

The North Coast Repertory Theatre,
A Non-Profit Corporation

Financial Statements
and
Independent Auditors' Report

For the Year Ended August 31, 2016

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A Professional Corporation

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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, 2016, 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, 2016, 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, 2015 financial statements and I expressed an unmodified opinion on those financial statements in my report dated December 28, 2015. In my opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2015, consistent, in all material respects, with the audited financial statements from which it has been derived.


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

San Diego, California
January 3, 2017

The North Coast Repertory Theatre,
A Non-Profit Corporation
Statement of Financial Position
August 31, 2016
With Comparative Totals as of August 31, 2015

	<u>ASSETS</u>	
	<u>2016</u>	<u>2015</u>
CURRENT ASSETS		
Cash	\$ 399,259	\$ 232,187
Investments	150,322	150,234
Receivables	14,769	62,307
Prepaid expenses	15,743	9,797
Prepaid production costs	171,745	127,343
Deposits	6,756	4,525
	758,594	586,393
PROPERTY AND EQUIPMENT		
Less: Accumulated Depreciation (Note 2)	102,976	113,717
Total Assets	\$ 861,570	\$ 700,110
 <u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable, trade	\$ 23,777	\$ 74,127
Deferred revenue (Note 3)	669,981	595,507
Accrued vacation payable	32,911	27,772
Total Current Liabilities	726,669	697,406
LONG-TERM DEBT	0	0
NET EQUITY (DEFICIT)		
Temporarily restricted net assets	48,567	49,354
Unrestricted	86,334	(46,650)
Total Net (Equity)	134,901	2,704
Total Liabilities and Net Assets	\$ 861,570	\$ 700,110

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, 2016
With Comparative Totals as of August 31, 2015

	Unrestricted <u>Fund</u>	Temporarily Restricted <u>Funds</u>	2016 Combined <u>Totals</u>	2015 Combined <u>Totals</u>
SUPPORT AND REVENUE				
Public Support:				
Admissions	\$ 1,363,350	\$ 0	\$ 1,363,350	\$ 1,287,953
Theatre school	153,153	0	153,153	168,576
Concessions and other support	82,002	0	82,002	78,610
Contributions	854,525	37,449	891,974	879,122
Interest	145	12	157	107
	<hr/>	<hr/>	<hr/>	<hr/>
Total Support & Revenue	2,453,175	37,461	2,490,636	2,414,368
	<hr/>	<hr/>	<hr/>	<hr/>
EXPENDITURES				
Production costs	1,945,808	32,449	1,978,257	1,805,135
General and administrative	144,318	0	144,318	138,874
Fund raising	230,065	5,799	235,864	211,995
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	2,320,191	38,248	2,358,439	2,156,004
	<hr/>	<hr/>	<hr/>	<hr/>
Change in net assets	132,984	(787)	132,197	258,364
Net Assets (Deficit), Begin of Year	(46,650)	49,354	2,704	(255,660)
	<hr/>	<hr/>	<hr/>	<hr/>
Net Assets (Deficit), End of Year	\$ 86,334	\$ 48,567	\$ 134,901	\$ 2,704
	<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, 2016
With Comparative Totals as of August 31, 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 132,197	\$ 258,364
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	10,741	12,103
(Increase) Decrease in Operating Assets:		
Receivables	47,538	(43,989)
Prepaid expenses	(6,124)	3,332
Prepaid production costs	(44,878)	20,905
Deposits	(2,231)	(3,788)
Increase (Decrease) in Operating Liabilities:		
Accounts payable	(49,696)	(12,862)
Deferred Revenue	74,474	25,036
Accrued vacation	5,139	6,544
	167,160	265,645
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES		
Purchases of property and equipment	0	(10,665)
NET CASH USED BY INVESTING ACTIVITIES	0	(10,665)
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	167,160	254,980
BEGINNING CASH AND CASH EQUIVALENTS	382,421	127,441
ENDING CASH AND CASH EQUIVALENTS	\$ 549,581	\$ 382,421
Interest Paid	\$ 129	\$ 191
Taxes Paid	\$ 0	\$ 0

