A NOISE WITHIN

FINANCIAL STATEMENTS

JUNE 30, 2017

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DAVID L SMITH CPA
DAVID L SMITH
Certified Public Accountant

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, 2017 and 2016 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.

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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, 2017 and 2016, 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 30, 2018

STATEMENT OF FINANCIAL POSITION

ASSETS	JUNE 30, 2017	JUNE 30, 2016
CURRENT ASSETS		
Cash and cash equivalents (Note 3)	$ 836,947	$ 951,439
Marketable securities (Note 9)	141,986	-
Accounts Receivable	17,625	8,410
Unconditional promises to give - net of reserve for uncollectible promises to give of $3,398 and $2,900	179,463	269,264
Prepaid expenses and other current assets	132,728	92,470
Total current assets	1,308,749	1,321,583
NONCURRENT UNCONDITIONAL PROMISES TO GIVE		
Unconditional promises to give - noncurrent (Note 4)	99,600	143,501
Total noncurrent unconditional promises to give	99,600	143,501
PROPERTY AND EQUIPMENT, at cost less accumulated depreciation (Note 5)	11,330,419	11,462,751
TOTAL ASSETS	$ 12,738,768	$ 12,927,835

LIABILITIES AND NET ASSETS	2017	2016
CURRENT LIABILITIES		
Current maturities of long-term debt (Note 6)	$ 14,165	$ 13,475
Revenues received in advance	371,932	335,613
Accrued expenses and other current liabilities	181,034	106,691
Total current liabilities	567,131	455,779
LONG-TERM DEBT, net of current maturities (Note 6)	345,381	459,953
NET ASSETS		
Unrestricted		
Board designated	295,000	60,000
Other unrestricted	11,257,514	11,505,861
Total unrestricted	11,552,514	11,565,861
Temporarily restricted (Note 7)	273,742	446,242
Total net assets	11,826,256	12,012,103
TOTAL LIABILITIES AND NET ASSETS	$ 12,738,768	$ 12,927,835

A NOISE WITHIN
STATEMENT OF ACTIVITIES

	YEAR ENDED JUNE 30,					
	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUES, SUPPORT AND RECLASSIFICATIONS						
REVENUES						
Box Office	$ 1,383,978	$ -	$ 1,383,978	$ 1,134,846	$ -	$ 1,134,846
Education Programs	150,795	-	150,795	143,912	-	143,912
Other	91,891	-	91,891	60,426	-	60,426
	1,626,664	-	1,626,664	1,339,184	-	1,339,184
SUPPORT						
Donations and grants	899,470	64,750	964,220	1,194,808	446,242	1,641,050
In Kind Donations	12,765	-	12,765	5,069	-	5,069
Special event income	336,069	-	336,069	107,168	-	107,168
Interest and investment income	214	-	214	207	-	207
	1,248,518	64,750	1,313,268	1,307,252	446,242	1,753,494
NET ASSETS RELEASED FROM RESTRICTIONS						
Restrictions satisfied by payment	237,250	(237,250)	-	99,291	(99,291)	-
TOTAL REVENUES AND SUPPORT	3,112,432	(172,500)	2,939,932	2,745,727	346,951	3,092,678
EXPENSES						
PROGRAM EXPENSES						
Theatre productions	1,543,548	-	1,543,548	1,335,781	-	1,335,781
Education programs	821,792	-	821,792	547,013	-	547,013
	2,365,340	-	2,365,340	1,882,794	-	1,882,794
SUPPORTING SERVICES						
General and administrative expenses	121,988	-	121,988	277,168	-	277,168
Fundraising and development costs	277,654	-	277,654	209,459	-	209,459
	399,642	-	399,642	486,627	-	486,627
EXPENSES BEFORE INTEREST, DEPRECIATION AND AMORTIZATION	2,764,982	-	2,764,982	2,369,421	-	2,369,421
INCREASE (DECREASE) IN NET ASSETS BEFORE INTEREST, DEPRECIATION, AMORTIZATION AND OTHER COMPREHENSIVE INCOME	347,450	(172,500)	174,950	376,306	346,951	723,257
INTEREST EXPENSE	23,350	-	23,350	27,640	-	27,640
DEPRECIATION AND AMORTIZATION	350,028	-	350,028	328,413	-	328,413
INCREASE IN MARKET VALUE OF SECURITIES	12,581	-	12,581	3,929	-	3,929
INCREASE (DECREASE) IN NET ASSETS	(13,347)	(172,500)	(185,847)	24,182	346,951	371,133
NET ASSETS AT BEGINNING OF YEAR	11,565,861	446,242	12,012,103	11,541,679	99,291	11,640,970
NET ASSETS AT END OF YEAR	$ 11,552,514	$ 273,742	$ 11,826,256	$ 11,565,861	$ 446,242	$ 12,012,103

