

THEATER MU, INCORPORATED

Financial Statements

August 31, 2014 and 2013

Theater MU, Incorporated

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For the Years Ended August 31, 2014 and 2013

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BOECKERMANN GRAFSTROM MAYER
CPAS

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, 2014 and 2013 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.

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, 2014 and 2013, 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
Certified Public Accountants

St. Paul, Minnesota
January 22, 2015

Theater MU, Incorporated
Statements of Financial Position
August 31, 2014 and 2013

<u>ASSETS</u>	<u>2014</u>	<u>2013</u>
CURRENT ASSETS		
Cash	\$ 44,814	\$ 95,444
Grants Receivable - Current Portion	155,194	127,057
Pledges Receivable	3,500	3,500
Accounts Receivable	1,433	9,317
Prepaid Expenses	<u>4,982</u>	<u>18,933</u>
Total Current Assets	\$ 209,923	\$ 254,251
PROPERTY AND EQUIPMENT		
Office Equipment	\$ 32,784	\$ 28,939
Theater Equipment	43,784	21,170
Leasehold Improvements	<u>7,327</u>	<u>7,327</u>
	\$ 83,895	\$ 57,436
Less Accumulated Depreciation	<u>42,429</u>	<u>34,940</u>
Net Property and Equipment	\$ 41,466	\$ 22,496
OTHER ASSETS		
Grants Receivable - Net of Current Portion	\$ 45,000	\$ 26,250
Security Deposit	<u>3,650</u>	<u>1,150</u>
TOTAL OTHER ASSETS	<u>\$ 48,650</u>	<u>\$ 27,400</u>
TOTAL ASSETS	<u>\$ 300,039</u>	<u>\$ 304,147</u>
<u>LIABILITIES AND NET ASSETS</u>	<u>2014</u>	<u>2013</u>
CURRENT LIABILITIES		
Line of Credit	\$ 5,000	\$ -
Accounts Payable	4,740	6,744
Accrued Expenses	14,658	3,351
Deferred Income	<u>6,300</u>	<u>8,434</u>
Total Current Liabilities	\$ 30,698	\$ 18,529
NET ASSETS		
Unrestricted - General Operations	\$ 23,644	\$ 42,753
Temporarily Restricted	<u>245,697</u>	<u>242,865</u>
Total Unrestricted Net Assets	<u>\$ 269,341</u>	<u>\$ 285,618</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 300,039</u>	<u>\$ 304,147</u>

Theater MU, Incorporated
Statement of Activities
Year Ended August 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Support			
Contributions	\$ 241,687	\$ 224,447	\$ 466,134
Total Support	\$ 241,687	\$ 224,447	\$ 466,134
Revenue			
Performances	215,848	\$ -	\$ 215,848
Interest Income	29		29
Released from Restrictions	221,615	(221,615)	-
Total Revenue	\$ 437,492	\$ (221,615)	\$ 215,877
TOTAL SUPPORT AND REVENUE	\$ 679,179	\$ 2,832	\$ 682,011
EXPENSES			
Program Services	\$ 501,160	\$ -	\$ 501,160
Management and General	138,398		138,398
Fundraising	58,730	-	58,730
Total Expenses	698,288	-	698,288
CHANGE IN NET ASSETS (DEFICIT)	\$ (19,109)	\$ 2,832	\$ (16,277)
NET ASSETS - Beginning of Year	42,753	242,865	285,618
NET ASSETS - End of Year	\$ 23,644	\$ 245,697	\$ 269,341

Theater MU, Incorporated
Statement of Activities
Year Ended August 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
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	<u>\$ 392,171</u>	<u>\$ (186,209)</u>	<u>\$ 205,962</u>
TOTAL SUPPORT AND REVENUE	\$ 590,547	\$ (29,594)	\$ 560,953
EXPENSES			
Program Services	\$ 406,964	\$ -	\$ 406,964
Management and General	107,295		107,295
Fundraising	64,829	-	64,829
Total Expenses	<u>\$ 579,088</u>	<u>\$ -</u>	<u>\$ 579,088</u>
CHANGE IN NET ASSETS (DEFICIT)	\$ 11,459	\$ (29,594)	\$ (18,135)
NET ASSETS - Beginning of Year	<u>31,294</u>	<u>272,459</u>	<u>303,753</u>
NET ASSETS - end of year	<u>\$ 42,753</u>	<u>\$ 242,865</u>	<u>\$ 285,618</u>

Theater MU, Incorporated
Statement of Functional Expenses
Year Ended August 31, 2014

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 167,949	\$ 71,180	\$ 18,071	\$ 257,200
Employee Benefits	21,293	8,399	7,201	36,893
Payroll Taxes	18,064	7,188	1,825	27,077
Staff Development	30	648	2,425	3,103
Payroll Services	-	-	-	-
Actor/Artist Contracts	109,700	-	-	109,700
Publicity	10,941	473	300	11,714
Production	62,423	-	-	62,423
Theater Rental	31,854	-	4,000	35,854
Equipment	4,132	1,734	-	5,866
Travel	11,897	236	35	12,168
Gala Expense	-	103	20,233	20,336
Postage	4,709	1,224	528	6,461
Printing	13,136	-	2,007	15,143
Website	917	230	-	1,147
Cost of Merchandise	990	-	-	990
Office and Rehearsal Space Rent	21,600	13,013	-	34,613
Office Supplies	481	2,422	6	2,909
Telephone	439	1,538	220	2,197
Copy Costs	1,311	2,185	874	4,370
Memberships and Publications	800	4,350	-	5,150
Board Expenses and Entertainment	4,180	2,662	138	6,980
Insurance	2,826	605	605	4,036
Bank Charges	107	2,397	262	2,766
Accounting	-	5,250	-	5,250
Consultant	7,500	2,994	-	10,494
Depreciation	3,819	3,670	-	7,489
Miscellaneous	62	5,897	-	5,959
Total Expenses	\$ 501,160	\$ 138,398	\$ 58,730	\$ 698,288