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, 2016

	Production Costs	General Admin.	Fund- Raising	2016 Total	2015 Total
Salaries	\$ 751,801	\$ 61,978	\$ 108,997	\$ 922,776	\$ 862,670
Payroll Taxes	80,857	6,666	11,723	99,246	91,758
Employee Benefits	144,956	5,909	10,392	161,257	158,593
Total Payroll Expenses	977,614	74,553	131,112	1,183,279	1,113,021
Outside Contractors	54,157	0	0	54,157	48,529
Professional Services	0	11,182	5,799	16,981	10,812
Occupancy	167,898	11,858	7,411	187,167	196,760
Utilities	22,204	2,042	1,276	25,522	27,731
Janitorial	3,393	312	195	3,900	3,734
Supplies/Misc.	6,269	12,536	2,089	20,894	13,079
Concession Supplies	13,624	0	0	13,624	12,932
Communications	9,536	2,726	1,363	13,625	14,613
Postage and Shipping	2,096	1,398	4,941	8,435	7,695
Printing and Copying	57,423	10,810	3,041	71,274	58,858
Travel and Meals	104,965	9,717	0	114,682	64,323
Credit Card Processing/Bank Fees	45,615	647	0	46,262	44,310
Insurance	11,523	1,441	1,441	14,405	13,985
Membership Dues	5,050	0	0	5,050	5,222
Interest	0	129	0	129	2,893
Advertising and Marketing	164,533	0	4,032	168,565	158,671
Royalties	81,818	0	0	81,818	89,048
Special Events	0	0	72,366	72,366	66,274
Mainstage Events	217,353	0	0	217,353	160,291
Theatre School	24,340	0	0	24,340	26,478
Taxes/Licenses	0	3,870	0	3,870	4,642
Total Expenses Before Depreciation	1,969,411	143,221	235,066	2,347,698	2,143,901
Depreciation	8,846	1,097	798	10,741	12,103
Total Expenses	\$ 1,978,257	\$ 144,318	\$ 235,864	\$ 2,358,439	\$ 2,156,004

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, 2016

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 though 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 nets 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. There were no permanently restricted net assets at August 31, 2016.

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, 2016

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 2012-2014 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, 2016

Note 1 - Summary of Significant Accounting Policies (continued)

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, 2015

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, 2015, 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, 2016:

		<u>2016</u>
Construction in progress	\$	47,194
Leasehold improvements		161,576
Furniture and equipment		248,928
		457,698
Accumulated depreciation and amortization		(354,722)
Property and Equipment - Net	\$	102,976

The North Coast Repertory Theatre,
A Non-Profit Corporation
Notes to Financial Statements
(continued)
For the Year Ended August 31, 2016

Note 3 – Deferred Revenue

The Theatre had received \$669,981 at August 31, 2016, 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, 2016:

	<u>2016</u>
Purpose Restrictions	
Drama Queens - Development	\$ 5,494
Capital Campaign	43,073
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Total	\$ 48,567
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Note 5 – 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.

The North Coast Repertory Theatre,
A Non-Profit Corporation
Notes to Financial Statements
(continued)
For the Year Ended August 31, 2016

Note 5 – Fair Value Measurements (continued)

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, 2016. Level 1 investments consist of money market funds and totaled \$150,322. There were no Level 2 or Level 3 investments.

Investments at fair market value at August 31, 2016, 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 & LPL	\$ 105,322	\$ 150,322	\$ 150,322	\$ 0

Investment return for the year ended August 31, 2016 included in the statements of activities is comprised of the following:

	<u>2016</u>
Realized and unrealized losses	\$ 0
Interest and dividends	157
	<u>\$ 157</u>

Note 6 – Cash and Equivalents

At August 31, 2016, cash was held in the following institutions:

Change Funds	\$ 550
Union Bank - checking (2 accounts)	243,222
Wells Fargo (2 accounts)	16,133
US Bank (4 accounts)	289,581
LPL Financial	95
	<u>\$ 549,581</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, 2016

Note 7 – Restricted Assets – San Diego Foundation

Total assets with a fair market value of \$32,618.36 are held in the North Coast Repertory Theatre endowment fund of the San Diego Foundation and invested by the Foundation. The society has no ownership rights over the principal but receives investment income semi-annually from these assets. Total investment income received from the San Diego Foundation for the year ended August 31, 2016 was \$1,412.

Note 8 – Subsequent Events

Events subsequent to August 31, 2016 have been evaluated through January 3, 2017, 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.