

**THEATER MU, INCORPORATED**

**Financial Statements**

**August 31, 2013 and 2012**

## CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1-2
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES	4-5
STATEMENTS OF FUNCTIONAL EXPENSES	6-7
STATEMENTS OF CASH FLOWS	8
NOTES TO FINANCIAL STATEMENTS	9-13



BOECKERMANN GRAFSTROM MAYER  
CPAs

January 14, 2014

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Theater MU, Incorporated  
Saint Paul, Minnesota

### Report on the Financial Statements

We have audited the accompanying financial statements of Theater MU, Incorporated (a non-profit organization), which comprise the financial position as of August 31, 2013 and 2012 and the related statements of activities, functional expenses, 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 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatements.

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 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.

Board of Directors  
Theater MU, Incorporated  
January 14, 2014

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Theater MU, Incorporated as of August 31, 2013 and 2012, and the results of its activities, its functional expenses and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Boeckermann Grafstrom + Mayer, LLC*

Boeckermann Grafstrom & Mayer, LLC

**THEATER MU, INCORPORATED**  
**Statements of Financial Position**  
**August, 31, 2012 and 2011**

**ASSETS**

	2013	2012
<b>CURRENT ASSETS</b>		
Cash	\$ 95,444	\$ 62,521
Grants receivable - current portion	127,057	128,245
Pledges receivable - current portion	3,500	13,000
Accounts receivable	9,317	13,767
Prepaid expenses	18,933	7,613
TOTAL CURRENT ASSETS	\$ 254,251	\$ 225,146
 <b>PROPERTY AND EQUIPMENT</b>		
Office equipment	\$ 28,939	\$ 28,939
Theater equipment	21,170	18,997
Leasehold improvements	7,327	7,327
	\$ 57,436	\$ 55,263
Less accumulated depreciation	34,940	25,736
Net property and equipment	\$ 22,496	\$ 29,527
 <b>OTHER ASSETS</b>		
Grants receivable - net of current portion	\$ 26,250	\$ 45,000
Pledges receivable - net of current portion	-	8,000
Security deposit	1,150	1,320
TOTAL OTHER ASSETS	\$ 27,400	\$ 54,320
TOTAL ASSETS	\$ 304,147	\$ 308,993

**LIABILITIES AND NET ASSETS**

	2013	2012
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 6,744	\$ 2,370
Accrued expenses	3,351	30
Deferred income	8,434	2,840
TOTAL CURRENT LIABILITIES	\$ 18,529	\$ 5,240
 <b>NET ASSETS</b>		
Unrestricted - general operations	\$ 42,753	\$ 31,294
Temporarily restricted	242,865	272,459
Total unrestricted net assets	\$ 285,618	\$ 303,753
TOTAL LIABILITIES AND NET ASSETS	\$ 304,147	\$ 308,993

See accompanying notes to financial statements.

**THEATER MU, INCORPORATED**  
**Statement of Activities**  
**Year Ended August 31, 2013**

	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE</b>			
Support			
Contributions	\$ 198,376	\$ 156,615	\$ 354,991
Total support	\$ 198,376	\$ 156,615	\$ 354,991
Revenue			
Performances	\$ 205,773	\$ -	\$ 205,773
Interest income	189	-	189
Released from restrictions	186,209	(186,209)	-
Total revenue	\$ 392,171	\$ (186,209)	\$ 205,962
TOTAL SUPPORT AND REVENUE	\$ 590,547	\$ (29,594)	\$ 560,953
<b>EXPENSES</b>			
Program services	\$ 406,964	\$ -	\$ 406,964
Management and general	107,295		107,295
Fundraising	64,829		64,829
Total expenses	\$ 579,088	\$ -	\$ 579,088
CHANGE IN NET ASSETS (DEFICIT)	\$ 11,459	\$ (29,594)	\$ (18,135)
NET ASSETS - beginning of year	31,294	272,459	303,753
NET ASSETS - end of year	\$ 42,753	\$ 242,865	\$ 285,618

See accompanying notes to financial statements.