See Notes to Financial Statements

A NOISE WITHIN
STATEMENT OF CASH FLOWS

	YEAR ENDED JUNE 30, 2017	YEAR ENDED JUNE 30, 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (185,847)	$ 371,133
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	350,028	328,413
Realized gains on sales of marketable securities	-	(3,929)
Change in operating assets and liabilities:		
Marketable securities	(141,986)	-
Accounts receivable	(9,215)	(8,410)
Unconditional promises to give - other	133,702	(311,381)
Prepaid expenses and other current assets	(40,258)	(12,005)
Revenues received in advance	36,319	(3,028)
Accrued expenses and other current liabilities	74,343	(2,325)
Net Cash Provided By Operating Activities	217,086	358,468
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of marketable securities	-	3,929
Purchase of property and equipment	(198,946)	(68,931)
Website improvements	(18,750)	(6,250)
Net Cash Used In Investing Activities	(217,696)	(71,252)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt borrowings	(113,882)	(133,598)
Net Cash Used In Financing Activities	(113,882)	(133,598)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(114,492)	153,618
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	951,439	797,821
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 836,947	$ 951,439
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest	$ 23,350	$ 27,640
Cash paid for income taxes	NONE	NONE
Noncash investing transactions	NONE	NONE

See Notes to Financial Statements

A NOISE WITHIN
STATEMENT OF FUNCTIONAL EXPENSES

	YEAR ENDED JUNE 30,									
	2017					2016				
	Program Services					Program Services				
	Theatre Productions	Education Programs	General and Administrative	Fundraising and Development	Total	Theatre Productions	Education Programs	General and Administrative	Fundraising and Development	Total
FUNCTIONAL EXPENSES										
Salaries	$ 562,888	$ 359,039	$ 66,836	$ 147,835	$ 1,136,598	$ 468,577	$ 225,166	$ 169,426	$ 139,350	$ 1,002,519
Payroll taxes	55,874	34,642	6,705	14,527	111,748	44,382	21,329	16,053	13,197	94,961
Employee benefits	109,744	56,052	1,882	4,079	171,757	97,167	48,584	8,097	8,097	161,945
Non-salaried actors and technicians	163,878	80,717	-	-	244,595	117,166	58,583	-	-	175,749
Professional fees	99,759	28,460	4,469	18,335	151,023	-	-	55,422	-	55,422
Marketing	73,794	24,342	-	-	98,136	170,397	3,018	-	-	173,415
Production expenses	86,890	47,754	11,023	3,326	148,993	87,180	43,609	-	-	130,789
Utilities	41,785	20,893	6,964	-	69,642	44,118	22,059	3,677	3,677	73,531
Credit card fees	46,753	23,376	-	7,792	77,921	25,227	-	-	-	25,227
Printing and postage	62,789	19,112	-	20,749	102,650	105,032	3,038	1,740	9,833	119,643
Royalties and fees	60,686	30,208	-	-	90,894	30,592	15,296	-	-	45,888
Insurance	42,562	21,281	7,094	-	70,937	56,888	28,444	-	-	85,332
Occupancy costs	38,337	19,169	6,390	-	63,896	43,964	21,982	3,664	3,664	73,274
Teachers	-	14,192	-	-	14,192	-	33,708	-	-	33,708
Refreshments and concessions	14,931	1,807	-	390	17,128	8,432	4,216	-	-	12,648
Office and administration	31,430	17,356	5,554	9,008	63,348	25,676	8,655	6,031	5,623	45,985
Special events	24,815	-	-	48,090	72,905	4,201	-	-	25,354	29,555
Photography and video	19,112	9,526	-	1,463	30,101	-	1,700	-	175	1,875
Transportation	1,613	7,837	-	130	9,580	-	4,784	-	-	4,784
Conferences and seminars	4,854	5,118	1,184	1,930	13,086	3,966	1,974	814	-	6,754
Miscellaneous	1,054	911	3,887	-	5,852	2,816	868	12,244	489	16,417
Subtotal	1,543,548	821,792	121,988	277,654	2,764,982	1,335,781	547,013	277,168	209,459	2,369,421
Interest expense	14,010	7,005	2,335	-	23,350	16,584	8,292	2,764	-	27,640
Depreciation and amortization	210,017	105,008	35,003	-	350,028	197,048	98,524	32,841	-	328,413
TOTAL FUNCTIONAL EXPENSES	$ 1,767,575	$ 933,805	$ 159,326	$ 277,654	$ 3,138,360	$ 1,549,413	$ 653,829	$ 312,773	$ 209,459	$ 2,725,474

