

A NOISE WITHIN

FINANCIAL STATEMENTS

JUNE 30, 2013

**A NOISE WITHIN
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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, 2013 and 2012 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, 2013 and 2012, 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.



February 7, 2014

A NOISE WITHIN
STATEMENT OF FINANCIAL POSITION

ASSETS	JUNE 30,	
	2013	2012
CURRENT ASSETS		
Cash (Note 3)	\$ 761,956	\$ 415,893
Unconditional promises to give - capital campaign, net of reserve for uncollectible promises to give of \$34,000 and \$0 (Note 4)	52,029	196,265
Unconditional promises to give - other (Note 4)	50,100	50,000
Prepaid expenses and other current assets	66,025	52,282
Total current assets	930,110	714,440
UNCONDITIONAL PROMISES TO GIVE		
Capital campaign, net of reserve for uncollectible promises to give of \$4,000 and \$0 (Note 4)	66,116	161,188
PROPERTY AND EQUIPMENT, at cost less accumulated depreciation (Note 2)		
	12,139,657	12,298,490
LOAN FEES, less accumulated amortization of \$21,284 and \$10,642		
	23,947	34,589
	\$ 13,159,830	\$ 13,208,707
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current maturities of long-term debt (Note 5)	\$ 55,600	\$ 31,200
Revenues received in advance	246,816	8,841
Accrued expenses and other current liabilities	30,712	27,211
Total current liabilities	333,128	67,252
LONG-TERM DEBT, net of current maturities (Note 5)		
	863,251	1,128,800
NET ASSETS		
Unrestricted	11,603,952	18,880,184
Temporarily restricted (Note 4)	359,499	(6,867,529)
	11,963,451	12,012,655
	\$ 13,159,830	\$ 13,208,707

See Notes to Financial Statements

A NOISE WITHIN
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30

	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUES, SUPPORT AND RECLASSIFICATIONS						
REVENUES						
Box Office	\$ 815,763	\$ -	\$ 815,763	\$ 707,251	\$ -	\$ 707,251
Education Programs	64,362	-	64,362	47,430	-	47,430
Other	49,739	-	49,739	32,325	-	32,325
	<u>929,864</u>	<u>-</u>	<u>929,864</u>	<u>787,006</u>	<u>-</u>	<u>787,006</u>
SUPPORT						
Donations and grants	928,090	-	928,090	506,555	-	506,555
Capital campaign donations and grants	-	-	-	-	365,546	365,546
Special event income	29,025	-	29,025	132,921	-	132,921
Interest and investment income	2,616	-	2,616	849	-	849
	<u>959,731</u>	<u>-</u>	<u>959,731</u>	<u>640,325</u>	<u>365,546</u>	<u>1,005,871</u>
NET ASSETS RELEASED FROM RESTRICTIONS						
Restrictions satisfied by payment	141,001	(141,001)	-	1,878,447	(1,878,447)	-
TOTAL REVENUES AND SUPPORT	2,030,596	(141,001)	1,889,595	3,305,778	(1,512,901)	1,792,877
EXPENSES						
PROGRAM EXPENSES						
Theatre productions	1,474,720	-	1,474,720	1,132,533	-	1,132,533
Education programs	146,575	-	146,575	101,815	-	101,815
	<u>1,621,295</u>	<u>-</u>	<u>1,621,295</u>	<u>1,234,348</u>	<u>-</u>	<u>1,234,348</u>
SUPPORTING SERVICES						
General and administrative expenses	92,775	-	92,775	84,894	-	84,894
Fundraising and development costs	153,626	-	153,626	173,836	-	173,836
Capital campaign expenses	71,103	-	71,103	75,208	-	75,208
	<u>317,504</u>	<u>-</u>	<u>317,504</u>	<u>333,938</u>	<u>-</u>	<u>333,938</u>
TOTAL EXPENSES	1,938,799	-	1,938,799	1,568,286	-	1,568,286
INCREASE (DECREASE) IN NET ASSETS	91,797	(141,001)	(49,204)	1,737,492	(1,512,901)	224,591
NET ASSETS AT BEGINNING OF YEAR	11,512,155	500,500	12,012,655	9,774,663	2,013,401	11,788,064
NET ASSETS AT END OF YEAR	\$ 11,603,952	\$ 359,499	\$ 11,963,451	\$ 11,512,155	\$ 500,500	\$ 12,012,655

