

A NOISE WITHIN

FINANCIAL STATEMENTS

JUNE 30, 2012

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JUNE 30, 2012**

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Independent Auditor's Report

To the Board of Directors
A Noise Within
Pasadena, California

I have audited the accompanying statements of financial position of A Noise Within as of June 30, 2012 and 2011 and the related statements of activities, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of A Noise Within's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted 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 misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of A Noise Within as of June 30, 2012 and 2011, 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.



January 17, 2013

**A NOISE WITHIN
STATEMENT OF FINANCIAL POSITION**

ASSETS	JUNE 30,	
	2012	2011
CURRENT ASSETS		
Cash (Note 3)	\$ 415,893	\$ 1,875,741
Unconditional promises to give - capital campaign (Note 4)	196,265	232,068
Unconditional promises to give - other (Note 4)	50,000	31,300
Prepaid expenses and other current assets	52,282	29,572
Total current assets	714,440	2,168,681
UNCONDITIONAL PROMISES TO GIVE		
Capital campaign (Note 4)	161,188	208,720
PROPERTY AND EQUIPMENT, at cost less accumulated depreciation (Note 2)		
	12,298,490	2,013,223
CONSTRUCTION IN PROGRESS (Note 5)		
	-	7,368,029
LOAN FEES, less accumulated amortization of \$10,642 and \$0		
	34,589	45,231
	\$ 13,208,707	\$ 11,803,884
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current maturities of long-term debt (Note 6)	\$ 31,200	\$ -
Revenues received in advance	8,841	3,600
Accrued expenses and other current liabilities	27,211	12,220
Total current liabilities	67,252	15,820
LONG-TERM DEBT, net of current maturities (Note 6)		
	1,128,800	-
NET ASSETS		
Unrestricted	11,512,155	9,774,663
Temporarily restricted (Note 4)	500,500	2,013,401
	12,012,655	11,788,064
	\$ 13,208,707	\$ 11,803,884

See Notes to Financial Statements

A NOISE WITHIN
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30

	2012			2011		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUES, SUPPORT AND RECLASSIFICATIONS						
REVENUES						
Box Office	\$ 707,251	\$ -	\$ 707,251	\$ 482,923	\$ -	\$ 482,923
Education Programs	47,430	-	47,430	73,161	-	73,161
Other	32,325	-	32,325	10,061	-	10,061
	<u>787,006</u>	<u>-</u>	<u>787,006</u>	<u>566,145</u>	<u>-</u>	<u>566,145</u>
SUPPORT						
Donations and grants	506,555	-	506,555	320,561	-	320,561
Capital campaign donations and grants	-	365,546	365,546	-	5,850,168	5,850,168
Special event income	132,921	-	132,921	33,887	-	33,887
Interest and investment income	849	-	849	4,175	-	4,175
	<u>640,325</u>	<u>365,546</u>	<u>1,005,871</u>	<u>358,623</u>	<u>5,850,168</u>	<u>6,208,791</u>
NET ASSETS RELEASED FROM RESTRICTIONS						
Restrictions satisfied by payment	<u>1,878,447</u>	<u>(1,878,447)</u>	<u>-</u>	<u>9,548,020</u>	<u>(9,548,020)</u>	<u>-</u>
TOTAL REVENUES AND SUPPORT	3,305,778	(1,512,901)	1,792,877	10,472,788	(3,697,852)	6,774,936
EXPENSES						
PROGRAM EXPENSES						
Theatre productions	1,132,533	-	1,132,533	690,061	-	690,061
Education programs	101,815	-	101,815	88,640	-	88,640
	<u>1,234,348</u>	<u>-</u>	<u>1,234,348</u>	<u>778,701</u>	<u>-</u>	<u>778,701</u>
SUPPORTING SERVICES						
General and administrative expenses	84,894	-	84,894	55,240	-	55,240
Fundraising and development costs	173,836	-	173,836	83,584	-	83,584
Capital campaign expenses	75,208	-	75,208	166,768	-	166,768
	<u>333,938</u>	<u>-</u>	<u>333,938</u>	<u>305,592</u>	<u>-</u>	<u>305,592</u>
TOTAL EXPENSES	1,568,286	-	1,568,286	1,084,293	-	1,084,293
INCREASE (DECREASE) IN NET ASSETS	1,737,492	(1,512,901)	224,591	9,388,495	(3,697,852)	5,690,643
NET ASSETS AT BEGINNING OF YEAR	9,774,663	2,013,401	11,788,064	386,168	5,711,253	6,097,421
NET ASSETS AT END OF YEAR	<u>\$ 11,512,155</u>	<u>\$ 500,500</u>	<u>\$ 12,012,655</u>	<u>\$ 9,774,663</u>	<u>\$ 2,013,401</u>	<u>\$ 11,788,064</u>

