

A NOISE WITHIN

FINANCIAL STATEMENTS

JUNE 30, 2014

**A NOISE WITHIN
FINANCIAL STATEMENTS
JUNE 30, 2014**

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Independent Auditor's Report

To the Board of Directors
A Noise Within
Pasadena, California

We have audited the accompanying financial statements of A Noise Within, which comprise the statements of financial position as of June 30, 2014 and 2013 and the related statements of activities, cash flows and functional expenses 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 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.

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of A Noise Within as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



October 21, 2014

**A NOISE WITHIN
STATEMENT OF FINANCIAL POSITION**

	JUNE 30,	
ASSETS	2014	2013
CURRENT ASSETS		
Cash (Note 3)	\$ 833,756	\$ 761,956
Marketable securities	5,104	-
Unconditional promises to give - capital campaign, net of reserve for uncollectible promises to give of \$13,000 and \$34,000 (Note 4)	55,456	52,029
Unconditional promises to give - other	87,950	50,100
Prepaid expenses and other current assets	69,583	66,025
Total current assets	1,051,849	930,110
UNCONDITIONAL PROMISES TO GIVE		
Capital campaign, net of reserve for uncollectible promises to give of \$4,000 as of June 30, 2013 (Note 4)	24,411	66,116
PROPERTY AND EQUIPMENT, at cost less accumulated depreciation (Note 2)		
	11,881,831	12,139,657
LOAN FEES, less accumulated amortization of \$31,926 and \$21,284		
	13,305	23,947
	\$ 12,971,396	\$ 13,159,830
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current maturities of long-term debt (Note 5)	\$ 100,000	\$ 55,600
Revenues received in advance	402,202	246,816
Accrued expenses and other current liabilities	51,995	30,712
Total current liabilities	554,197	333,128
LONG-TERM DEBT, net of current maturities (Note 5)		
	705,738	863,251
NET ASSETS		
Unrestricted	11,391,047	11,603,952
Temporarily restricted (Note 4)	320,414	359,499
	\$ 12,971,396	\$ 13,159,830

See Notes to Financial Statements

**A NOISE WITHIN
STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30,

	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUES, SUPPORT AND RECLASSIFICATIONS						
REVENUES						
Box Office	\$ 883,051	\$ -	\$ 883,051	\$ 815,763	\$ -	\$ 815,763
Education Programs	58,664	-	58,664	64,362	-	64,362
Other	50,373	-	50,373	49,739	-	49,739
	992,088	-	992,088	929,864	-	929,864
SUPPORT						
Donations and grants	884,549	-	884,549	928,090	-	928,090
Capital campaign donations and grants	-	56,979	56,979	-	-	-
Special event income	31,967	-	31,967	29,025	-	29,025
Interest and investment income	1,402	-	1,402	2,616	-	2,616
	917,918	56,979	974,897	959,731	-	959,731
NET ASSETS RELEASED FROM RESTRICTIONS						
Restrictions satisfied by payment	96,064	(96,064)	-	141,001	(141,001)	-
TOTAL REVENUES AND SUPPORT	2,006,070	(39,085)	1,966,985	2,030,596	(141,001)	1,889,595
EXPENSES						
PROGRAM EXPENSES						
Theatre productions	1,353,021	-	1,353,021	1,203,671	-	1,203,671
Education programs	140,018	-	140,018	112,695	-	112,695
	1,493,039	-	1,493,039	1,316,366	-	1,316,366
SUPPORTING SERVICES						
General and administrative expenses	189,232	-	189,232	58,895	-	58,895
Fundraising and development costs	157,785	-	157,785	153,626	-	153,626
Capital campaign expenses	27,559	-	27,559	71,103	-	71,103
	374,576	-	374,576	283,624	-	283,624
TOTAL EXPENSES	1,867,615	-	1,867,615	1,599,990	-	1,599,990
INCREASE (DECREASE) IN NET ASSETS BEFORE INTEREST, DEPRECIATION AND AMORTIZATION	138,455	(39,085)	99,370	430,606	(141,001)	289,605
INTEREST	39,302	-	39,302	40,585	-	40,585
DEPRECIATION AND AMORTIZATION	312,058	-	312,058	298,224	-	298,224
INCREASE (DECREASE) IN NET ASSETS	(212,905)	(39,085)	(251,990)	91,797	(141,001)	(49,204)
NET ASSETS AT BEGINNING OF YEAR	11,603,952	359,499	11,963,451	11,512,155	500,500	12,012,655
NET ASSETS AT END OF YEAR	\$ 11,391,047	\$ 320,414	\$ 11,711,461	\$ 11,603,952	\$ 359,499	\$ 11,963,451

