

The North Coast Repertory Theatre,
A Non-Profit Corporation

Financial Statements
and
Independent Auditors' Report

For the Years Ended August 31, 2014 and 2013

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

9880 N. Magnolia Ave., #188 Santee, California 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 balance sheet as of August 31, 2014 and 2013, and the related statements of revenue, expenses and changes in fund balance 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 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, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles in the United States of America.

A handwritten signature in black ink, appearing to read "A.M. Owens & Co., CPA". The signature is fluid and cursive.

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

La Mesa, California
January 9, 2015

The North Coast Repertory Theatre,
A Non-Profit Corporation
Statement of Financial Position
For the Years Ended August 31, 2014 and 2013

ASSETS

	<u>2014</u>	<u>2013</u>
CURRENT ASSETS		
Cash	\$ 127,441	\$ 97,340
Receivables	18,318	5,490
Prepaid expenses	13,129	14,648
Prepaid production costs	148,248	102,993
Deposits	737	0
	307,873	220,471
PROPERTY AND EQUIPMENT		
Less: Accumulated Depreciation (Note 2)	115,155	109,676
Total Assets	\$ 423,028	\$ 330,147

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable, trade	\$ 86,989	\$ 74,420
Deferred revenue (Note 3)	570,471	501,529
Accrued vacation payable	21,228	15,201
	678,688	591,150
LONG-TERM DEBT	0	0
NET DEFICIT		
Temporarily restricted net assets	84,801	84,752
Unrestricted	(340,461)	(345,755)
	Total Net Deficit	(261,003)
	Total Liabilities and Net Assets	\$ 330,147

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

The North Coast Repertory Theatre,
A Non-Profit Corporation
Statement of Activities
For the Years Ended August 31, 2014 and 2013

	Unrestricted <u>Fund</u>	Temporarily Restricted <u>Funds</u>	2014 Combined <u>Totals</u>	2013 Combined <u>Totals</u>
SUPPORT AND REVENUE				
Public Support:				
Admissions	\$ 1,039,019	\$ 0	\$ 1,039,019	\$ 1,160,928
Theatre school	152,452	0	152,452	150,204
Concessions and other support	50,268	0	50,268	34,525
Contributions	760,543	96	760,639	750,650
Interest	0	41	41	56
	<hr/>	<hr/>	<hr/>	<hr/>
Total Support & Revenue	2,002,282	137	2,002,419	2,096,363
	<hr/>	<hr/>	<hr/>	<hr/>
EXPENDITURES				
Production costs	1,718,942	0	1,718,942	1,623,569
General and administrative	135,287	88	135,375	125,225
Fund raising	142,759	0	142,759	149,176
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	1,996,988	88	1,997,076	1,897,970
	<hr/>	<hr/>	<hr/>	<hr/>
Change in net assets	5,294	49	5,343	198,393
Net Assets (Deficit), Begin of Year	(345,755)	84,752	(261,003)	(440,992)
Prior Period Adjustment (Note 5)	0	0	0	(18,404)
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Net Assets (Deficit), End of Year	\$(340,461)	\$ 84,801	\$(255,660)	\$(261,003)
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The accompanying notes are an integral part of the financial statements.

The North Coast Repertory Theatre,
A Non-Profit Corporation
Statement of Cash Flows
For the Years Ended August 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 5,343	\$ 198,393
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	11,203	16,896
(Increase) Decrease in Operating Assets:		
Receivables	(12,828)	1,251
Prepaid expenses	1,519	6,479
Prepaid production costs	(45,992)	(37,302)
Increase (Decrease) in Operating Liabilities:		
Accounts payable	12,569	(110,259)
Deferred Revenue	68,942	(19,847)
Accrued vacation	6,027	722
	46,783	56,333
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(16,682)	(13,579)
NET CASH USED BY INVESTING ACTIVITIES	(16,682)	(13,579)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on debt	0	0
NET CASH USED BY FINANCING ACTIVITIES	0	0
NET CHANGE IN CASH AND CASH EQUIVALENTS	30,101	42,754
BEGINNING CASH AND CASH EQUIVALENTS	97,340	54,586
ENDING CASH AND CASH EQUIVALENTS	\$ 127,441	\$ 97,340
Interest Paid	\$ 10,980	
Taxes Paid	\$ 0	

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

The North Coast Repertory Theatre,
A Non-Profit Corporation
Statement of Functional Expenses
For the Year Ended August 31, 2014

