	-	22,019
Total program revenue and public support	990,678	-	990,678
Expenses			
Program services expense			
Film and general operations	328,938	-	328,938
Events and production	172,748	-	172,748
Total program services expenses	501,686	-	501,686
Supporting services expense			
Management and general	184,433	-	184,433
Fundraising and development	86,193	-	86,193
Total supporting services expenses	270,626	-	270,626
Total expenses	772,312	-	772,312
Change in Net Assets	218,366	-	218,366
Net Assets, Beginning of the Year	1,279,613	2,195	1,281,808
Net Assets, End of Year	\$ 1,497,979	\$ 2,195	\$ 1,500,174

Fargo Theatre Management Corporation
Statements of Functional Expenses
Year Ended May 31, 2023

	Program Services			Fundraising and Development		
	Film and General Operations	Events and Production	Total	Management and General		Total
Film Rental	\$ 54,429	\$ -	\$ 54,429	\$ -	\$ -	\$ 54,429
Film Freight	2,097	-	2,097	-	-	2,097
Advertising	9,387	2,827	12,214	-	668	12,882
Payroll	135,858	67,191	203,049	66,627	57,109	326,785
Concession Expenses	42,321	-	42,321	-	-	42,321
Merchandise Expenses	3,746	-	3,746	-	-	3,746
Equipment and Property Rental	-	17,090	17,090	-	-	17,090
Event Expense	-	-	-	-	42,066	42,066
Utilities	19,859	17,611	37,470	14,571	-	52,041
Repairs and Maintenance	22,503	19,955	42,458	16,512	-	58,970
Professional	-	-	-	16,776	-	16,776
Bank Charges	3,880	3,440	7,320	7,320	-	14,640
Office Supplies	-	-	-	2,308	-	2,308
Dues and Subscriptions	-	-	-	1,203	-	1,203
Licenses and Permits	-	-	-	3,680	-	3,680
Postage	-	-	-	210	3,981	4,191
Meals and Entertainment	-	-	-	245	-	245
Bad debt Expense	414	367	781	-	-	781
Miscellaneous Expenses	720	639	1,359	529	-	1,888
Depreciation	47,959	42,530	90,489	35,190	-	125,679
Amortization	456	405	861	335	-	1,196
Real Estate Taxes	2,037	1,806	3,843	1,494	-	5,337
Insurance	9,528	8,450	17,978	6,991	-	24,969
Interest	6,838	6,064	12,902	4,301	-	17,203
	<u>\$ 362,032</u>	<u>\$ 188,375</u>	<u>\$ 550,407</u>	<u>\$ 178,292</u>	<u>\$ 103,824</u>	<u>\$ 832,523</u>

See Notes to Financial Statements

Fargo Theatre Management Corporation
Statements of Functional Expenses
Year Ended May 31, 2022

	Program Services			Management and General	Fundraising and Development	Total
	Film and General Operations	Events and Production	Total			
Film Rental	\$ 54,210	\$ -	\$ 54,210	\$ -	\$ -	\$ 54,210
Film Freight	1,440	-	1,440	-	-	1,440
Advertising	7,271	2,153	9,424	-	509	9,933
Payroll	129,832	59,868	189,700	63,610	54,522	307,832
Concession Expenses	29,964	-	29,964	-	-	29,964
Merchandise Expenses	2,607	-	2,607	-	-	2,607
Equipment and Property Rental	-	18,841	18,841	-	-	18,841
Event Expense	-	-	-	-	27,432	27,432
Utilities	18,650	16,539	35,189	13,684	-	48,873
Repairs and Maintenance	14,940	13,249	28,189	10,962	-	39,151
Professional	-	-	-	34,623	-	34,623
Bank Charges	3,007	2,667	5,674	5,675	-	11,349
Office supplies	-	-	-	3,205	-	3,205
Dues and Subscriptions	-	-	-	1,905	-	1,905
Licenses and Permits	-	-	-	2,005	-	2,005
Postage	-	-	-	196	3,730	3,926
Meals and Entertainment	-	-	-	217	-	217
Bad Debt Expense	119	106	225	-	-	225
Miscellaneous Expenses	477	423	900	350	-	1,250
Depreciation	48,340	42,867	91,207	35,470	-	126,677
Real Estate Taxes	1,937	1,718	3,655	1,421	-	5,076
Insurance	9,124	8,091	17,215	6,695	-	23,910
Interest	7,020	6,226	13,246	4,415	-	17,661
	<u>\$ 328,938</u>	<u>\$ 172,748</u>	<u>\$ 501,686</u>	<u>\$ 184,433</u>	<u>\$ 86,193</u>	<u>\$ 772,312</u>

