# A NOISE WITHIN

# FINANCIAL STATEMENTS

# JUNE 30, 2018

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JUNE 30, 2018

INDEX

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, 2018 and 2017 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, 2018 and 2017, 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 1, 2019

# A NOISE WITHIN
## STATEMENT OF FINANCIAL POSITION

| ASSETS | JUNE 30, 2018 | JUNE 30, 2017 |
|---|---|---|
| **CURRENT ASSETS** | | |
| Cash and cash equivalents (Note 3) | $ 924,607 | $ 836,947 |
| Marketable securities (Note 9) | 229,886 | 141,986 |
| Accounts Receivable | 118,008 | 17,625 |
| Unconditional promises to give - net of reserve for uncollectible promises to give of $3,500 | 119,737 | 179,463 |
| Prepaid expenses and other current assets | 154,617 | 132,728 |
| **Total current assets** | 1,546,855 | 1,308,749 |
| **NONCURRENT UNCONDITIONAL PROMISES TO GIVE** | | |
| Unconditional promises to give - noncurrent (Note 4) | 53,000 | 99,600 |
| **Total noncurrent unconditional promises to give** | 53,000 | 99,600 |
| **PROPERTY AND EQUIPMENT,** at cost less accumulated depreciation (Note 5) | 11,248,503 | 11,330,419 |
| **TOTAL ASSETS** | $ 12,848,358 | $ 12,738,768 |
| **LIABILITIES AND NET ASSETS** | | |
| **CURRENT LIABILITIES** | | |
| Current maturities of long-term obligations (Note 6) | $ 36,675 | $ 14,165 |
| Revenues received in advance | 546,918 | 371,932 |
| Accrued expenses and other current liabilities | 284,134 | 181,034 |
| **Total current liabilities** | 867,727 | 567,131 |
| **LONG-TERM OBLIGATIONS,** net of current maturities (Note 6) | 356,154 | 345,381 |
| **NET ASSETS** | | |
| **Unrestricted** | | |
| Board designated | 335,727 | 295,000 |
| Other unrestricted | 11,132,615 | 11,257,514 |
| **Total unrestricted** | 11,468,342 | 11,552,514 |
| **Temporarily restricted** (Note 7) | 156,135 | 273,742 |
| **Total net assets** | 11,624,477 | 11,826,256 |
| **TOTAL LIABILITIES AND NET ASSETS** | $ 12,848,358 | $ 12,738,768 |