	Production Costs	General Admin.	Fund- Raising	Total
Salaries	\$ 671,312	\$ 55,117	\$ 60,254	\$ 786,683
Payroll Taxes	80,354	6,597	7,212	94,163
Employee Benefits	152,817	6,129	2,777	161,723
Total Payroll Expenses	904,483	67,843	70,243	1,042,569
Outside Contractors	66,715	0	0	66,715
Professional Services	0	10,371	0	10,371
Occupancy	110,308	11,031	8,435	129,774
Utilities	19,035	1,904	1,456	22,395
Janitorial	3,613	361	276	4,250
Supplies	3,590	7,402	1,306	12,298
Concession Supplies	9,835	0	0	9,835
Communications	10,232	2,923	1,462	14,617
Postage and Shipping	3,072	2,048	1,944	7,064
Printing and Copying	42,845	7,194	3,507	53,546
Travel and Meals	47,727	3,985	0	51,712
Credit Card Processing/Bank Fees	35,412	1,847	0	37,259
Insurance	8,604	1,076	1,076	10,756
Membership Dues	4,208	185	0	4,393
Interest	0	10,980	0	10,980
Advertising and Marketing	160,168	0	1,280	161,448
Royalties	78,272	0	0	78,272
Special Events	0	0	49,665	49,665
Mainstage Expense	182,319	0	0	182,319
Theatre School	21,973	0	0	21,973
Taxes/Licenses	0	3,662	0	3,662
Total Expenses Before Depreciation	1,712,411	132,812	140,650	1,985,873
Depreciation	6,531	2,563	2,109	11,203
Total Expenses	\$ 1,718,942	\$ 135,375	\$ 142,759	\$ 1,997,076

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

The North Coast Repertory Theatre,
A Non-Profit Corporation
Statement of Functional Expenses
For the Years Ended August 31, 2013

	Production Costs	General Admin.	Fund- Raising	Total
Salaries	\$ 625,704	\$ 53,579	\$ 55,660	\$ 734,943
Payroll Taxes	68,604	5,812	5,110	79,526
Employee Benefits	152,935	5,368	3,000	161,303
Total Payroll Expenses	847,243	64,759	63,770	975,772
Outside Contractors	47,771	0	6,400	54,171
Professional Services	0	9,726	0	9,726
Occupancy	112,197	10,154	7,271	129,622
Utilities	19,316	1,817	1,301	22,434
Janitorial	3,761	353	253	4,367
Supplies	2,056	10,255	900	13,211
Concession Supplies	11,964	0	0	11,964
Communications	9,489	2,672	1,203	13,364
Postage and Shipping	3,600	2,512	2,743	8,855
Printing and Copying	40,970	3,532	4,869	49,371
Travel and Meals	56,877	2,214	0	59,091
Credit Card Processing/Bank Fees	38,699	524	0	39,223
Insurance	9,754	1,219	1,219	12,192
Membership Dues	4,019	0	0	4,019
Interest	0	8,905	0	8,905
Advertising and Marketing	159,052	0	9,781	168,833
Royalties	97,570	0	0	97,570
Special Events	0	0	47,357	47,357
Mainstage Events	127,389	0	0	127,389
Theatre School	19,618	0	0	19,618
Taxes/Licenses	0	4,020	0	4,020
Total Expenses Before Depreciation	1,611,345	122,662	147,067	1,881,074
Depreciation	12,224	2,563	2,109	16,896
Total Expenses	\$ 1,623,569	\$ 125,225	\$ 149,176	\$ 1,897,970

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

The North Coast Repertory Theatre,
A Non-Profit Corporation
Notes to Financial Statements
For the Year Ended August 31, 2014

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.

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.

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, 2014

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 2009-2013 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, 2014

Note 2 – Property and Equipment

The following is a summary of property and equipment, less accumulated depreciation and amortization at August 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Construction in progress	\$ 47,194	\$ 47,194
Leasehold improvements	164,014	164,014
Furniture and equipment	261,369	244,687
	472,577	455,895
Accumulated depreciation and amortization	(357,422)	(346,219)
Property and Equipment - Net	\$ 115,155	\$ 109,676

Note 3 – Deferred Revenue

The Theatre had received \$570,471 and \$501,529, respectively at August 31, 2014 and 2013, 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.

Note 4 – Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes as of August 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Purpose Restrictions		
Drama Queens - Development	\$ 7,143	\$ 7,148
Capital Campaign	27,584	27,594
Debt Reduction Funds	50,074	50,010
	84,801	84,752
Total	\$ 84,801	\$ 84,752

The North Coast Repertory Theatre,
A Non-Profit Corporation
Notes to Financial Statements
(continued)
For the Year Ended August 31, 2014

Note 5 – Prior Period Adjustments

During the year ended August 31, 2014, it was determined that deferred revenue and accrued vacation were understated by \$10,776 and \$7,628 respectively in the prior year as a result of errors. The corrections resulted in a prior period adjustment \$18,404, decreasing unrestricted net assets, and a restatement of the August 31, 2013 balances to reflect the change as follows:

	<u>Original</u>	<u>Change</u>	<u>Restated</u>
Deferred revenue	\$ 490,753	\$ 10,776	\$ 501,529
Accrued vacation	\$ 7,573	\$ 7,628	\$ 15,201
Total liabilities	\$ 572,746	\$ 18,404	\$ 591,150
Unrestricted net assets	\$ (327,351)	\$ (18,404)	\$ (345,755)
Total liabilities and net assets	\$ 330,147	\$ 0	\$ 330,147
Total income	\$ 2,096,363	\$ (10,776)	\$ 2,085,587
Total expenses	\$ 1,897,970	\$ 7,628	\$ 1,905,598
Change in net assets	\$ (242,599)	\$ (18,404)	\$ (261,003)

Note 6 – Subsequent Events

Events subsequent to August 31, 2014 have been evaluated through January 8, 2015, 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.