See Notes to Financial Statements

A NOISE WITHIN
STATEMENT OF CASH FLOWS

	YEARS ENDED JUNE 30,	
	2012	2011
CASH FLOW FROM OPERATING ACTIVITIES		
Cash received from box office and programs	\$ 792,247	\$ 564,585
Cash received from grants and donations	1,009,407	4,531,037
Interest income received	106	4,755
Cash paid to employees and suppliers	<u>(1,433,032)</u>	<u>(1,099,249)</u>
	368,728	4,001,128
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of marketable securities	13,461	99,147
Acquisition of property and equipment	(3,060,211)	-
Construction in progress	-	(6,126,157)
	<u>(3,046,750)</u>	<u>(6,027,010)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Capital campaign contributions	47,532	12,986
Loan proceeds	1,160,000	-
Loan fees	10,642	(45,231)
	<u>1,218,174</u>	<u>(32,245)</u>
 NET DECREASE IN CASH	(1,459,848)	(2,058,127)
CASH, beginning	<u>1,875,741</u>	<u>3,933,868</u>
CASH, ending	<u>\$ 415,893</u>	<u>\$ 1,875,741</u>
 RECONCILIATION OF CHANGE IN NET ASSETS TO CASH FLOW FROM OPERATING ACTIVITIES		
INCREASE IN NET ASSETS	\$ 224,591	\$ 5,690,643
Adjustments to reconcile change in net assets to net cash flow from operating activities		
<i>Items not requiring an outlay of cash</i>		
Depreciation	142,973	2,986
Donated marketable securities	(12,718)	(99,727)
Donated land	-	(2,013,000)
(Gain) loss on sale of marketable securities	(743)	580
 <i>Decrease (increase) in:</i>		
Unconditional promises to give - capital campaign	35,803	459,448
Unconditional promises to give - other	(18,700)	(20,300)
Prepaid expenses	(22,710)	(19,458)
 <i>Increase (decrease) in:</i>		
Revenues received in advance	5,241	(1,560)
Accounts payable	<u>14,991</u>	<u>1,516</u>
CASH FLOW FROM OPERATING ACTIVITIES	<u>\$ 368,728</u>	<u>\$ 4,001,128</u>