See Notes to Financial Statements

## A NOISE WITHIN
## STATEMENT OF ACTIVITIES

| | YEAR ENDED JUNE 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2018 | | | 2017 | | |
| | Unrestricted | Temporarily Restricted | Total | Unrestricted | Temporarily Restricted | Total |
| **REVENUES, SUPPORT AND RECLASSIFICATIONS** | | | | | | |
| **REVENUES** | | | | | | |
| Box Office | $ 1,445,082 | $ - | $ 1,445,082 | $ 1,383,978 | $ - | $ 1,383,978 |
| Education Programs | 176,936 | - | 176,936 | 150,795 | - | 150,795 |
| Other | 79,698 | - | 79,698 | 91,891 | - | 91,891 |
| | 1,701,716 | - | 1,701,716 | 1,626,664 | - | 1,626,664 |
| **SUPPORT** | | | | | | |
| Donations and grants | 1,329,731 | 48,435 | 1,378,166 | 899,470 | 64,750 | 964,220 |
| In Kind Donations | 915 | - | 915 | 12,765 | - | 12,765 |
| Special event income | 139,800 | - | 139,800 | 336,069 | - | 336,069 |
| Interest and investment income | 274 | - | 274 | 214 | - | 214 |
| | 1,470,720 | 48,435 | 1,519,155 | 1,248,518 | 64,750 | 1,313,268 |
| **NET ASSETS RELEASED FROM RESTRICTIONS** | | | | | | |
| Restrictions satisfied by payment | 166,042 | (166,042) | - | 237,250 | (237,250) | - |
| **TOTAL REVENUES AND SUPPORT** | 3,338,478 | (117,607) | 3,220,871 | 3,112,432 | (172,500) | 2,939,932 |
| **EXPENSES** | | | | | | |
| **PROGRAM EXPENSES** | | | | | | |
| Theatre productions | 1,723,479 | - | 1,723,479 | 1,543,548 | - | 1,543,548 |
| Education programs | 884,858 | - | 884,858 | 821,792 | - | 821,792 |
| | 2,608,337 | - | 2,608,337 | 2,365,340 | - | 2,365,340 |
| **SUPPORTING SERVICES** | | | | | | |
| General and administrative expenses | 163,267 | - | 163,267 | 121,988 | - | 121,988 |
| Fundraising and development costs | 265,495 | - | 265,495 | 277,654 | - | 277,654 |
| | 428,762 | - | 428,762 | 399,642 | - | 399,642 |
| **EXPENSES BEFORE INTEREST, DEPRECIATION AND AMORTIZATION** | 3,037,099 | - | 3,037,099 | 2,764,982 | - | 2,764,982 |
| **INCREASE (DECREASE) IN NET ASSETS BEFORE INTEREST, DEPRECIATION, AMORTIZATION AND OTHER COMPREHENSIVE INCOME** | 301,379 | (117,607) | 183,772 | 347,450 | (172,500) | 174,950 |
| **INTEREST EXPENSE** | (18,748) | - | (18,748) | (23,350) | - | (23,350) |
| **DEPRECIATION AND AMORTIZATION** | (387,784) | - | (387,784) | (350,028) | - | (350,028) |
| **INCREASE IN MARKET VALUE OF SECURITIES** | 20,981 | - | 20,981 | 12,581 | - | 12,581 |
| **INCREASE (DECREASE) IN NET ASSETS** | (84,172) | (117,607) | (201,779) | (13,347) | (172,500) | (185,847) |
| **NET ASSETS AT BEGINNING OF YEAR** | 11,552,514 | 273,742 | 11,826,256 | 11,565,861 | 446,242 | 12,012,103 |
| **NET ASSETS AT END OF YEAR** | $ 11,468,342 | $ 156,135 | $ 11,624,477 | $ 11,552,514 | $ 273,742 | $ 11,826,256 |

See Notes to Financial Statements

**A NOISE WITHIN**
**STATEMENT OF CASH FLOWS**

| | YEAR ENDED JUNE 30, | |
|---|---|---|
| | 2018 | 2017 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Change in net assets | $ (201,779) | $ (185,847) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | 387,784 | 350,028 |
| Change in operating assets and liabilities: | | |
| Marketable securities | (87,900) | (141,986) |
| Accounts receivable | (100,383) | (9,215) |
| Unconditional promises to give - other | 106,326 | 133,702 |
| Prepaid expenses and other current assets | (21,889) | (40,258) |
| Revenues received in advance | 174,986 | 36,319 |
| Accrued expenses and other current liabilities | 103,100 | 74,343 |
| Net Cash Provided By Operating Activities | 360,245 | 217,086 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchase of property and equipment | (305,868) | (198,946) |
| Website improvements | - | (18,750) |
| Net Cash Used In Investing Activities | (305,868) | (217,696) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Long-term walkway reimbursement | 130,910 | - |
| Payments on long-term debt borrowings | (97,627) | (113,882) |
| Net Cash Provided by Financing Activities | 33,283 | (113,882) |
| **NET CHANGE IN CASH AND CASH EQUIVALENTS** | 87,660 | (114,492) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | 836,947 | 951,439 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | $ 924,607 | $ 836,947 |
| **SUPPLEMENTAL DISCLOSURES** | | |
| Cash paid for interest | $ 18,748 | $ 23,350 |
| Cash paid for income taxes | $ - | $ - |
| Noncash investing transactions | $ - | $ - |

