

North Coast Repertory Theatre,
A Non-Profit Corporation

Financial Statements
and
Independent Auditors' Report

For the Year Ended August 31, 2019

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
A Professional Corporation

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

Board of Directors
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 North Coast Repertory Theatre, which comprise the statement of financial position as of August 31, 2019, 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 North Coast Repertory Theatre as of August 31, 2019, 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 North Coast Repertory Theatre's August 31, 2018 financial statements and I expressed an unmodified opinion on those financial statements in my report dated January 2, 2019. In my opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2018, 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 1, 2020

North Coast Repertory Theatre,
A Non-Profit Corporation
Statement of Financial Position
August 31, 2019
With Comparative Totals as of August 31, 2018

	<u>ASSETS</u>	<u>2019</u>	<u>2018</u>	
CURRENT ASSETS				
Cash	\$		\$	
- without donor restrictions		438,548	255,094	
- with donor restrictions		44,313	41,835	
Investments				
- without donor restrictions		297,769	335,249	
- with donor restrictions		49,640	51,237	
Receivables			0	
- without donor restrictions		23,957	18,124	
Prepaid expenses		51,216	32,106	
Prepaid production costs		205,648	187,486	
Deposits		7,682	7,956	
		1,118,773	929,087	
PROPERTY AND EQUIPMENT				
Less: Accumulated Depreciation (Note 2)		102,146	114,029	
Total Assets	\$	1,220,919	\$	1,043,116
<u>LIABILITIES AND NET ASSETS</u>				
CURRENT LIABILITIES				
Accounts payable, trade	\$	21,152	\$	18,228
Accrued wages and expense		4,414		3,167
Deferred revenue (Note 3)		842,447		733,234
Accrued vacation payable		41,458		34,936
		909,471		789,565
Total Current Liabilities				
LONG-TERM DEBT		0		0
NET EQUITY (DEFICIT)				
Net assets with donor restrictions		93,953		102,347
Net assets without donor restrictions		217,495		151,204
		311,448		253,551
Total Net (Equity)				
Total Liabilities and Net Assets	\$	1,220,919	\$	1,043,116

See the Accompanying Notes to the Financial Statements.

North Coast Repertory Theatre,
A Non-Profit Corporation
Statement of Activities and Changes in Net Assets
For the Year Ended August 31, 2019
With Comparative Totals as of August 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019 Combined Totals</u>	<u>2018 Combined Totals</u>
SUPPORT AND REVENUE				
Public Support:				
Admissions	\$ 1,736,802	\$ 0	\$ 1,736,802	\$ 1,399,842
Theatre school	176,225	0	176,225	157,545
Concessions and other support	46,938	0	46,938	52,125
Contributions	1,025,672	3,000	1,028,672	1,179,980
Investment income	5,076	(1,593)	3,483	2,581
	<hr/>	<hr/>	<hr/>	<hr/>
Total Support & Revenue	2,990,713	1,407	2,992,120	2,792,073
	<hr/>	<hr/>	<hr/>	<hr/>
EXPENDITURES				
Production costs	2,495,815	9,274	2,505,089	2,301,059
General and administrative	141,321	0	141,321	162,472
Fund raising	287,286	527	287,813	232,262
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	2,924,422	9,801	2,934,223	2,695,793
	<hr/>	<hr/>	<hr/>	<hr/>
Change in net assets	66,291	(8,394)	57,897	96,280
Net Assets (Deficit), Begin of Year	151,204	102,347	253,551	157,271
	<hr/>	<hr/>	<hr/>	<hr/>
Net Assets (Deficit), End of Year	\$ 217,495	\$ 93,953	\$ 311,448	\$ 253,551
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

See the Accompanying Notes to the Financial Statements.