See Notes to Financial Statements

**A NOISE WITHIN
STATEMENT OF CASH FLOWS**

	YEARS ENDED JUNE 30,	
	2014	2013
CASH FLOW FROM OPERATING ACTIVITIES		
Cash received from box office and programs	\$ 1,142,534	\$ 1,167,839
Cash received from grants and donations	925,921	1,069,168
Interest income received	45	62
Cash paid to employees and suppliers	(1,884,252)	(1,650,817)
	184,248	586,252
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of marketable securities	2,550	34,637
Acquisition of property and equipment	(43,590)	(128,749)
	(41,040)	(94,112)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital campaign pledges collected	41,705	95,072
Loan principal payments	(113,113)	(241,149)
	(71,408)	(146,077)
NET INCREASE IN CASH	71,800	346,063
CASH, beginning	761,956	415,893
CASH, ending	\$ 833,756	\$ 761,956

**RECONCILIATION OF CHANGE IN NET ASSETS TO
CASH FLOW FROM OPERATING ACTIVITIES**

DECREASE IN NET ASSETS	\$ (251,990)	\$ (49,204)
Adjustments to reconcile change in net assets to net cash flow from operating activities		
<i>Items not requiring an outlay of cash</i>		
Depreciation and amortization	312,058	298,224
Donated marketable securities	(6,297)	(32,083)
Gain on sale of marketable securities	(1,357)	(2,554)
Decrease (increase) in:		
Unconditional promises to give - capital campaign	(3,427)	144,236
Unconditional promises to give - other	(37,850)	(100)
Prepaid expenses	(3,558)	(13,743)
Increase in:		
Revenues received in advance	155,386	237,975
Accrued expenses and other current liabilities	21,283	3,501
CASH FLOW FROM OPERATING ACTIVITIES	\$ 184,248	\$ 586,252

