

The North Coast Repertory Theatre,
A Non-Profit Corporation

Financial Statements
and
Independent Auditors' Report

For the Year Ended August 31, 2018

Table of Contents

Independent Auditor's Report.....	1-2
Financial Statements:	
Statement of Financial Position.....	3
Statement of Activities and Change in Net Assets.....	4
Statement of Cash Flows.....	5
Statement of Functional Expenses.....	6
Notes to the Financial Statements.....	7-13

A. M. Owens & Co., CPA



9880 N. Magnolia Ave., #188 Santee, CA 92071 Phone (619)698-2401 Fax (619)698-1577

Board of Directors
The North Coast Repertory Theatre

INDEPENDENT AUDITOR'S REPORT

Dear Members of the Board:

Report on the Financial Statements

I have audited the accompanying financial statements of The North Coast Repertory Theatre, which comprise the statement of financial position as of August 31, 2018, and the related statement of activities and change in net assets, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with generally accepted auditing standards in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statement, 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 circumstance, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The North Coast Repertory Theatre as of August 31, 2018, and the results of its activities and its cash flows for the year then ended in conformity with generally accepted accounting principles in the United States of America.

Report on Summarized Comparative Information

I have previously audited The North Coast Repertory Theatre's August 31, 2017 financial statements and I expressed an unmodified opinion on those financial statements in my report dated January 4, 2018. In my opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2017, consistent, in all material respects, with the audited financial statements from which it has been derived.

A. M. Owens & Co., CPA

A. M. Owens & Co., CPA
A Professional Corporation

San Diego, California
January 2, 2019

The North Coast Repertory Theatre,
A Non-Profit Corporation
Statement of Financial Position
August 31, 2018
With Comparative Totals as of August 31, 2017

ASSETS

	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash	\$ 296,929	\$ 393,904
Investments	386,486	150,458
Receivables	18,124	18,191
Prepaid expenses	32,106	24,459
Prepaid production costs	187,486	168,977
Deposits	7,956	6,384
	<hr/>	<hr/>
	929,087	762,373
PROPERTY AND EQUIPMENT		
Less: Accumulated Depreciation		
(Note 2)	114,029	93,116
	<hr/>	<hr/>
Total Assets	\$ 1,043,116	\$ 855,489
	<hr/> <hr/>	<hr/> <hr/>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable, trade	\$ 18,228	\$ 25,446
Accrued wages and expense	3,167	0
Deferred revenue (Note 3)	733,234	638,272
Accrued vacation payable	34,936	34,500
	<hr/>	<hr/>
Total Current Liabilities	789,565	698,218
LONG-TERM DEBT	0	0
	<hr/>	<hr/>
NET EQUITY (DEFICIT)		
Temporarily restricted net assets	51,110	60,523
Permanently restricted net assets	51,237	25,038
Unrestricted	151,204	71,710
	<hr/>	<hr/>
Total Net (Equity)	253,551	157,271
	<hr/>	<hr/>
Total Liabilities and Net Assets	\$ 1,043,116	\$ 855,489
	<hr/> <hr/>	<hr/> <hr/>

See the Accompanying Notes to the Financial Statements.

The North Coast Repertory Theatre,
A Non-Profit Corporation
Statement of Activities and Changes in Net Assets
For the Year Ended August 31, 2018
With Comparative Totals as of August 31, 2017

	Unrestricted <u>Fund</u>	Temporarily Restricted <u>Funds</u>	Permanently Restricted <u>Funds</u>	2018 Combined <u>Totals</u>	2017 Combined <u>Totals</u>
SUPPORT AND REVENUE					
Public Support:					
Admissions	\$ 1,399,842	\$ 0	\$ 0	\$ 1,399,842	\$ 1,367,899
Theatre school	157,545	0	0	157,545	217,062
Concessions and other support	52,125	0	0	52,125	96,407
Contributions	1,156,018	0	23,962	1,179,980	1,026,747
Investment income	339	5	2,237	2,581	148
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Support & Revenue	2,765,869	5	26,199	2,792,073	2,708,263
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
EXPENDITURES					
Production costs	2,291,641	9,418	0	2,301,059	2,290,896
General and administrative	162,472	0	0	162,472	149,774
Fund raising	232,262	0	0	232,262	245,223
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	2,686,375	9,418	0	2,695,793	2,685,893
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Change in net assets	79,494	(9,413)	26,199	96,280	22,370
Net Assets (Deficit), Begin of Year	71,710	60,523	25,038	157,271	134,901
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net Assets (Deficit), End of Year	\$ 151,204	\$ 51,110	\$ 51,237	\$ 253,551	\$ 157,271
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

See the Accompanying Notes to the Financial Statements.