North Coast Repertory Theatre,
A Non-Profit Corporation
Statement of Cash Flows
For the Year Ended August 31, 2019
With Comparative Totals as of August 31, 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 57,897	\$ 96,280
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	11,883	11,464
(Increase) Decrease in Operating Assets:		
Receivables	(5,833)	67
Prepaid expenses	(19,110)	(7,647)
Prepaid production costs	(16,564)	(18,509)
Deposits	274	(1,572)
Increase (Decrease) in Operating Liabilities:		
Accounts payable	2,924	(7,218)
Accrued wages	1,247	3,167
Deferred Revenue	109,213	94,962
Accrued vacation	6,522	436
	148,453	171,430
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	0	(32,377)
Endowment funds	0	(51,237)
	0	(83,614)
NET CASH USED BY INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on debt	0	0
	0	0
NET CASH USED BY FINANCING ACTIVITIES		
NET CHANGE IN CASH AND CASH EQUIVALENTS	148,453	87,816
BEGINNING CASH AND CASH EQUIVALENTS	632,178	544,362
ENDING CASH AND CASH EQUIVALENTS	\$ 780,631	\$ 632,178
Interest Paid	\$ 129	\$ 211
Taxes Paid	\$ 0	\$ 0

See the Accompanying Notes to the Financial Statements.

North Coast Repertory Theatre,
A Non-Profit Corporation
Statement of Functional Expenses
For the Year Ended August 31, 2019

	Production Costs	General Admin.	Fund- Raising	2019 Total	2018 Total
Salaries	\$ 1,009,639	\$ 65,930	\$ 150,760	\$ 1,226,329	\$ 1,179,290
Payroll Taxes	107,865	7,044	16,106	131,015	126,057
Employee Benefits	187,109	6,520	14,909	208,538	204,874
Total Payroll Expenses	1,304,613	79,494	181,775	1,565,882	1,510,221
Outside Contractors	63,899	1,054	0	64,953	56,093
Volunteer Hours Expense	47,148	0	0	47,148	48,224
Professional Services	203	7,290	528	8,021	14,508
Occupancy	137,022	7,612	7,612	152,246	153,507
Utilities	24,697	2,905	1,452	29,054	27,919
Janitorial	4,703	261	261	5,225	4,168
Supplies/Misc.	14,950	13,959	1,167	30,076	45,322
Concession Supplies	15,671	0	0	15,671	15,156
Communications	3,977	497	497	4,971	11,582
Postage and Shipping	7,835	2,847	7,749	18,431	11,977
Printing and Copying	64,244	13,112	5,092	82,448	67,672
Travel and Meals	90,131	3,766	0	93,897	63,974
Credit Card Processing/Bank Fees	58,677	0	0	58,677	48,632
Insurance	13,614	1,702	1,702	17,018	14,565
Membership Dues	6,627	0	0	6,627	5,608
Interest	0	129	0	129	211
Repairs and Maintenance	4,836	0	0	4,836	1,400
Advertising and Marketing	220,745	0	124	220,869	197,893
Royalties	137,577	0	0	137,577	103,526
Special Events	0	0	78,229	78,229	72,730
Mainstage Events	239,429	0	0	239,429	149,365
Theatre School	36,425	0	0	36,425	46,081
Taxes/Licenses	0	4,501	0	4,501	4,575
Total Expenses Before Depreciation	2,497,023	139,129	286,188	2,922,340	2,674,909
Depreciation	8,066	2,192	1,625	11,883	11,564
Total Expenses	\$ 2,505,089	\$ 141,321	\$ 287,813	\$ 2,934,223	\$ 2,686,473

See the Accompanying Notes to the Financial Statements.

North Coast Repertory Theatre,
A Non-Profit Corporation
Notes to Financial Statements
For the Year Ended August 31, 2019

Note 1 - Summary of Significant Accounting Policies

General

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 though participation in the Theatre's productions.

During the fiscal year, the Theatre performed two additional shows: Always Patsy Cline and Tenderly – The Rosemary Clooney Musical. These productions resulted in increased admissions income and an increase in production expenses such as wages, royalties and mainstage event expenses. The income and expenses from these productions are reflected on the statement of activities and the statement of functional expenses for the year ended August 31, 2019.