See Notes to Financial Statements

Fargo Theatre Management Corporation

Statements of Cash Flows

Years Ended May 31, 2023 and 2022

	2023	2022
Operating Activities		
Change in net assets	\$ (139,091)	\$ 218,366
Adjustments to reconcile change in net assets to net cash (used for) from operating activities		
Depreciation	125,679	126,677
Amortization related to finance leases	1,196	-
Changes in assets and liabilities		
Accounts receivable	8,427	2,851
Grant receivable	95	-
Inventory	875	(2,580)
Prepaid expenses	(3,810)	(170)
Accounts payable	(12,974)	19,444
Other accrued liabilities	(1,333)	7,153
Net Cash (used for) from Operating Activities	(20,936)	371,741
Net Cash used for Investing Activity		
Purchases of property and equipment	(16,930)	(8,072)
Financing Activities		
Proceeds from issuance of long-term debt	350,000	-
Principal payments on finance leases	(1,017)	-
Principal payments on long-term debt	(363,146)	(24,071)
Net Cash used for Financing Activities	(14,163)	(24,071)
Net Change in Cash	(52,029)	339,598
Cash, Beginning of Year	530,495	190,897
Cash, End of Year	\$ 478,466	\$ 530,495
Supplemental Disclosures of Cash Flow Information		
Cash payments for interest	\$ 17,203	\$ 17,661
Supplemental Disclosure of Non-cash Investing and Financing Activities		
Right-of-use asset obtained in exchange for lease liability		
Financing lease	\$ 14,955	\$ -

Note 1 - Principal Activity and Significant Accounting Policies

Organization

Fargo Theatre Management Corporation (Organization) is organized as a nonprofit corporation under the laws of the state of North Dakota. Fargo Theatre organized in 1983 for the purpose of preserving and operating the historic Fargo Theatre and the pipe organ contained within.

Concentrations of Credit Risk

The Organization maintains its cash account in various deposit account, the balances of which are periodically in excess of federally insured limits.

The Organization maintains its cash in bank deposit account which exceeded federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor, per insured bank, for each account ownership category. At May 31, 2023 and 2022, the Organization had approximately \$232,000 and \$284,000 in excess of FDIC-insured limits, respectively.

Receivables and Credit Policies

Accounts receivable consist primarily of noninterest-bearing amounts due for events and programs. Grants receivable consist primarily of retainage amounts for grants with an agreement that spans more than one fiscal year. Management determines the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. At May 31, 2023 and 2022, the allowance was \$0.

Inventory

Inventory is measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Adoption of this accounting standard update is on a prospective basis.

Inventories consists of perishable food items and other concession materials and is stated at the lower of cost, determined on a first-in, first-out basis, or net realizable value.

Property and Equipment

Property and equipment additions over \$1,000 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from three to thirty years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The carrying values of property and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended May 31, 2023 and 2022.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) restrictions. Some donor imposed (or grantor) restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported 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 statements of activities as net assets released from restrictions.

Revenue and Revenue Recognition

Revenue is recognized when earned. Contributions are recognized when cash, securities or other assets, and when unconditional promise to give are received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. There are no conditional promises to give as of May 31, 2023 and 2022.

Revenue from performance obligations satisfied at a point in time consist of film revenue, concessions, and other sale revenue, which is recognized when earned. The Organization recognizes such revenue when the performance obligation is satisfied in the period in which the services are performed. Revenue is deferred to the applicable period in which these related services are performed.