The North Coast Repertory Theatre,
A Non-Profit Corporation
Statement of Cash Flows
For the Year Ended August 31, 2018
With Comparative Totals as of August 31, 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 96,280	\$ 22,370
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	11,464	9,860
(Increase) Decrease in Operating Assets:		
Receivables	67	(3,422)
Prepaid expenses	(7,647)	(8,716)
Prepaid production costs	(18,509)	2,768
Deposits	(1,572)	372
Increase (Decrease) in Operating Liabilities:		
Accounts payable	(7,218)	1,669
Accrued wages	3,167	
Deferred Revenue	94,962	(31,709)
Accrued vacation	436	1,589
	<hr/>	<hr/>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	171,430	(5,219)
	<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(32,377)	0
Endowment funds	(51,237)	
	<hr/>	<hr/>
NET CASH USED BY INVESTING ACTIVITIES	(83,614)	0
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on debt	0	0
	<hr/>	<hr/>
NET CASH USED BY FINANCING ACTIVITIES	0	0
	<hr/>	<hr/>
NET CHANGE IN CASH AND CASH EQUIVALENTS	87,816	(5,219)
BEGINNING CASH AND CASH EQUIVALENTS	544,362	549,581
	<hr/>	<hr/>
ENDING CASH AND CASH EQUIVALENTS	\$ 632,178	\$ 544,362
	<hr/> <hr/>	<hr/> <hr/>
Interest Paid	\$ 211	\$ 231
	<hr/> <hr/>	<hr/> <hr/>
Taxes Paid	\$ 0	\$ 0
	<hr/> <hr/>	<hr/> <hr/>

See the Accompanying Notes to the Financial Statements.

The North Coast Repertory Theatre,
A Non-Profit Corporation
Statement of Functional Expenses
For the Year Ended August 31, 2018

	Production Costs	General Admin.	Fund- Raising	2018 Total	2017 Total
Salaries	\$ 1,003,457	\$ 73,455	\$ 102,378	\$ 1,179,290	\$ 1,031,539
Payroll Taxes	107,262	7,852	10,943	126,057	116,331
Employee Benefits	175,129	12,426	17,319	204,874	182,156
Total Payroll Expenses	1,285,848	93,733	130,640	1,510,221	1,330,026
Outside Contractors	54,544	1,549	0	56,093	57,518
Volunteer Hours Expense	48,224	0	0	48,224	49,056
Professional Services	0	13,008	1,500	14,508	16,357
Occupancy	138,407	7,550	7,550	153,507	156,205
Utilities	24,093	2,430	1,396	27,919	24,295
Janitorial	3,502	333	333	4,168	4,200
Supplies/Misc.	21,607	20,114	3,601	45,322	30,456
Concession Supplies	15,156	0	0	15,156	15,712
Communications	8,443	2,197	942	11,582	39,639
Postage and Shipping	4,465	2,976	4,536	11,977	10,431
Printing and Copying	55,222	10,572	1,878	67,672	70,905
Travel and Meals	63,100	831	43	63,974	131,802
Credit Card Processing/Bank Fees	48,502	130	0	48,632	46,140
Insurance	11,651	1,457	1,457	14,565	15,705
Membership Dues	5,608	0	0	5,608	3,659
Interest	0	211	0	211	231
Repairs and Maintenance	1,400	0	0	1,400	0
Advertising and Marketing	192,823	0	5,070	197,893	208,575
Royalties	103,526	0	0	103,526	96,334
Special Events	0	0	72,730	72,730	77,906
Mainstage Events	149,365	0	0	149,365	247,727
Theatre School	46,081	0	0	46,081	37,906
Taxes/Licenses	0	4,575	0	4,575	5,248
Total Expenses Before Depreciation	2,281,567	161,666	231,676	2,674,909	2,676,033
Depreciation	10,074	806	684	11,564	9,860
Total Expenses	\$ 2,291,641	\$ 162,472	\$ 232,360	\$ 2,686,473	\$ 2,685,893

See the Accompanying Notes to the Financial Statements.

The North Coast Repertory Theatre,
A Non-Profit Corporation
Notes to Financial Statements
For the Year Ended August 31, 2018

Note 1 - Summary of Significant Accounting Policies

General

The North Coast Repertory Theatre, a Non-Profit Corporation (the Theatre) is a non-profit organization incorporated in California in 1982. Its stated purpose is to educate the public in an appreciation of the theatre arts through stage productions of consistent quality, to be recognized as the premier professional regional live theatre in San Diego North Coastal County, to provide educational services for audiences of all ages, focusing on the youth if the community and to provide an opportunity for actors and theatre professionals to develop their artistic skills through participation in the Theatre's productions.