See Notes to Financial Statements

**A NOISE WITHIN
STATEMENT OF FUNCTIONAL EXPENSES**

YEAR ENDED JUNE 30,

2014

2013

	2014					2013						
	Program Services		Fundraising			Total	Program Services			Fundraising		Total
	Theatre Productions	Education Programs	General and Administrative	Fundraising and Development	Capital Campaign		Theatre Productions	Education Programs	General and Administrative	Fundraising and Development	Capital Campaign	
Salaries	\$ 469,708	\$ 64,960	\$ 61,849	\$ 80,110	\$ -	\$ 676,627	\$ 436,251	\$ 42,173	\$ 13,237	\$ 80,514	\$ -	\$ 572,175
Bonuses	-	-	-	-	-	-	12,926	-	1,400	300	-	14,626
Payroll taxes	49,577	6,657	6,394	8,422	-	71,050	45,518	5,393	1,383	8,412	-	60,706
Employee benefits	100,089	-	29,972	-	-	130,061	90,349	-	2,648	-	-	92,997
Nonsalaried actors and technicians	155,209	-	-	-	-	155,209	118,051	-	-	-	-	118,051
Professional fees	-	-	23,662	-	2,500	26,162	-	-	4,940	-	3,145	8,085
Marketing	124,092	2,980	-	1,891	-	128,963	96,019	3,372	-	-	4,231	103,622
Materials and supplies	82,974	3,319	11,371	-	50	97,714	51,364	2,955	7,735	838	25,645	88,537
Publicist	-	-	-	-	-	-	41,634	-	-	-	-	41,634
Utilities	35,300	28,240	7,060	-	-	70,600	33,319	26,655	6,664	-	-	66,638
Credit card fees	23,247	-	-	-	-	23,247	18,731	-	-	-	-	18,731
Printing	52,576	504	1,549	8,703	-	63,332	47,309	1,720	-	8,891	-	57,920
Postage	35,402	1,532	319	5,197	-	42,450	37,673	2,049	1,077	3,303	-	44,102
Royalties and fees	42,531	-	-	-	-	42,531	26,082	-	-	-	-	26,082
Insurance	83,210	-	-	-	-	83,210	56,371	-	-	-	-	56,371
Telephone	8,013	-	2,671	-	-	10,684	8,215	-	2,738	-	-	10,953
Costumes	15,142	-	-	-	-	15,142	21,683	-	-	-	-	21,683
Repairs and maintenance	44,666	-	4,963	-	-	49,629	19,490	-	2,165	-	-	21,655
Teachers	-	17,366	-	-	-	17,366	-	12,325	-	-	-	12,325
Accounting	-	-	14,738	-	-	14,738	-	-	8,520	-	-	8,520
Refreshments and concessions	15,733	-	-	-	-	15,733	9,824	-	-	-	-	9,824
Production expenses	6,822	2,043	-	-	-	8,865	1,462	3,892	-	-	-	5,354
Computer and technology	1,035	-	9,069	2,772	-	12,876	3,142	3,575	3,433	9,952	-	20,102
Special event	874	1,443	-	20,933	-	23,250	-	2,090	-	20,619	-	22,709
Copier lease	6,149	3,075	3,075	3,075	-	15,374	3,448	1,724	1,724	1,724	-	8,620
Trash disposal	-	-	-	-	-	-	7,144	-	-	-	-	7,144
Taxes and licenses	(3,816)	-	150	-	-	(3,666)	2,941	-	628	-	-	3,569
Dues and subscriptions	3,719	-	-	-	-	3,719	5,470	-	-	-	-	5,470
Graphic design	-	-	-	-	-	-	5,250	-	-	-	-	5,250
Transportation	-	7,735	-	-	-	7,735	-	3,860	-	-	-	3,860
Grant writing support	-	-	-	24,458	-	24,458	-	-	-	18,795	-	18,795
Conferences and seminars	-	75	8,320	100	-	8,495	-	530	300	-	-	830
Bad debts	-	-	-	-	-	25,000	-	-	-	-	38,000	38,000
Employee search	769	-	-	1,731	-	2,500	4,005	-	-	-	-	4,005
Bank charges	-	-	2,003	-	-	2,003	-	-	426	-	-	426
Miscellaneous	-	89	2,067	393	9	2,558	-	382	(123)	278	82	619
	<u>\$ 1,353,021</u>	<u>\$ 140,018</u>	<u>\$ 189,232</u>	<u>\$ 157,785</u>	<u>\$ 27,559</u>	<u>\$ 1,867,615</u>	<u>\$ 1,203,671</u>	<u>\$ 112,695</u>	<u>\$ 58,895</u>	<u>\$ 153,626</u>	<u>\$ 71,103</u>	<u>\$ 1,599,990</u>

See Notes to Financial Statements

A NOISE WITHIN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

A Noise Within (The Organization) is a California public benefit corporation organized in 1992 which operates a classical theatre company in Pasadena, California. The Organization's operations include theatrical performances in its own facilities and educational programs.

Use of Estimates

Generally accepted accounting principles require management to make estimates and assumptions that affect certain report amounts and disclosures. Accordingly, actual results could differ from those estimates.

Net Assets

The financial statements account for changes in net assets into unrestricted, temporarily restricted and permanently restricted based on donor imposed restrictions. Temporarily restricted funds are treated as unrestricted if the donor imposed restrictions lapse in the same fiscal year that the donation is recognized.

Property, Equipment and Depreciation

Property and equipment are carried either at cost when purchased or fair market value on the date donated. Depreciation is provided using straight-line methods over the estimated useful lives of the respective assets. When assets are retired, or otherwise disposed of, the cost and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income for the period. The cost of repairs and maintenance is charged to operations as incurred; significant improvements and betterments are capitalized.

Estimated useful lives are five years for office furniture, equipment and computers, ten years for production equipment and forty years for the building.

Revenue Recognition

Box office revenues are deferred and recognized as the performances are presented. Revenues for the educational programs are deferred and recognized as the services are provided

Grants and donations are recognized at net realizable value at the time the right to the donation becomes unconditional.