See Notes to Financial Statements

# A NOISE WITHIN
# STATEMENT OF FUNCTIONAL EXPENSES

| | YEAR ENDED JUNE 30, | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2018 | | | | | 2017 | | | | |
| | 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 | $ 675,293 | $ 382,277 | $ 89,213 | $ 140,859 | $ 1,287,642 | $ 562,888 | $ 359,039 | $ 66,836 | $ 147,835 | $ 1,136,598 |
| Payroll taxes | 71,920 | 40,767 | 9,145 | 14,973 | 136,805 | 55,874 | 34,642 | 6,705 | 14,527 | 111,748 |
| Employee benefits | 113,960 | 57,481 | 2,312 | 3,785 | 177,538 | 109,744 | 56,052 | 1,882 | 4,079 | 171,757 |
| Non-salaried actors and technicians | 162,008 | 79,460 | - | - | 241,468 | 163,878 | 80,717 | - | - | 244,595 |
| Professional fees | 106,801 | 28,408 | 4,822 | 23,600 | 163,631 | 99,759 | 28,460 | 4,469 | 18,335 | 151,023 |
| Marketing | 84,106 | 26,562 | - | - | 110,668 | 73,794 | 24,342 | - | - | 98,136 |
| Production expenses | 116,145 | 61,915 | 1,538 | 4,083 | 183,681 | 86,890 | 47,754 | 11,023 | 3,326 | 148,993 |
| Utilities | 45,537 | 22,769 | 7,590 | - | 75,896 | 41,785 | 20,893 | 6,964 | - | 69,642 |
| Credit card fees | 53,389 | 26,694 | - | 8,898 | 88,981 | 46,753 | 23,376 | - | 7,792 | 77,921 |
| Printing and postage | 72,446 | 21,783 | - | 21,701 | 115,930 | 62,789 | 19,112 | - | 20,749 | 102,650 |
| Royalties and fees | 37,150 | 20,298 | - | - | 57,448 | 60,686 | 30,208 | - | - | 90,894 |
| Insurance | 48,187 | 24,094 | 8,031 | - | 80,312 | 42,562 | 21,281 | 7,094 | - | 70,937 |
| Occupancy costs | 43,062 | 21,531 | 7,177 | - | 71,770 | 38,337 | 19,169 | 6,390 | - | 63,896 |
| Teaching artist fees | - | 19,435 | - | - | 19,435 | - | 14,192 | - | - | 14,192 |
| Refreshments and concessions | 19,044 | 2,846 | - | 977 | 22,867 | 14,931 | 1,807 | - | 390 | 17,128 |
| Office and administration | 38,410 | 21,286 | 6,543 | 5,820 | 72,059 | 31,430 | 17,356 | 5,554 | 9,008 | 63,348 |
| Special events | 2,845 | - | - | 37,635 | 40,480 | 24,815 | - | - | 48,090 | 72,905 |
| Photography and video | 20,821 | 11,660 | - | - | 32,481 | 19,112 | 9,526 | - | 1,463 | 30,101 |
| Transportation | 227 | 8,570 | - | - | 8,797 | 1,613 | 7,837 | - | 130 | 9,580 |
| Conferences and seminars | 8,833 | 5,331 | 2,021 | 2,675 | 18,860 | 4,854 | 5,118 | 1,184 | 1,930 | 13,086 |
| Bad debts | - | - | 23,377 | - | 23,377 | - | - | 2,500 | - | 2,500 |
| Miscellaneous | 3,295 | 1,691 | 1,498 | 489 | 6,973 | 1,054 | 911 | 1,387 | - | 3,352 |
| Subtotal | 1,723,479 | 884,858 | 163,267 | 265,495 | 3,037,099 | 1,543,548 | 821,792 | 121,988 | 277,654 | 2,764,982 |
| Interest expense | 11,249 | 5,624 | 1,875 | - | 18,748 | 14,010 | 7,005 | 2,335 | - | 23,350 |
| Depreciation and amortization | 232,671 | 116,335 | 38,778 | - | 387,784 | 210,017 | 105,008 | 35,003 | - | 350,028 |
| **TOTAL FUNCTIONAL EXPENSES** | $ 1,967,399 | $ 1,006,817 | $ 203,920 | $ 265,495 | $ 3,443,631 | $ 1,767,575 | $ 933,805 | $ 159,326 | $ 277,654 | $ 3,138,360 |

A NOISE WITHIN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

## 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, 2018 and 2017, 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, 2018 and 2017, 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, 2018 and 2017, the organization received approximately $915 and $12,765 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, 2018 or 2017. During the fiscal years ending June 30, 2018 and 2017, approximately 115 volunteers provided 5,200 and 4,800 total hours, respectively, 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 $300,000 and $220,000 as of June 30, 2018 and 2017, respectively. Included in cash at June 30, 2018 and 2017 is $335,727 and $295,000, respectively, designated by the Board of Directors as a Plant Fund for future major repairs and maintenance.