Shuttered Venue Operators Grant

During the year ended May 31, 2022, the Organization was awarded \$396,720 from the U.S. Small Business Administration as part of the Shuttered Venue Operators Grant program. The Organization utilized the funds for personnel and other expenses incurred during the covered period. The revenue is included in public support on the statement of activities.

Donated Services and In-Kind Contributions

The value of donated services is not reflected in the accompanying financial statements since the donated services do not meet the criteria for recognition criteria prescribed by generally accept accounting principles. Contributed goods are recorded at fair value at the date of donation. Donated professional services are recorded at the respective fair values of the services received (Note 11).

Income Taxes

Fargo Theatre Management Corporation is organized as a North Dakota nonprofit corporation and have been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(viii), and has been determined not to be private foundation under Sections 509(a)(2). The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. The Organization has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The Organization believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Sales Taxes

The Organization imposes a sales tax on certain sales. The Organization collects those sales taxes and remits the entire amount to the various governmental units. The Organization's accounting policy is to exclude the tax collected and remitted from revenue and cost of revenue.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expense by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include utilities, repairs and maintenance, depreciation, amortization, real estate taxes, insurance, and miscellaneous expenses, which are allocated on a square footage basis, as well as payroll, and advertising, which are allocated on the basis of estimates of time and effort. All remaining items are allocated on the basis of actual cost relating to each program or supporting function.

Advertising

The costs of advertising are expensed as incurred. During the years ended May 31, 2023 and 2022, advertising costs were \$12,883 and \$9,933 respectively.

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 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 and those differences could be material.

Financial Instruments and Credit Risk

Deposit concentration risk is managed by placing cash, money market accounts, and certificates of deposit with financial institutions believed by the Organization to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, no losses have been experienced in any of these accounts.

Subsequent Events

The Organization has evaluated subsequent events through October 23, 2023, the date which the financial statements were available to be issued.

Note 2 - Adoption of New Accounting Standards

Accounting Standards Codification Topic 842

Effective June 1, 2022, the Organization adopted the new lease accounting guidance in Accounting Standards Update No. 2016-02, *Leases* (Topic 842). The Organization elected to apply the guidance as of June 1, 2022, the beginning of the adoption period. The comparative financial information and disclosures presented are in accordance with the legacy standard, ASC 840. The standard requires the recognition of right-of-use assets and lease liabilities for lease contracts with terms greater than 12 months. Operating lease costs are recognized in the statement of activities as a single lease cost and finance lease costs are recognized in two components, interest expense and amortization expense. The Organization has elected the package of practical expedients permitted in ASC Topic 842. Accordingly, the Organization accounted for its existing leases as either finance or operating lease under the new guidance, without reassessing (a) whether the contract contains a lease under ASC Topic 842, (b) whether classification of the operating lease would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in ASC Topic 842 at lease commencement.

Accounting Standards Codification Topic 958

As of June 1, 2022, the Organization adopted the provisions of Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires enhanced presentation and disclosure of contributed nonfinancial assets. Management has adopted the amendments of this update on a retrospective basis, because it provides increased and more transparent disclosure around contributed nonfinancial assets.

Note 3 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2023	2022
Cash and Cash Equivalents	\$ 478,466	\$ 530,495
Accounts Receivable	12,300	20,727
Grant Receivable	2,100	2,195
	<u>\$ 492,866</u>	<u>\$ 553,417</u>

As part of a liquidity management plan, cash in excess of daily requirements is held in interest bearing cash accounts.