See Notes to Financial Statements

1 HISTORY AND NATURE OF ORGANIZATION

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 produces classic theatre as an essential means to enrich our community by embracing universal human experiences, expanding personal awareness and challenging individual perspectives.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation of Financial Statements
The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with United States Generally Accepted Accounting Principles (US GAAP). The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

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.

Liquidity
Assets are presented according to their proximity to cash and liabilities are presented according to their nearness of payment or use of cash.

Reclassifications
Certain amounts in the prior fiscal year have been reclassified in order to be consistent with the current year presentation.

Classification of Net Assets
The Organization reports its information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Unrestricted net assets – includes unrestricted funds for general operations and support used in operations after meeting initial grantor or donor restrictions. Restricted funds whose donor-imposed restrictions were released in the same year as receipt of funds have been reported as unrestricted net assets.

2 SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)

Classification of Net Assets (continued)
Temporarily restricted net assets – includes funds subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time. When donor-imposed restrictions expire due to accomplishing the stipulated purpose or through passage of time, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets – are subject to donor-imposed restrictions that do not expire. Funds are held in perpetuity, while the income is available for general or designated program use.

At June 30, 2017 and 2016, the Organization did not have any permanently restricted net assets.

Cash and Cash Equivalents
All highly liquid cash investments with an original maturity of three months or less when purchased are considered to be cash equivalents. As of June 30, 2017 and 2016, and at various times during the fiscal years, the Organization maintained cash balances in excess of federally insured limits. The Organization has not experienced any losses in such accounts and management believes that it is not exposed to any significant credit risk of cash or cash equivalents maintained in financial institutions.

Money Market Funds and Marketable Securities
Money market funds and marketable securities are valued using quoted market prices.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)

Intangible Assets
The Organization capitalized major modifications to its website as intangible assets. Intangible assets are carried at cost or, if donated, at the fair market value of the date received. Amortization is recognized on the straight-line method over an estimated useful life of five years. Additions and improvements that increase the capacity or lengthen the useful lives of the assets are capitalized. Normal maintenance and updates are expensed as incurred.

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.

Donated Property and Services
The Organization records donated property and equipment at estimated fair market value on the date donated. During the fiscal year ended June 30, 2017 and 2016, the organization received approximately $12,765 and $5,069 in donated goods, respectively.

Services donated by volunteers are recorded as revenues and expenses if the services require specialized skills and would otherwise be purchased by the Organization. No donated services were recorded in the fiscal years ended June 30, 2017 or 2016. During the fiscal years ending June 30, 2017 and 2016, approximately 400 volunteers provided 1,150 total hours each year, of services that are essential to the operation of the organization but which are not recognizable under generally accepted accounting principles.

Functional Allocation of Expenses
The costs of providing program and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited.

2 SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)

Income Tax Status
The Organization has received tax-exempt status from the Internal Revenue Service and California Franchise Tax Board under Section 501(c)(3) of the Internal Revenue Code and under Revenue and Taxation Code Section 23701(d), respectively.

Since the Organization is exempt from federal and state income tax liability, no provision is made for current or deferred income taxes. The Organization uses the same accounting methods for tax and financial reporting. Management has considered its tax positions and believes that all of the positions taken in its federal and state exempt organization returns are more likely than not to be sustained upon examination. The Organization's returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.

Fair Value Measurements
The Organization accounts for marketable securities at fair value under Accounting Standards Codification (ASC) 820, *Fair Value Measurement*. As defined in ASC 820, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market for the asset or liability at the measurement date (exit price). ASC 820 establishes a three-level valuation hierarchy for disclosure of fair value measurement based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1: Inputs to the valuation are unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs to the valuation may include quoted prices for similar assets and liabilities in active or inactive markets and inputs other than quoted prices, such as interest rates and yield curves that are observable for the asset or liability for substantially the full term of the financial instrument.

Level 3: Inputs to the valuation are unobservable and significant to the fair value measurement. Level 3 inputs shall be used to measure fair value only to the extent that observable inputs are not available.