Basis of Accounting

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

Basis of Presentation

The Theatre is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

The Theatre's program expenses are shown as production costs in the accompanying statements of activities.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence or nature of any donor restrictions. Temporarily restricted net assets are reported in Note 4. Permanently restricted net assets are reported in Note 5.

All donor-restricted contributions are reported as increases in temporarily or permanently restricted assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The North Coast Repertory Theatre,
A Non-Profit Corporation
Notes to Financial Statements
(continued)
For the Year Ended August 31, 2018

Note 1 - Summary of Significant Accounting Policies (continued)

Promises to Give

Unconditional promises to give are recognized as contribution revenue in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Promises to give are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Property and Equipment

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

Acquisitions of property and equipment in excess of \$500 are capitalized. Donated equipment is recorded at fair market value at the date of the donation. Purchased equipment is recorded at cost.

Ticket Sales

Ticket sales received prior to the fiscal year to which they apply are not recognized as revenues until the year earned.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit and all highly liquid debt instruments with original maturities of three months or less.

Income Tax Status

The Theatre is classified as a Section 501(c) (3) Organization under the Federal Internal Revenue Code and Section 13.2210 (e) of the State Revenue and Taxation Code. As a result, it has been determined to be exempt from federal income and state franchise taxes. Tax years 2014-2016 are open to examination by taxing authorities.

Functional Allocation of Expenses

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

The North Coast Repertory Theatre,
A Non-Profit Corporation
Notes to Financial Statements
(continued)
For the Year Ended August 31, 2018

Note 1 - Summary of Significant Accounting Policies (continued)

Donated Services

Donated services valued at \$107,571 are stated as revenue and as an offsetting expense to give accounting recognition to this significant resource of the Theatre. Such donated time is valued at \$11.00 per hour.

Investments

Investments with readily determined market value are carried at market value and unrealized gains and losses are treated as current items in the year in which they occur. Investments without readily determined market values are carried at cost.

The FASB issued authoritative guidance relating to fair value measurements which establishes a common definition for fair value to be applied to U.S. generally accepted accounting principles requiring use of fair value, establishes a framework for measuring fair value, and expands disclosures about such fair value measurements.

The Theatre measures fair value at the price that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market and participants at the measure date. The guidance establishes a hierarchy for ranking the quality and reliability of the information used to determine fair values.

A summary of the fair value hierarchy under the authoritative guidance is described in Note 5.

Comparative Totals for August 31, 2017

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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Theatre's financial statements for the year ended August 31, 2017, from which the summarized information was derived.

Note 2 – Property and Equipment

The following is a summary of property and equipment, less accumulated depreciation and amortization at August 31, 2018:

	<u>2018</u>
Construction in progress	\$ 47,194
Leasehold improvements	161,576
Furniture and equipment	306,849
	<hr/> 515,619
Accumulated depreciation and amortization	(401,590)
	<hr/>
Property and Equipment - Net	\$ 114,029
	<hr/> <hr/>

The North Coast Repertory Theatre,
A Non-Profit Corporation
Notes to Financial Statements
(continued)
For the Year Ended August 31, 2018

Note 3 – Deferred Revenue

The Theatre had received \$723,960 at August 31, 2018, on advance ticket sales for the next theater season. As each production is presented, the portion of the advance sales collections that pertains to that production will be recognized as revenue. In the event any of the scheduled productions for the season are not presented, the advance ticket collections for that production will be available for refund to the ticket holders.

In June 2018, The Theatre received a grant from the County of San Diego for a hearing loop for The Theatre. The Theatre has determined a hearing loop is not feasible. The grant amount of \$9,274 is recorded as deferred income which will either be refunded or reallocated to a new purpose with the consent of the grantor.

Note 4 – Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes as of August 31, 2018:

	<u>2018</u>
Purpose Restrictions	
Drama Queens - Development	\$ 101
Capital Campaign	41,735
Hearing Loop	9,274
Total	<u>\$ 51,110</u>

Note 5 – Permanently Restricted Net Assets

Permanently restricted net assets were \$51,237 as of August 31, 2018. These funds are held in an agency endowment fund at The Jewish Community Foundation (JCF).

No later than April 1st of year commencing after the fair market value of the fund reached the amount of \$50,000, JCF shall distribute to the Theatre an amount equal to the JCF payout rate multiplied by the fair market value of the fund (the “available amount”). The term “fair market value of the fund” shall mean the value of all cash and securities held by the fund, including all earnings and unrealized appreciation thereon, as determined by JCF. The term “JCF payout rate” shall mean the percentage rate determined by the Board of Directors of JCF pursuant to California law with respect to distributions from endowment funds.