Funds on deposit at financial institutions in excess of the available federal insurance were $817,000 and $742,000 at June 30, 2018 and 2017, respectively.

## 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, 2018 and 2017.

| | 2018 | 2017 |
|---|---|---|
| Unconditional promises to give | $ 56,000 | $ 108,000 |
| Discount | (3,000) | (8,400) |
| Net unconditional promises to give | $ 53,000 | $ 99,600 |

## 5 PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30,

| | 2018 | | |
|---|---|---|---|
| | Cost | Accumulated Depreciation | Net |
| Land | $ 2,013,000 | $ - | $ 2,013,000 |
| Building | 10,308,127 | 1,675,216 | 8,632,911 |
| Building improvements | 450,257 | 122,599 | 327,658 |
| Production equipment | 402,872 | 177,656 | 225,216 |
| Other | 182,757 | 133,039 | 49,718 |
| | $ 13,357,013 | $ 2,108,510 | $ 11,248,503 |

| | 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 |

Depreciation expense for the fiscal years ended June 30, 2018 and 2017 was $382,784 and $350,028, respectively.

## 6 LONG-TERM OBLIGATIONS

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. The annual prepayment without penalty is limited to 20% of the loan balance on July 1 of each year for the upcoming year. Starting July 1, 2019, the loan has no prepayment penalty. Principal totaling $96,725 and $113,882 was paid down for the year ended June 30, 2018 and 2017, respectively. A Noise Within is required to maintain its primary operating bank account with this lender.

In March 2018, the Organization entered into an unsecured reimbursement agreement to pay an entity $190,000 for a portion of costs relating to construction of a shared pedestrian walkway, in monthly installments of $1,000 for 190 months. The net present value of this non-interest bearing obligation, discounted at 5%, has been recorded as long-term debt for $130,008. Additionally, the Organization has granted the entity an allowance of $10,000, recorded as an operating expense when it is redeemed, towards the cost of admission for performances and other events.

Minimum maturities for upcoming fiscal years are as follows:

| | Loan | Walkway Reimbursement | Total |
|---|---|---|---|
| 2019 | $ 31,100 | $ 5,575 | $ 36,675 |
| 2020 | 32,040 | 5,864 | 37,904 |
| 2021 | 33,680 | 6,170 | 39,850 |
| 2022 | 166,001 | 6,491 | 172,492 |
| 2023 | - | 6,828 | 6,828 |
| thereafter | - | 99,080 | 99,080 |
| | $ 262,821 | $ 130,008 | $ 392,829 |

Interest expense totaled $18,748 and $23,350 for the fiscal years ended June 30, 2018 and 2017, respectively.

## 7 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets of $156,135 and $273,742 as of June 30, 2018 and 2017, respectively, comprise pledges and received donations with imposed restrictions that have not yet been met.

## 8 LINE OF CREDIT

The Organization has a line of credit from the bank providing the loan noted above for up to $200,000 bearing a variable interest rate, an annual $500 renewal fee, and secured by substantially all of the Organization's assets. As of June 30, 2018 and 2017, no funds had been drawn on the line.

## 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 $198,630 and $131,420 in salary expense towards the plan to date, including contribution of $67,210 and $66,210 for the years ended June 30, 2018 and 2017, respectively. 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 $229,886 and $141,986 as of June 30, 2018 and 2017, respectively, to be used for the plan. The Organization has recognized unrealized gains of $20,981 and $12,581 as of June 30, 2018 and 2017, 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 February 1, 2019, 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.