See Notes to Financial Statements

A NOISE WITHIN
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30,

2012

2011

	2012						2011					
	Program Services			Fundraising			Program Services			Fundraising		
	Theater Productions	Education Programs	General and Administrative	Fundraising and Development	Capital Campaign	Total	Theater Productions	Education Programs	General and Administrative	Fundraising and Development	Capital Campaign	Total
Salaries	\$ 325,226	\$ 51,250	\$ 23,025	\$ 68,580	\$ 2,220	\$ 470,311	\$ 216,561	\$ 52,613	\$ 12,082	\$ 50,489	\$ 47,045	\$ 378,790
Payroll taxes	36,654	4,867	4,563	7,364	238	53,686	26,865	4,678	1,281	5,155	4,803	42,782
Employee benefits	33,031	-	2,305	-	-	35,336	32,253	-	2,686	-	-	34,939
Nonsalaried actors and technicians	127,075	-	-	-	-	127,075	195,485	-	-	-	-	195,485
Professional fees	-	-	4,690	-	30,000	34,690	-	-	4,000	-	78,000	82,000
Marketing	63,253	1,594	-	-	3,621	68,468	26,476	5,210	-	-	1,399	33,085
Materials and supplies	44,773	-	5,582	1,569	3,684	55,608	19,723	-	3,066	320	1,275	24,384
Publicist	32,922	-	-	-	10,974	43,896	31,047	-	-	-	10,349	41,396
Utilities	50,569	6,321	6,321	-	-	63,211	15,797	12,639	3,159	-	-	31,595
Credit card fees	19,046	-	-	-	-	19,046	23,934	-	-	-	-	23,934
Printing	39,960	996	-	2,038	2,622	45,616	15,065	700	-	3,000	5,760	24,525
Postage	27,570	924	1,463	8,457	1,198	39,612	9,446	571	936	4,208	7,153	22,314
Royalties and fees	31,932	-	-	-	-	31,932	19,177	-	-	-	-	19,177
Insurance	66,869	-	-	-	-	66,869	13,691	-	-	-	-	13,691
Telephone	11,242	-	3,748	-	-	14,990	9,823	-	2,986	-	-	12,809
Costumes	14,301	-	-	-	-	14,301	8,917	-	-	-	-	8,917
Repairs and maintenance	10,882	-	1,209	-	-	12,091	5,329	-	2,694	-	-	8,023
Teachers	-	8,760	-	-	-	8,760	-	8,611	-	-	-	8,611
Accounting	-	-	7,920	-	-	7,920	-	-	8,363	-	-	8,363
Refreshments and concessions	10,055	-	-	-	-	10,055	4,929	-	-	-	-	4,929
Production expenses	1,357	4,316	-	-	-	5,673	4,400	1,017	-	-	-	5,417
Computer and technology	3,573	-	461	-	-	4,034	1,793	-	2,046	2,521	-	6,360
Special event	-	-	-	64,050	8,749	72,799	-	-	-	7,761	2,629	10,390
Moving costs	-	-	-	-	11,479	11,479	-	-	-	-	-	-
Copier lease	3,658	1,829	1,829	1,829	-	9,145	-	-	-	8,848	-	8,848
Trash disposal	6,061	-	-	-	-	6,061	4,767	-	-	-	-	4,767
Taxes and licenses	6,333	-	703	-	-	7,036	-	-	1,455	-	-	1,455
Dues and subscriptions	3,740	-	-	-	-	3,740	-	-	3,441	-	-	3,441
Graphic design	6,000	-	-	-	-	6,000	4,500	-	-	-	-	4,500
Transportation	-	1,407	-	-	-	1,407	-	2,101	-	-	-	2,101
Water	-	-	-	-	-	-	-	-	1,291	-	-	1,291
Grant writing support	-	-	-	17,686	-	17,686	-	-	-	-	7,870	7,870
Conferences and seminars	-	-	-	2,232	-	2,232	-	500	-	85	-	585
Interest expense	33,516	4,190	4,190	-	-	41,896	-	-	-	-	-	-
Depreciation	114,379	14,297	14,297	-	-	142,973	-	-	2,986	-	-	2,986
Amortization	8,514	1,064	1,064	-	-	10,642	-	-	-	-	-	-
Meals and entertainment	-	-	-	-	-	-	83	-	-	-	-	83
Miscellaneous	42	-	1,524	21	423	2,010	-	-	2,768	1,197	485	4,450
	<u>\$ 1,132,533</u>	<u>\$ 101,815</u>	<u>\$ 84,894</u>	<u>\$ 173,836</u>	<u>\$ 75,208</u>	<u>\$ 1,568,286</u>	<u>\$ 690,061</u>	<u>\$ 88,640</u>	<u>\$ 55,240</u>	<u>\$ 83,584</u>	<u>\$ 166,768</u>	<u>\$ 1,084,293</u>

See Notes to Financial Statements

A NOISE WITHIN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

A Noise Within (The Organization) is a California public benefit corporation organized in 1992 and operates a classical theatrical 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 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 for office furniture, equipment and computers is five years and production equipment is ten years. The building is depreciated over forty years.