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JUNE 30, 2014

1 SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)

Income Taxes

The Organization has been granted tax exempt status as provided under Section 501 (c)(3) of the Internal Revenue Code. The Organization has also received a ruling that it is not a private foundation.

Donated Property and Services

The Organization records donated property and equipment at estimated fair market value on the date donated. Services donated by volunteers are recorded as revenues and expenses if the services require specialized skills and would otherwise be purchased by the Organization. The Organization received \$4,940 in donated service in the fiscal year ended June 30, 2014. No donated services were recorded in the fiscal year ended June 30, 2013.

During 2014 and 2013, approximately 400 volunteers provided 1,128 and 1,080 hours, respectively, of services that are essential to the operation of the organization but which are not recognizable under generally accepted accounting principles.

2 PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2014		
	Cost	Accumulated Depreciation	Net
Land	\$ 2,013,000	\$ -	\$ 2,013,000
Building	10,316,205	644,360	9,671,845
Building improvements	23,506	2,350	21,156
Production equipment	157,225	39,121	118,104
Office furniture, equipment and computers	103,642	45,916	57,726
	<u>\$ 12,613,578</u>	<u>\$ 731,747</u>	<u>\$ 11,881,831</u>
	2013		
	Cost	Accumulated Depreciation	Net
Land	\$ 2,013,000	\$ -	\$ 2,013,000
Building	10,316,205	386,455	9,929,750
Building improvements	-	-	-
Production equipment	141,185	18,283	122,902
Office furniture, equipment and computers	99,598	25,593	74,005
	<u>12,569,988</u>	<u>\$ 430,331</u>	<u>\$ 12,139,657</u>

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

3 CASH AND CONCENTRATION OF RISK

Cash includes money market mutual funds of \$410,000 and \$390,000 as of June 30, 2014 and 2013, respectively.

Funds totaling \$13,600 and \$4,500 were held as collateral against the long-term debt as of June 30, 2014 and 2013, respectively.

Funds on deposit at financial institutions in excess of the available federal insurance were \$631,000 and \$520,000 at June 30, 2014 and 2013, respectively.

4 CAPITAL CAMPAIGN AND TEMPORARILY RESTRICTED NET ASSETS

The Organization built a new theatre facility which opened in Fall of 2011. The Organization has run a capital campaign in support of the new facility. Donations received for the capital campaign are temporarily restricted. As of June 30, 2014, the campaign continues to collect on promises to give for building costs and to pay down the bank loan.

The Organization recognized \$56,979 in unconditional pledges for the capital campaign for fiscal year ending June 30, 2014. No unconditional pledges for the capital campaign were recognized to income for the fiscal year ending June 30, 2013.

Capital campaign receivables due within one year, net of a reserve for uncollectible promises to give are included in the statement of financial position under the current asset caption "Unconditional promises to give".

Long-term capital campaign receivables due in two to five years after the fiscal year end are present value discounted 10% per year, as follows:

	2014	2013
Total unconditional promises to give	\$ 30,426	\$ 84,940
Discount	(6,015)	(14,824)
Reserve for uncollectible promises to give	-	(4,000)
Net unconditional promises to give	\$ 24,411	\$ 66,116

Imputed interest is included in donation income.

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JUNE 30, 2014

5 LONG-TERM DEBT

In March, 2011, the Organization obtained a bank loan for \$2,000,000 to complete the construction of the theatre facility. The loan is secured by a first trust deed secured by the land and building, outstanding campaign pledges to be deposited in a cash collateral account and an irrevocable commitment from a charitable remainder trust of \$1,000,000. The loan is payable in monthly installments of principal and interest of \$11,201 (15 year amortization) with interest at the prime rate plus 1.5%, due and payable on or before October 1, 2015.

A Noise Within is required to maintain a cash collateral account and deposit campaign pledge payments with the lender. Minimum maturities by year are as follows:

2015	\$	100,000
2016		<u>705,738</u>
	\$	<u><u>805,738</u></u>

Interest expense totaled \$39,302 and \$40,450 for the years ending June 30, 2014 and 2013, respectively.

6 EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through October 21, 2014, the date which the financial statements were available to be issued, and has included in these financial statements any information available at this date that is relevant and material to these financial statements.