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 two classes of nets assets: net assets without donor restrictions and net assets with donor restrictions.

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 net assets without donor restrictions or net assets with donor restrictions, depending on the existence or nature of any donor restrictions. Net assets without donor restrictions are reported in Note 4.

All donor-restricted contributions are reported as net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

North Coast Repertory Theatre,
A Non-Profit Corporation
Notes to Financial Statements
(continued)
For the Year Ended August 31, 2019

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 2015-2017 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.

North Coast Repertory Theatre,
A Non-Profit Corporation
Notes to Financial Statements
(continued)
For the Year Ended August 31, 2019

Note 1 - Summary of Significant Accounting Policies (continued)

Donated Services

Donated services valued at \$47,148 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 \$12.00 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, 2018

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, 2018, 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, 2019:

		<u>2019</u>	
Construction in progress	\$	47,194	
Leasehold improvements		161,576	
Furniture and equipment		306,849	
		515,619	
Accumulated depreciation and amortization	(413,473)	
		102,146	
Property and Equipment - Net	\$	102,146	

North Coast Repertory Theatre,
A Non-Profit Corporation
Notes to Financial Statements
(continued)
For the Year Ended August 31, 2019

Note 3 – Deferred Revenue

The Theatre had received \$842,447 at August 31, 2019, 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 – Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes as of August 31, 2019:

	<u>2019</u>
Purpose Restrictions	
Drama Queens - Development	\$ 3,101
Capital Campaign	41,212
Endowment Funds	49,640
Total	<u>\$ 93,953</u>

Note 5 – Endowment Funds

Endowment funds were \$49,640 as of August 31, 2019. 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.

North Coast Repertory Theatre,
A Non-Profit Corporation
Notes to Financial Statements
(continued)
For the Year Ended August 31, 2019

Note 5 – Endowment Funds (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, 2019. Level 1 investment consist of equities and cd's and totaled \$296,557. There were no Level 2 or Level 3 investments.

North Coast Repertory Theatre,
A Non-Profit Corporation
Notes to Financial Statements
(continued)
For the Year Ended August 31, 2019

Note 6 – Fair Value Measurements (continued)

Investments at fair market value at August 31, 2019, 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)				
Fund at JCF	\$ 49,640	\$ 49,640	\$ 49,640	\$ 0
Money Market Funds				
C/D - Opus Bank	246,917	246,917	0	0

Investment return for the year ended August 31, 2019 included in the statements of activities is comprised of the following:

	<u>2019</u>
Realized and unrealized losses	\$ (3,951)
Interest and dividends	7,434
	<u>\$ 3,483</u>

Note 7 – Cash and Equivalents

At August 31, 2019, cash was held in the following institutions:

Change Funds	\$ 570
Union Bank - checking (2 accounts)	145,235
Wells Fargo (2 accounts)	59,174
US Bank (4 accounts)	328,735
Opus Bank (4 accounts)	246,917
	<u>\$ 780,631</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.

North Coast Repertory Theatre,
A Non-Profit Corporation
Notes to Financial Statements
(continued)
For the Year Ended August 31, 2019

Note 8 – Restricted Assets – San Diego Foundation

Total assets with a fair market value of \$33,833 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 and does not include these funds on the statement of financial position. However the Theatre receives investment income annually from these assets. Total investment income received from the San Diego Foundation for the year ended August 31, 2019 was \$1,335.

Note 9 – Operating Lease

The Theatre leases its facilities under a month-to-month rental agreement. Total rental expense was \$150,985 for the year ended June 30, 2019.

Note 10–Retirement Plan

The Theatre maintains a tax deferred contribution plan qualified under Section 403(b) of the Internal Revenue Code. Eligible employees may contribute a percentage of their compensation to the Plan. Employer contributions totaled \$6,386 for the year ended August 31, 2019.

Note 11–Subsequent Events

Events subsequent to August 31, 2019 have been evaluated through January 1, 2020, 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.