Note 4 - Property and Equipment

Property and equipment at May 31, 2023 and 2022 consists of:

	2023	2022
Land	\$ 72,651	\$ 72,651
Building	779,212	779,212
Building Improvements	2,819,840	2,819,840
Equipment	400,746	383,816
	<u>4,072,449</u>	<u>4,055,519</u>
Less accumulated depreciation	<u>(2,849,546)</u>	<u>(2,723,867)</u>
	<u>\$ 1,222,903</u>	<u>\$ 1,331,652</u>

Note 5 - Long-Term Debt

Notes payable at May 31, 2023 and 2022 consist of:

	2023	2022
5.5% Note Payable, due in Monthly Installments of \$2,763 Plus interest, to October 2027, at which time remaining balance is due, secured by property, building, and deposit accounts	\$ 337,978	\$ -
Debt Paid in Full During the Year	-	351,124
	337,978	351,124
Less current portion of long-term debt	(14,381)	(21,035)
	<u>\$ 323,597</u>	<u>\$ 330,089</u>

Long-term debt maturities are as follows:

Years Ending May 31,	Amount
2024	\$ 14,381
2025	15,255
2026	16,128
2027	17,051
2028	275,163
	<u>\$ 337,978</u>

Note 6 - Leases

The Company leases a copier under a long-term, non-cancellable finance lease agreement. The lease expires in February 2028 and provides for a renewal option for one year. The Organization included in the determination of the right of use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised.

The weighted-average discount rate is based on the discount rate implicit in the lease. The Organization has elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable. The Organization has applied the risk-free rate option to all classes of assets.

The Organization has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing financing leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on straight-line basis.

The Organization elected the practical expedient to not separate lease and non-lease components for all leases.

Fargo Theatre Management Corporation

Notes to Financial Statements

May 31, 2023 and 2022

The lease costs for the year ended May 31, 2023 were as follows:

Financing Lease Expense:	
Interest expense	\$ 393
Amortization of right-of-use asset	<u>1,196</u>
	<u>\$ 1,589</u>

Total lease expense under noncancelable leases was \$3,780 for the year ended May 31, 2022.

The following table summarizes the supplemental cash flow information for the year ended May 31, 2023:

Cash Paid for Amounts Included in the Measurement of Lease Liability	
Financing cash flows from finance leases	\$ 1,017
Right-of-Use Assets Obtained in Exchange for Lease Liabilities	
Finance lease	\$ 14,955

The following summarizes the weighted-average remaining lease term and weighted-average discount rate:

Weighted-Average Remaining Lease Term	
Financing leases	5.75 Years
Weighted-Average Discount Rate:	
Financing leases	5.5%

The future minimum lease payments under the noncancellable financing lease with a term greater than one year is listed below as of May 31, 2023.

<u>Year Ending May 31,</u>	<u>Financing</u>
2024	\$ 2,820
2025	2,820
2026	2,820
2027	2,820
2028	2,820
Thereafter	<u>2,115</u>
Total lease payments	16,215
Less interest	<u>(2,277)</u>
Present value of lease liabilities	<u>\$ 13,938</u>

Future minimum payments determined under the guidance in Topic 840 for operating leases are listed below as of May 31, 2022.

<u>Years Ending May 31,</u>	<u>Operating</u>
2023	\$ 3,780
2024	<u>1,260</u>
Total minimum lease payments	<u>\$ 5,040</u>

Note 7 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods:

	<u>2023</u>	<u>2022</u>
Subject to the Passage of Time		
Grant receivables that are not restricted by donors, but which are unavailable for expenditure until due	<u>\$ 2,100</u>	<u>\$ 2,195</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors. The amounts for released were \$95 and \$0, respectively, for the years ended May 31, 2023 and 2022.

Note 8 - Investment Funds Managed and Owned by the F-M Area Foundation

Investment funds managed and owned by the F-M Area Foundation (Foundation) for the benefit of the Organization totaled \$91,009 and \$101,126 as of May 31, 2023 and 2022. The investment funds are subject to the Foundation's investment and spending policies which currently result in distributions to the Organization. Distributions from the Foundation totaled \$3,530 and \$4,160 for the years ended May 31, 2023 and 2022.