2 SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)

Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14 Not-For-Profit Entities (Topic 985) Presentation of Financial Statements of Not-For-Profit Entities. The amendments in this update are designed to improve the current net asset classification requirements and the information presented in financial statements and notes about a Not-For-Profit entity's liquidity, financial performance, and cash flows. The amendments in this update are effective for annual financial statements issued for fiscal years beginning after December 15, 2017. Early application is permitted. Amendments should be applied on a retrospective basis in the year the update is first applied. The Organization is still evaluating the impact the amendments in this ASU will have on its financial statements.

3 CASH, CASH EQUIVALENTS AND CONCENTRATION OF RISK

Cash and cash equivalents includes money market mutual funds of $220,000 and $426,000 as of June 30, 2017 and 2016, respectively. Included in cash at June 30, 2017 and 2016 is $295,000 and $60,000, respectively, designated by the Board of Directors as a Plant Fund for future major repairs and maintenance.

4 NONCURRENT UNCONDITIONAL PROMISES TO GIVE

Other promises to give due in two to four years after the fiscal year end are present value discounted 5% per year for the years ending June 30, 2017 and 2016.

	2017	2016
Unconditional promises to give	$ 108,000	$ 59,376
Discount	(8,400)	(15,875)
Net unconditional promises to give	$ 99,600	$ 43,501

5 PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30,

	2017		
	Cost	Accumulated Depreciation	Net
Land	$ 2,013,000	$ -	$ 2,013,000
Building	10,308,127	1,417,545	8,890,582
Building improvements	204,569	43,624	160,945
Production equipment	358,393	135,462	222,931
Other	167,058	124,097	42,961
	$13,051,147	$ 1,720,728	$11,330,419

	2016		
	Cost	Accumulated Depreciation	Net
Land	$ 2,013,000	$ -	$ 2,013,000
Building	10,308,127	1,159,843	9,148,284
Building improvements	105,555	20,195	85,360
Production equipment	269,701	98,178	171,523
Other	137,068	92,484	44,584
	$12,833,451	$ 1,370,700	$11,462,751

Depreciation expense for the fiscal years ended June 30, 2017 and 2016 was $350,028 and $325,378, respectively.

6 LONG-TERM DEBT

The Organization has a loan secured by a first trust deed which is collateralized by the Organization's land, building, furniture, fixtures, and equipment. The loan is payable in monthly installments of principal and interest of $3,570 (20-year amortization) with an interest rate of 5%, and a balloon payment of all remaining principal and interest due June 1, 2022.

A Noise Within is required to maintain its primary operating bank account with the lender. Minimum maturities by year are as follows:

For the fiscal year ending June 30,	
2018	14,165
2019	14,889
2020	15,651
2021	16,452
2022	298,389
Total	$ 359,546

Interest expense totaled $23,350 and $27,640 for the fiscal years ended June 30, 2017 and 2016, respectively.

7 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets of $273,742 and $446,242 as of June 30, 2017 and 2016, respectively, comprise pledges and received donations with imposed restrictions that have not yet been met.

8 LINE OF CREDIT

In May of 2016, the Organization obtained a line of credit from the bank providing the loan noted above for up to $200,000 bearing a variable interest rate. The line of credit is secured by substantially all of the Organization's assets. As of June 30, 2017, no funds have been drawn and the balance of the line of credit was $0.

9 RETENTION PAYMENT PLAN

In 2016, the Organization set up a retention payment plan for the benefit of the two Artistic Directors. No benefits will be paid under the plan unless 1 of 3 events occurs: remaining employed until the cliff vesting date, January 1, 2029; separation from service due to death or disability; or involuntary separation from service without cause. Benefits may be forfeited due to involuntary separation from service for cause or voluntary separation from service. Benefits may be paid to the recipient in either a lump sum or over time, between 1 and 20 years. The Organization has accrued $131,420 and $65,210 in salary expense towards the plan for the years ended June 30, 2017 and 2016, respectively. As of June 30, 2017, the Organization has set aside funds in marketable securities selected by the Artistic Directors in conjunction with the Finance Committee of the Organization with fair market value of $141,986 as of June 30, 2017 to be used for the plan. The Organization has recognized unrealized gains of $12,581 and $3,929 as of June 30, 2017 and 2016, respectively. Under the plan, the benefits due do not exceed the amount accrued on the books.

10 EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through January 30, 2018, 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.