See Notes to Financial Statements

A NOISE WITHIN
STATEMENT OF CASH FLOWS

	YEARS ENDED JUNE 30,	
	2013	2012
CASH FLOW FROM OPERATING ACTIVITIES		
Cash received from box office and programs	\$ 1,167,839	\$ 792,247
Cash received from grants and donations	1,069,168	1,009,407
Interest income received	62	106
Cash paid to employees and suppliers	<u>(1,650,817)</u>	<u>(1,422,390)</u>
	586,252	379,370
CASH FLOWS TO INVESTING ACTIVITIES		
Proceeds from sale of marketable securities	34,637	13,461
Acquisition of property and equipment	<u>(128,749)</u>	<u>(3,060,211)</u>
	<u>(94,112)</u>	<u>(3,046,750)</u>
CASH FLOWS FROM (TO) FINANCING ACTIVITIES		
Capital campaign pledges collected	95,072	47,532
Loan proceeds	-	1,160,000
Loan principal payments	<u>(241,149)</u>	<u>-</u>
	<u>(146,077)</u>	<u>1,207,532</u>
NET INCREASE (DECREASE) IN CASH	346,063	(1,459,848)
CASH, beginning	<u>415,893</u>	<u>1,875,741</u>
CASH, ending	<u>\$ 761,956</u>	<u>\$ 415,893</u>

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

INCREASE (DECREASE) IN NET ASSETS	\$ (49,204)	\$ 224,591
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	298,224	153,615
Donated marketable securities	(32,083)	(12,718)
Gain on sale of marketable securities	(2,554)	(743)
<i>Decrease (increase) in:</i>		
Unconditional promises to give - capital campaign	144,236	35,803
Unconditional promises to give - other	(100)	(18,700)
Prepaid expenses	(13,743)	(22,710)
<i>Increase (decrease) in:</i>		
Revenues received in advance	237,975	5,241
Accounts payable	<u>3,501</u>	<u>14,991</u>
CASH FLOW FROM OPERATING ACTIVITIES	<u>\$ 586,252</u>	<u>\$ 379,370</u>

See Notes to Financial Statements

A NOISE WITHIN
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30,

	2013						2012					
	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	\$ 436,251	\$ 42,173	\$ 13,237	\$ 80,514	\$ -	\$ 572,175	\$ 325,226	\$ 51,250	\$ 23,025	\$ 68,590	\$ 2,220	\$ 470,311
Bonuses	12,926	-	1,400	300	-	14,626	-	-	-	-	-	-
Payroll taxes	45,518	5,393	1,383	8,412	-	60,706	38,654	4,867	4,563	7,364	238	53,686
Employee benefits	90,349	-	2,648	-	-	92,997	33,031	-	2,305	-	-	35,336
Nonsalaried actors and technicians	118,051	-	-	-	-	118,051	127,075	-	-	-	-	127,075
Professional fees	-	-	4,940	-	3,145	8,085	-	-	4,690	-	30,000	34,690
Marketing	96,019	3,372	-	-	4,231	103,622	63,253	1,594	-	-	3,621	68,468
Materials and supplies	51,364	2,955	7,735	838	25,645	88,537	44,773	-	5,582	1,569	3,684	55,608
Publicist	41,634	-	-	-	-	41,634	32,922	-	-	-	10,974	43,896
Utilities	33,319	26,655	6,664	-	-	66,638	50,569	6,321	-	-	-	63,211
Credit card fees	18,731	-	-	-	-	18,731	19,046	-	-	-	-	19,046
Printing	47,309	1,720	-	8,891	-	57,920	39,960	996	-	2,038	2,622	45,616
Postage	37,673	2,049	1,077	3,303	-	44,102	27,570	924	1,463	8,457	1,198	39,612
Royalties and fees	26,082	-	-	-	-	26,082	31,932	-	-	-	-	31,932
Insurance	56,371	-	-	-	-	56,371	66,869	-	-	-	-	66,869
Telephone	8,215	-	2,738	-	-	10,953	11,242	-	3,748	-	-	14,990
Costumes	21,683	-	-	-	-	21,683	14,301	-	-	-	-	14,301
Repairs and maintenance	19,490	-	2,165	-	-	21,655	10,882	-	1,209	-	-	12,091
Teachers	-	12,325	-	-	-	12,325	-	8,760	-	-	-	8,760
Accounting	-	-	8,520	-	-	8,520	-	-	7,920	-	-	7,920
Refreshments and concessions	9,824	-	-	-	-	9,824	10,055	-	-	-	-	10,055
Production expenses	1,462	3,892	-	-	-	5,354	1,357	4,316	-	-	-	5,673
Computer and technology	3,142	3,575	3,433	9,952	-	20,102	3,573	-	461	-	-	4,034
Special event	-	2,090	-	20,619	-	22,709	-	-	-	64,050	8,749	72,799
Moving costs	-	-	-	-	-	-	-	-	-	-	11,479	11,479
Copier lease	3,448	1,724	1,724	1,724	-	8,620	3,658	1,829	1,829	1,829	-	9,145
Trash disposal	7,144	-	-	-	-	7,144	6,061	-	-	-	-	6,061
Taxes and licenses	2,941	-	628	-	-	3,569	6,333	-	703	-	-	7,036
Dues and subscriptions	5,470	-	-	-	-	5,470	3,740	-	-	-	-	3,740
Graphic design	5,250	-	-	-	-	5,250	6,000	-	-	-	-	6,000
Transportation	-	3,860	-	-	-	3,860	-	1,407	-	-	-	1,407
Water	-	-	-	-	-	-	-	-	-	-	-	-
Grant writing support	-	-	-	18,795	-	18,795	-	-	-	17,686	-	17,686
Conferences and seminars	-	530	300	-	-	830	-	-	-	2,232	-	2,232
Bad debts	-	-	-	-	38,000	38,000	-	-	-	-	-	-
Interest expense	32,469	4,058	4,058	-	-	40,585	33,516	4,190	4,190	-	-	41,896
Depreciation	230,066	28,758	28,758	-	-	287,582	114,379	14,297	14,297	-	-	142,973
Amortization	8,514	1,064	1,064	-	-	10,642	8,514	1,064	1,064	-	-	10,642
Employee search	4,005	-	-	-	-	4,005	-	-	-	-	-	-
Miscellaneous	-	382	303	278	82	1,045	42	-	1,524	21	423	2,010
	<u>\$ 1,474,720</u>	<u>\$ 146,575</u>	<u>\$ 92,775</u>	<u>\$ 153,626</u>	<u>\$ 71,103</u>	<u>\$ 1,938,799</u>	<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>