Note 9 - Condominium Owners' Association (COA) Agreement

The Organization has entered into a COA agreement for the unit within The 300 Broadway Condominiums. The agreement allows for an assessment of common expenses to the various owners. Each unit has ownership in the common area in accordance with the agreement. For the years ended May 31, 2023 and 2022, monthly HOA fees of \$958 were incurred to the association. Fees are reassessed by the association regularly and the Organization is notified of changes in the assessment.

Note 10 - Contract for Revenue

In 2022, the Organization entered into a contract with a local promoter to book live entertainment events at the Fargo Theatre. Pursuant to the agreement, the promoter will book entertainment for a minimum number of events in both 2022 and 2023, as outlined in the agreement. Each event will be charged a rental rate based on use of the space. In addition, a percentage of sales of the contracted net bar revenue will be paid to the Organization for each event.

Note 11 - Donated Professional Services and Materials

Donated professional services and materials as follows for the years ending May 31, 2023 and 2022:

Non-Financial Contributions Category	Type of Contributions for Beneficiaries	Valuation	Monetized or Utilized	2023	2022
Supplies for Fargo Film Festival	Various products and services	Prices of identical or similar products, services and experiences	Monetized and Utilized	\$ 13,429	\$ 11,295
Technology Services	Various services and experiences	Prices of identical or similar services and experiences	Utilized	5,724	5,724
Professional Services	Various services and experiences	Prices of identical or similar services and experiences	Utilized	5,000	5,000
				<u>\$ 24,153</u>	<u>\$ 22,019</u>

All gifts-in-kind received during the years ended May 31, 2023 and 2022 were unrestricted.

Note 12 - Contingency

The Organization continues to be impacted by the effects of the world-wide coronavirus pandemic. The Organization is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impacts of this unprecedented situation. As of the date of issuance of these financial statements, the full impact to the Organization's financial position is not known.



Supplementary Information
May 31, 2023 and 2022

Fargo Theatre Management Corporation



Independent Auditor's Report on Supplementary Information

The Board of Directors
Fargo Theatre Management Corporation
Fargo, North Dakota

We have audited the financial statements of Fargo Theatre Management Corporation as of and for the years ended May 31, 2023 and 2022, and have issued our report thereon dated October 23, 2023, which contained an unmodified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole.

The supplementary information is presented for the 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 audits 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 as a whole.

A handwritten signature in black ink that reads 'Eide Bailly LLP'.

Fargo, North Dakota
October 23, 2023

Fargo Theatre Management Corporation
Schedules of Program Revenue and Direct Cost of Program Revenue
Years Ended May 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Program Revenue		
Film and general operations		
Film revenue	\$ 111,766	\$ 111,946
Concession revenue	164,386	118,064
Merchandise revenue	<u>4,247</u>	<u>6,976</u>
Total film and general operation revenue	<u>280,399</u>	<u>236,986</u>
Direct cost of film and general operations revenue		
Film rental	(54,429)	(54,210)
Film freight	(2,097)	(1,440)
Advertising	(6,199)	(4,844)
Payroll	(75,323)	(72,038)
Concession expenses	(42,321)	(29,964)
Merchandise expenses	<u>(3,746)</u>	<u>(2,607)</u>
Total direct cost of film and general operation revenue	<u>(184,115)</u>	<u>(165,103)</u>
Gross profit from film and general operations	<u>\$ 96,284</u>	<u>\$ 71,883</u>
Events and production		
Rent revenue	\$ 111,200	\$ 86,622
Technical fees revenue	37,109	25,388
Event revenue	<u>117,559</u>	<u>87,458</u>
Total events and production revenue	<u>265,868</u>	<u>199,468</u>
Direct cost of events and production revenue		
Equipment and property rental	(17,090)	(18,841)
Payroll	(13,509)	(8,617)
Event expense	<u>(42,066)</u>	<u>(27,432)</u>
Total direct cost of events and production revenue	<u>(72,665)</u>	<u>(54,890)</u>
Gross profit from events and production	<u>\$ 193,203</u>	<u>\$ 144,578</u>
Total Gross Profit from Program Revenue	<u>\$ 289,487</u>	<u>\$ 216,461</u>