**THEATER MU, INCORPORATED**  
**Statement of Activities**  
**Year Ended August 31, 2012**

	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUE</b>			
Support			
Contributions	\$ 182,210	\$ 249,959	\$ 432,169
Total support	\$ 182,210	\$ 249,959	\$ 432,169
Revenue			
Performances	\$ 272,450	\$ -	\$ 272,450
Interest income	124		124
Released from restrictions	322,063	(322,063)	-
Total revenue	\$ 594,637	\$ (322,063)	\$ 272,574
<b>TOTAL SUPPORT AND REVENUE</b>	<b>\$ 776,847</b>	<b>\$ (72,104)</b>	<b>\$ 704,743</b>
<b>EXPENSES</b>			
Program services	\$ 649,708	\$ -	\$ 649,708
Management and general	98,236		98,236
Fundraising	48,391		48,391
Total expenses	\$ 796,335	\$ -	\$ 796,335
<b>CHANGE IN NET ASSETS (DEFICIT)</b>	<b>\$ (19,488)</b>	<b>\$ (72,104)</b>	<b>\$ (91,592)</b>
NET ASSETS - beginning of year	50,782	344,563	395,345
NET ASSETS - end of year	\$ 31,294	\$ 272,459	\$ 303,753

See accompanying notes to financial statements.

**THEATER MU, INCORPORATED**  
**Statement of Functional Expenses**  
**Year Ended August 31, 2013**

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 129,704	\$ 57,403	\$ 22,556	\$ 209,663
Employee benefits	9,043	3,567	3,058	15,668
Payroll taxes	14,354	6,251	2,547	23,152
Staff development	50	-	477	527
Payroll service	1,566	682	278	2,526
Actor/Artist contracts	93,128	-	325	93,453
Publicity	14,018	-	-	14,018
Production	28,214	-	-	28,214
Theater rental	47,675	-	-	47,675
Equipment	3,573	634	-	4,207
Travel	8,386	883	1,446	10,715
Gala expense	2,149	-	17,384	19,533
Postage	2,040	1,166	1,546	4,752
Printing	4,637	257	5,662	10,556
Website	2,911	-	-	2,911
Cost of merchandise	2,636	-	-	2,636
Office and rehearsal space rent	29,241	10,610	3,134	42,985
Office supplies	373	1,743	373	2,489
Telephone	422	1,477	211	2,110
Copy costs	1,642	2,737	1,095	5,474
Memberships and publications	168	3,030	168	3,366
Board expenses and entertainment	2,636	1,787	(54)	4,369
Insurance	1,939	415	415	2,769
Bank charges	1,675	680	208	2,563
Accounting	-	5,250	-	5,250
Consultant	-	549	4,000	4,549
Depreciation	4,691	4,513	-	9,204
Miscellaneous	93	3,661	-	3,754
Total expenses	<u>\$ 406,964</u>	<u>\$ 107,295</u>	<u>\$ 64,829</u>	<u>\$ 579,088</u>

See accompanying notes to financial statements.



**THEATER MU, INCORPORATED**  
**Statement of Functional Expenses**  
**Year Ended August 31, 2012**

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 170,183	\$ 56,039	\$ 19,011	\$ 245,233
Employee benefits	21,700	1,790	397	23,887
Payroll taxes	16,413	4,226	1,201	21,840
Staff development	-	194	185	379
Payroll service	1,896	488	139	2,523
Actor/Artist contracts	162,564	-	75	162,639
Publicity	22,095	45	-	22,140
Production	54,365	-	26	54,391
Theater rental	56,340	-	-	56,340
Equipment	9,110	909	-	10,019
Travel	39,664	406	-	40,070
Gala expense	-	-	15,369	15,369
Postage	4,240	1,147	1,300	6,687
Printing	11,284	378	1,995	13,657
Website	1,662	-	-	1,662
Cost of merchandise	8,602	664	-	9,266
Office and rehearsal space rent	30,274	12,873	3,633	46,780
Office supplies	197	1,877	-	2,074
Telephone	429	1,502	215	2,146
Copy costs	3,268	1,634	545	5,447
Memberships and publications	71	2,327	95	2,493
Board expenses and entertainment	4,547	841	67	5,455
Insurance	1,882	404	404	2,690
Bank charges	1,067	603	522	2,192
Accounting	-	4,500	-	4,500
Consultant	21,167	275	3,212	24,654
Depreciation	4,382	4,712	-	9,094
Miscellaneous	2,306	402	-	2,708
Total expenses	<u>\$ 649,708</u>	<u>\$ 98,236</u>	<u>\$ 48,391</u>	<u>\$ 796,335</u>

See accompanying notes to financial statements.