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.

A NOISE WITHIN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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 expense if the services require specialized skills and would otherwise be purchased by the Organization. No donated services were recorded in 2012 or 2011.

During 2012 and 2011, a substantial number of volunteers provided 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:

	<u>2012</u>	<u>2011</u>
Land	\$ 2,013,000	\$ 2,013,000
Building	10,300,068	-
Production equipment	57,656	101,791
Leasehold improvements	-	41,815
Office furniture, equipment and computers	<u>70,515</u>	<u>18,044</u>
	12,441,239	2,174,650
Accumulated depreciation	<u>142,749</u>	<u>161,427</u>
	<u>\$ 12,298,490</u>	<u>\$ 2,013,223</u>

3 CASH AND CONCENTRATION OF RISK

Cash includes money market mutual funds of \$51,000 and \$1,943,000 as of June 30, 2012 and 2011, respectively.

Funds totaling \$114,000 are held as collateral against the line of credit.

Funds on deposit at financial institutions in excess of the available federal insurance were \$109,000 and \$2,450,000 at June 30, 2012 and 2011, respectively.

A NOISE WITHIN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

4 CAPITAL CAMPAIGN AND TEMPORARILY RESTRICTED NET ASSETS

The Organization built a new theater facility. In July 2010, it received the donation of a building site in Pasadena, California, which is recognized in contribution income in fiscal 2011. The land is valued at \$2,013,000 based on an independent appraisal. The Organization opened the new Pasadena facility in Fall of 2011.

Unconditional pledges for the capital campaign of \$365,000 and \$5,850,000 were recognized in income in 2012 and 2011, respectively. Donations received for the capital campaign are temporarily restricted.

Capital campaign receivables due within one year are included in the statement of financial position under the current asset caption "unconditional promises to give" of \$196,265 and \$232,068 in 2012 and 2011, respectively. Capital campaign receivables due in two to five years after the fiscal year end are present value discounted 10% per year, as follows:

	2012	2011
Total unconditional promises to give	\$ 188,889	\$ 266,136
Discount	27,701	57,416
Net unconditional promises to give	\$ 161,188	\$ 208,720

Imputed interest is included in donation income.

5 CONSTRUCTION IN PROGRESS

Construction on the new theater facility was completed in fiscal year 2012. "Construction in Progress" costs, architectural, engineering and other professional fees, demolition and construction costs, permits, utilities and insurance related to construction of the facility, totaling \$10,300,068 has been reclassified as "Building" under "Property and Equipment".

A NOISE WITHIN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

6 BANK LINE OF CREDIT

In March, 2012, the Organization obtained a non-revolving bank line of credit for \$2,000,000 to complete the construction of the theater facility. The line is secured by a 1st 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 and is payable interest only through November 30, 2012, with principal and interest payments over the next 3 years in monthly installments of \$9,000 (15 year amortization) with interest at the prime rate plus 1.5%. 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:

2013	\$	31,200
2014		55,600
2015		<u>1,073,200</u>
	\$	<u><u>1,160,000</u></u>

The line is due and payable October 1, 2015. Interest expense totaled \$41, 896 for the year ending June 30, 2012.

7 LEASE OBLIGATIONS

The Organization's lease of its Glendale theater facility expired in 2008 and continued to be rented on a month to month basis through 2011. Rent expense charge to operations, including reimbursements for operating cost was approximately \$5,000 and \$10,000 in 2012 and 2011.

8 EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through January 17, 2013, the date which the financial statements were available to be issued.