See Notes to Financial Statements

A NOISE WITHIN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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, 2013

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 2013 or 2012.

During 2013 and 2012, 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>2013</u>	<u>2012</u>
Land	\$ 2,013,000	\$ 2,013,000
Building	10,316,205	10,300,068
Production equipment	141,185	57,656
Office furniture, equipment and computers	<u>99,598</u>	<u>70,515</u>
	12,569,988	12,441,239
Accumulated depreciation	<u>430,331</u>	<u>142,749</u>
	<u>\$ 12,139,657</u>	<u>\$ 12,298,490</u>

3 CASH AND CONCENTRATION OF RISK

Cash includes money market mutual funds of \$390,000 and \$51,000 as of June 30, 2013 and 2012, respectively.

Funds totaling \$4,500 and \$114,000 were held as collateral against the long-term debt as of June 30, 2013 and 2012, respectively.

Funds on deposit at financial institutions in excess of the available federal insurance were \$520,000 and \$109,000 at June 30, 2013 and 2012, respectively.

A NOISE WITHIN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

4 CAPITAL CAMPAIGN AND TEMPORARILY RESTRICTED NET ASSETS

The Organization built a new theater facility which opened in Fall of 2011. The Organization has run a capital campaign in support of the new facility. As of June 30, 2013, the campaign was collecting on promises to give from previous years.

Unconditional pledges for the capital campaign of \$365,000 were recognized in income in 2012. 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 \$52,029 and \$196,265 in 2013 and 2012, respectively. The receivable as of June 30, 2013 is net of a reserve for uncollectible promises to give of \$38,000. Capital campaign receivables due in two to five years after the fiscal year end are present value discounted 10% per year, as follows:

	2013	2012
Total unconditional promises to give	\$ 84,940	\$ 188,889
Discount	14,824	27,701
Reserve for uncollectible promises to give	4,000	-
Net unconditional promises to give	\$ 66,116	\$ 161,188

Imputed interest is included in donation income.

5 LONG-TERM DEBT

In March, 2011, the Organization obtained a bank loan 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 \$11,201 (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:

2014	\$ 55,600
2015	863,251
	\$ 918,851

**A NOISE WITHIN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

5 BANK LINE OF CREDIT (Continued)

The line is due and payable October 1, 2015. Interest expense totaled \$40,450 and \$41, 896 for the years ending June 30, 2013 and 2012, respectively.

6 EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through February 7, 2014, the date which the financial statements were available to be issued.