**THEATER MU, INCORPORATED**  
**Statements of Cash Flows**  
**Years Ended August, 31, 2013 and 2012**

	2013	2012
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Change in net assets (deficit)	\$ (18,135)	\$ (91,592)
Adjustments to reconcile change in net assets (deficit) to net cash provided by operating activities		
Depreciation	9,204	9,094
Grants receivable	19,938	20,046
Pledges	17,500	(21,000)
Accounts receivable	4,450	(7,095)
Prepaid expense	(11,320)	11,290
Security deposit	170	-
Accounts payable and accrued expenses	13,289	515
	<b>NET CASH PROVIDED (USED)</b>	<b>BY OPERATING ACTIVITIES</b>
	\$ 35,096	\$ (78,742)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of building improvements, furniture and equipment	\$ (2,173)	\$ (10,608)
	<b>NET CASH PROVIDED (USED)</b>	<b>BY INVESTING ACTIVITIES</b>
	\$ (2,173)	\$ (10,608)
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>\$ 32,923</b>	<b>\$ (89,350)</b>
<b>CASH - beginning of year</b>	<b>62,521</b>	<b>151,871</b>
<b>CASH - end of year</b>	<b>\$ 95,444</b>	<b>\$ 62,521</b>

See accompanying notes to financial statements.

**THEATER MU, INCORPORATED**

**Notes to Financial Statements**

**August 31, 2013 and 2012**

**NOTE A – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Business**

Theater MU, Incorporated (the Organization) is organized as a Minnesota non-profit organization to provide Asian American theater productions, artistic development, and outreach performances. Theater MU is located in Saint Paul, Minnesota

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from these estimates.

**Standards of Accounting and Financial Reporting**

Financial statement presentation follows the recommendations of generally accepted accounting principles. In accordance with generally accepted accounting principles, the Organization reports its net assets in three groupings as follows:

**Unrestricted Net Assets** – Net assets which are neither permanently nor temporarily restricted by donor- imposed stipulations. These net assets include undesignated, Board designated, and property and equipment amounts.

**Temporarily Restricted Net Assets** – The part of net assets of the Organization resulting from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that either expire by passage of time, or can be fulfilled and removed by action pursuant to those stipulations.

**Permanently Restricted Net Assets** – The part of net assets of the Organization resulting from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization. The Organization had no permanently restricted net assets at August 31, 2013 and 2012.

**Cash and Cash Equivalents**

The Organization includes all cash accounts and all highly liquid debt instruments purchased with an original maturity of three months or less to be cash and cash equivalents. The balances may, at times, may exceed federally insured limits; however, the Organization believes it is not exposed to any significant risks on these accounts.

**Grants, Pledges and Accounts Receivable**

The Organization considers all grants, pledges and accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary.

**Fixed Asset Capitalization Policy**

The Organization has established a policy to capitalize all fixed asset purchases for individual items of \$300 or more.

**THEATER MU, INCORPORATED**

**Notes to Financial Statements**

**August 31, 2013 and 2012**

**NOTE A – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property and Equipment**

Purchases of property and equipment are recorded at cost. Major improvements and replacements of property and equipment are capitalized. Maintenance and repairs that do not improve or extend the lives of property and equipment are charged to expense as incurred. When assets are sold or retired, their cost and related accumulated depreciation are removed from the accounts and any gain or loss is reported in the *Statements of Activities*.

Depreciation is provided over the estimated economic useful life of each class of assets and is computed using the straight-line method. Total depreciation expense was \$9,204 and \$9,094 for the years ended August 31, 2013 and 2012, respectively.

Estimated economic useful lives are as follows:

Leasehold improvements	3-5 years
Theater equipment	5 years
Office equipment	5 years

**Expense Allocation**

The costs of providing various programs and other activities have been summarized on a functional basis in the *Statements of Activities* and *Statements of Functional Expenses*. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Income Taxes**

The Organization qualifies as a tax-exempt non-profit organization under Section 501(c)(3) of the Internal Revenue Code and is classified as an entity that is not a private foundation under Section 509(a).

Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Organization has analyzed tax positions taken for filings with the Internal Revenue Service and all state and foreign tax jurisdictions where it operates. The Organization believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse affect on the Organization's financial condition, results of operations or cash flows. Accordingly, the Organization has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at August 31, 2013 or 2012.

The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization believes it is no longer subject to income tax examinations for years prior to 2010.

**THEATER MU, INCORPORATED**

**Notes to Financial Statements**

**August 31, 2013 and 2012**

**NOTE A – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Income Taxes (Continued)**

The Organization's policy is to classify income tax related interest and penalties in interest expense and other expenses, respectively.

**Contributions**

Contributions including unconditional promises to give are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received.

**Donated Services**

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. During the years ended August 31, 2013 and 2012, the Organization did not recognize any donated services in the financial statements.

**NOTE B – SHORT TERM DEBT**

The Organization entered into a line of credit agreement with the Minnesota Nonprofits Assistance Fund on February 12, 2013 with a maximum credit of \$30,000 and is due February 28, 2014. Interest is payable monthly at 7%. As of August 31, 2013 the balance outstanding on the line of credit is \$0.

**NOTE C – LEASE COMMITMENT**

The Organization entered into a two-year lease for office space in Saint Paul. The lease expires on April 30, 2015. The Organization had a one-year lease for office space in Saint Paul. The lease set to expire on July 31, 2013 was terminated as of April 30, 2013.

The Organization has a two-year lease for rehearsal space in Minneapolis. The lease expired on May 31, 2013 and was renewed for one year through May 31, 2014.

Rent expense was \$42,985 and \$46,780 for the years ended August 31, 2013 and 2012, respectively. The future minimum rent payments are 2014 - \$24,000 and 2015 - \$5,200.

**THEATER MU, INCORPORATED**  
**Notes to Financial Statements**  
**August 31, 2013 and 2012**

**NOTE D – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are subject to donor imposed stipulations that may or will be met, either by actions of the Organization's management and/or the passage of time.

Temporarily restricted net assets are available to use after August 31 for the following programs:

	<u>2013</u>	<u>2012</u>
Theater performances, education, and outreach	<u>\$ 242,865</u>	<u>\$ 272,459</u>

**NOTE E – COMPENSATED ABSENCES**

Employees of the Organization are entitled to paid vacation and sick leave, depending on the length of service. The Organization has no provision to accrue vacation at year end.

**NOTE F – HEALTH INSURANCE**

Health insurance single coverage is provided for full-time employees who work 32 hours per week.

**NOTE G – PENSION EXPENSE**

The Organization adopted a Simple IRA plan to provide retirement benefits for the employees of the Organization. All employees of the Organization are eligible to participate in the Plan after one year of service. The Organization will match 3% of the employee's compensation received during the plan year. Employer contributions to the Plan for the years ended August 31, 2013 and 2012 were \$36 and \$3,028, respectively.

**NOTE H – EQUITY BOND**

The Organization is required to deposit an amount with Equity Actors Union to cover any possibility that the Organization is unable to pay the union actors. As of August 31, 2013 and 2012, the amount deposited was \$6,170, and is included in the Organization's cash balance for these financial statements.

**THEATER MU, INCORPORATED**  
**Notes to Financial Statements**  
**August 31, 2013 and 2012**

**NOTE I – CONCENTRATIONS**

During fiscal year 2013, support came from one major source in amounts exceeding 10% of total support. Support from this customer totaled 18.60% of total support. Approximately 80.29% of the accounts receivable balance as of August 31, 2013 was from three sources.

During fiscal year 2012, support came from two major sources in amounts exceeding 10% of total support. Support from these customers totaled 27.26% of total support. Approximately 70.67% of the accounts receivable balance as of August 31, 2012 was from two sources.

**NOTE J – SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

No interest or income taxes were paid during the years ended August 31, 2013 and 2012.

**NOTE K – SUBSEQUENT EVENTS**

The Organization evaluated for the occurrence of subsequent events through January 14, 2014, the date which the financial statements were available for issue. No subsequent events occurred.