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 Services	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>

Theater MU, Incorporated
Statements of Cash Flows
Years Ended August 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Change in Net Assets (Deficit)	\$ (16,277)	\$ (18,135)
Adjustments to Reconcile Change in Net Assets (Deficit) to Net Cash Provided (Used) by Operating Activities		
Depreciation	7,489	9,204
Grant receivable	(46,887)	19,938
Pledges	-	17,500
Accounts Receivable	7,884	4,450
Prepaid Expense	13,951	(11,320)
Security Deposit	(2,500)	170
Accounts Payable and Accrued Expenses	<u>7,169</u>	<u>13,289</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (29,171)	\$ 35,096
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Building Improvements, Furniture and Equipment	<u>\$ (26,459)</u>	<u>\$ (2,173)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>\$ (26,459)</u>	<u>\$ (2,173)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Net Proceeds (Payments) on Short Term Debt	<u>\$ 5,000</u>	<u>\$ -</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>\$ 5,000</u>	<u>\$ -</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (50,630)	\$ 32,923
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>95,444</u>	<u>62,521</u>
CASH AND CASH EQUIVALENTS - End of Year	<u><u>\$ 44,814</u></u>	<u><u>\$ 95,444</u></u>

NOTE 1: 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

Financial Statement Presentation

The Organization follows Accounting Standards Codification (ASC) 958. Under the provisions of these standards, net assets and revenues, gains, and losses are classified based on donor imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

- Unrestricted - Resources over which the Board of Directors has discretionary control. Designated amounts represent those revenues which the Board has set aside for a particular purpose. All property, equipment, and related debt are considered unrestricted.
- Temporarily Restricted - Those resources subject to donor imposed restrictions which will be satisfied by actions of the Organization or passage of time. The Organization has no temporarily restricted net asset at this time.
- Permanently Restricted - Those resources subject to donor imposed restrictions that they be maintained permanently by the Organization. The donors of such resources permitted the use of all or part of the income earned, including capital appreciation or related investments, for unrestricted or temporarily restricted purposes. The Organization has no permanently restricted net asset at this time.

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.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. At times cash may be in excess of FDIC insurance limits.

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.

NOTE 1: NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Purchase of property and equipment are recorded at cost. 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 lives of each class of assets and is computed using the straight-line method. Total depreciation expense was \$7,490 and \$9,204 for the years ended August 31, 2014 and 2013, respectively.

Estimated economic useful lives of property and equipment range from 3 to 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 organization under Section 501(c)(3) of the Internal Revenue Code and the comparable section of the Minnesota Income Tax Statutes. It has been classified as an organization that is not a private foundation under the Internal Revenue Code and contributions by donors are tax deductible. During the year ended August 31, 2014 and 2013, the Organization had no unrelated business income.

The Financial Accounting Standards Board issued guidance on accounting for uncertainty in income taxes. Management evaluated the Community's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provision of this guidance. The Organization is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities for years before August 31, 2011. Interest and penalties are classified as expense as incurred.

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.

NOTE 1: NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2014 and 2013, the Organization did not recognize any donated services in the financial statements.

Subsequent Events

The Organization evaluated for the occurrence of subsequent events through January 22, 2015, the date which the financial statements were available for issue. No subsequent events occurred.

Reclassifications

Certain reclassifications have been made in the August 31, 2013 financial statements to conform to classifications used in August 31, 2014.

NOTE 2: 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%. The credit agreement was extended through September 20, 2015. As of August 31, 2014 and 2013, the balance outstanding on the line of credit is \$5,000 and \$0, respectively.

NOTE 3: 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 one year lease for rehearsal space in Minneapolis. The lease expired on May 31, 2014 and was renewed on a month to month basis.

Rent expense was \$34,613 and \$42,985 for the years ended August 31, 2014 and 2013, respectively. The future minimum rent payments are: 2015 - \$5,200.

Theater MU, Incorporated
Notes to Financial Statements
August 31, 2014 and 2013

NOTE 4: 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>2014</u>	<u>2013</u>
Theater Performances, Education, and Outreach	<u>\$ 245,697</u>	<u>\$ 242,865</u>

NOTE 5: 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 6: HEALTH INSURANCE

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

NOTE 7: RETIREMENT ALLOTMENT

During the year ended August 31, 2014 the Organization approved a \$10,000 payment to the retired artistic director. This amount will be paid over the next five years.

NOTE 8: 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, 2014 and 2013, the amount deposited was \$6,170, and is included in the Organization's cash balance for these financial statements.

NOTE 9: CONCENTRATIONS

During fiscal year 2014, support came from two major sources in amounts exceeding 10.00% of total support. Support from these customers totaled 33.00% of total support. Approximately 79.17% of the accounts receivable balance as of August 31, 2014 was from two sources.

NOTE 9: CONCENTRATIONS (Continued)

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.

***NOTE 10: SUPPLEMENTAL DISCLOSURE OF CASH FLOW
INFORMATION***

No interest or income taxes were paid during the years ended August 31, 2014 and 2013.