JCF shall have all powers necessary to carry out the purposes of the fund, including, but not limited to, the power to retain, invest and reinvest the fund in any manner consistent with the California Uniform Prudent Management of Institutional Funds Act, and shall have the power to commingle the assets of the fund with those of other funds for investment purposes, provided that such commingling shall not contravene the purpose and limitations set forth in this agreement. JCF shall have the ultimate authority and control over all property in the fund, and the income derived therefrom, subject to the terms of this agreement and the standards for investment governing nonprofit public benefit corporations under California Corporations Code Section 5240. The fund shall be administered under and subject to the procedures and/or rules for the operation of permanent endowment funds as the same may be adopted, or modified from time to time, by JCF.

The North Coast Repertory Theatre,
A Non-Profit Corporation
Notes to Financial Statements
(continued)
For the Year Ended August 31, 2018

Note 5 – Permanently Restricted Net Assets (continued)

The fund shall be administered under and subject to the Bylaws, Articles of Incorporation and the endowment policies of JCF in effect from time to time. JCF shall have the power to modify and restriction or condition on the distribution of funds for any specified charitable purpose or to any specified organization if, in the sole discretion of the Board of Directors (without the necessity of the approval of the Theatre or any beneficiary organization), such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community or area served. All money and property in the fund shall be assets of JCF, and not a separate trust, and shall be subject only to the control of JCF. Even though the fund may not be segregated, separate accounting records will be maintained for the fund. Nothing in this agreement is intended to be inconsistent with the status of JCF as an organization described in Sections 501(c)(3) and 509(a) of the Internal Revenue Code of 1986. JCF is authorized to amend this agreement to conform to the provisions of any applicable law or government regulation in order to carry out the foregoing intention.

Note 6 – Fair Value Measurements

The Fair Value Measurements Topic of the FASB Accounting Standards Codification establishes a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the assets or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The following details the level within the fair value hierarchy of the Theatre's assets as fair value as of August 31, 2018. Level 1 investment consists of money market funds and totaled \$243,847. There were no Level 2 or Level 3 investments.

The North Coast Repertory Theatre,
A Non-Profit Corporation
Notes to Financial Statements
(continued)
For the Year Ended August 31, 2018

Note 6 – Fair Value Measurements (continued)

Investments at fair market value at August 31, 2018, consist of the following:

	<u>Adjusted Cost</u>	<u>Fair Market Value</u>	<u>Fair Value (Level 1)</u>	<u>Fair Value (Level 2)</u>
Equities (Level 1)				
Money Market Funds				
US Bank & IFG	\$ 167,561	\$ 167,561	\$ 167,561	\$ 0
Fund at JCF	51,237	51,237	51,237	0
C/D - Opus Bank	25,049	25,049	25,049	0

Investment return for the year ended August 31, 2018 included in the statements of activities is comprised of the following:

	<u>2018</u>
Realized and unrealized losses	\$ 882
Interest and dividends	1,699
	<u>\$ 2,581</u>

Note 7 – Cash and Equivalents

At August 31, 2018, cash was held in the following institutions:

Change Funds	\$ 570
Union Bank - checking (2 accounts)	215,741
Wells Fargo (2 accounts)	162,116
US Bank (4 accounts)	228,526
IFG Financial	176
Opus Bank	25,049
	<u>\$ 632,178</u>

Concentration of Credit Risk

The Theatre maintains its cash in bank accounts and brokerage accounts, which, at times, may exceed federally insured limits. The Theatre has not experienced any losses in such accounts. The Theatre believes it is not exposed to any significant credit risk on cash and cash equivalents.

Accounts are insured by the FDIC for amounts up to \$250,000.

The North Coast Repertory Theatre,
A Non-Profit Corporation
Notes to Financial Statements
(continued)
For the Year Ended August 31, 2018

Note 8 – Restricted Assets – San Diego Foundation

Total assets with a fair market value of \$33,763 are held in the North Coast Repertory Theatre endowment fund of the San Diego Foundation and invested by the Foundation. The Theatre has no ownership rights over the principal but receives investment income annually from these assets. Total investment income received from the San Diego Foundation for the year ended August 31, 2018 was \$1,338.

Note 9 – Subsequent Events

Events subsequent to August 31, 2018 have been evaluated through January 2, 2019, the date these financial statements were available to be issued, to determine whether they should be disclosed to keep the financial statements from being misleading. Management found no subsequent events.