

# **THEATRE WEST, INC.**

## **FINANCIAL STATEMENTS**

YEAR ENDED JUNE 30, 2006

as audited by  
David D. Shealor CPA, Inc.



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
**THEATRE WEST, INC.**  
Los Angeles, California

We have audited the accompanying statement of financial position of Theatre West, Inc. ("Theatre West"), a non-profit organization, as of June 30, 2006 and the related statements of activities, cash flows and functional expenses for the year then ended. We have also provided the accompanying supplementary information, which is presented only for analysis purposes. These financial statements and the supplementary information are the responsibility of Theatre West's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 of material misstatement. 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Theatre West as of June 30, 2006, and the results changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**DAVID D. SHEALOR CPA**

Los Angeles, California  
October 16, 2007

THEATRE WEST, INC.  
STATEMENT OF FINANCIAL POSITION  
June 30, 2006

ASSETS	2006
Current Assets	
Cash and cash equivalents	\$ 4,735
Membership receivables, net of allowance	3,500
Investments	24,522
	32,757
Fixed assets, net	1,745
	\$ 34,502
<b>LIABILITIES</b>	
Current Liabilities	
Accounts payable	\$ 2,590
Payroll tax liabilities	1,977
Notes payable	6,000
	10,567
<b>NET ASSETS</b>	
Unrestricted	435
Temporarily restricted	3,500
Permanently restricted	20,000
	23,935
	\$ 34,502

See accompanying notes and accountant's audit report

THEATRE WEST, INC.  
STATEMENT OF ACTIVITY  
Year ended June 30, 2006

UNRESTRICTED SUPPORT AND REVENUE	
Productions	\$ 126,036
Memberships and fees	92,261
Donations	57,857
Grants	50,000
Fundraising	31,384
Investments	736
	358,274
DISBURSEMENTS	
Program	254,171
Administrative	99,046
Fundraising	3,261
	356,478
INCREASE IN UNRESTRICTED NET ASSETS	
	1,796
UNRESTRICTED NET ASSETS	
BEGINNING OF YEAR	(61)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	(1,300)
END OF YEAR	\$ 435
TEMPORARILY RESTRICTED NET ASSETS	
BEGINNING OF YEAR	2,200
END OF YEAR	\$ 3,500
PERMANENTLY RESTRICTED NET ASSETS	
BEGINNING OF YEAR	20,000
END OF YEAR	\$ 20,000

See accompanying notes and accountant's audit report

THEATRE WEST, INC.  
STATEMENT OF CASH FLOWS  
Year ended June 30, 2006

CASH FLOWS FROM OPERATING ACTIVITIES

Increase in unrestricted net assets	\$ 1,796
Depreciation	1,745
Decrease in the amount of membership receivables and investments	378
Elimination of bank overdraft	(2,853)
Decrease in the amount of other current liabilities	(1,040)
	<u>25</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Increase in notes payable	4,000
CASH FLOW NET CHANGE DURING THE YEAR	<u>4,025</u>

CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>710</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u><u>\$ 4,735</u></u>

SUPPLEMENTAL DISCLOSURES

Interest paid	<u><u>\$ -</u></u>
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THEATRE WEST, INC.  
STATEMENT OF FUNCTIONAL EXPENSE  
Year ended June 30, 2006

	Program	Administrative	Fundraising	Total
Bank service charges	\$ -	\$ 1,782	\$ -	\$ 1,782
Depreciation	-	1,745	-	1,745
Dues and subscriptions	-	1,784	-	1,784
Events	-	-	3,261	3,261
Insurance	11,070	1,230	-	12,300
License	399	44	-	443
Maintenance	2,772	308	-	3,080
Miscellaneous	1,146	-	-	1,146
Office expense	-	4,095	-	4,095
Parking	-	6,635	-	6,635
Payroll and benefits	-	69,718	-	69,718
Postage	-	1,619	-	1,619
Production costs	190,690	-	-	190,690
Professional fees	-	3,000	-	3,000
Rent	37,800	4,200	-	42,000
Telephone	3,444	2,296	-	5,739
Theatre supplies	1,541	-	-	1,541
Utilities	5,310	590	-	5,899
	<u>\$ 254,171</u>	<u>\$ 99,046</u>	<u>\$ 3,261</u>	<u>\$ 356,478</u>

See accompanying notes and accountant's audit report

**THEATRE WEST, INC.**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2006

1 Organization

Founded in 1962, Theatre West, Inc. ("Theatre West") is a nonprofit corporation which has been granted exempt status under Section 501(c) (3) of the Internal Revenue Code. The threefold mission of Theatre West is to:

- 1.) provide workshops where artists can experiment, grow and develop their theatrical skills in a safe, supportive and nurturing atmosphere,
- 2.) present themselves publicly through works which, ideally, have grown organically from the workshops, or been carefully selected by the Artistic Board and
- 3.) to be of service to the community by providing good theatre and using their skills for the benefit of education, health and other non-political causes.

During the fiscal year ended June 30, 2006, Theatre West operations have been located in Los Angeles, California.

2. Summary of Significant Accounting Policies

a) Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reporting amounts and disclosures. Actual results could differ from those estimates.

b) Accounting Changes

There were no significant accounting changes during the year ended June 30, 2006.

c) Fixed Assets

Fixed assets are carried at cost. Assets are depreciated over their estimated useful lives.

d) Revenue Recognition

Theatre West recognizes revenue from donations when cash is received. Unconditional promises to give are recognized upon receipt of enforceable verifiable documentation.

See accountants' audit report

**THEATRE WEST, INC.**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2006

e) Restricted Assets

Permanently restricted net assets are contributions with donor-imposed restrictions that stipulate that the assets be maintained permanently but only permit the organization to benefit from part or all of the income (or other economic benefits) derived from the donated assets. On June 30, 2006 \$20,000 was permanently restricted.

Temporarily restricted net assets have donor-imposed restrictions that permit the donee organization to use up or expend the donated assets as specified and is satisfied either by the passage of time or by actions of the organization. On June 30, 2006 dues receivable were temporarily restricted by the time necessary to collect them.

f) Volunteer Services and Donated Materials

In compliance with the criterion for the recognition of revenue as established by Statement of Financial Accounting Standards No. 116, Theatre West recognizes income and an offsetting asset or expense in the amount of the fair market value upon donation of significant items or volunteer services that are donated for use by the organization and are professional in nature. During the year ended June 30, 2006 although there were volunteer services donated to the organization they did not meet the requirements for recognition by Statement of Financial Accounting Standards No. 116 and were not, therefore, included in these financial statements:

g) Compensated Absences

Theatre West does track vacation and/or sick time earned but not taken but has not accrued those liabilities in these financial statements.

3. Lease Commitments

On August 7, 2004, Theatre West entered into a five-year operating lease agreement to rent office space and production facilities which expires May 31, 2008. Theatre West has leased this facility since 1966. Future lease obligations under that lease agreement are as follows:

Year Ending Jun 30,	
2007	42,000
2008	42,250
2009	45,000
2008	<u>41,250</u>
Total	<u>\$ 170,500</u>

See accountants' audit report

**THEATRE WEST, INC.**

**SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED JUNE 30, 2006**

THEATRE WEST, INC.  
SUPPLEMENTAL INFORMATION  
Year ended June 30, 2006

Pre-production costs		
Physical production	\$	8,919
Salaries-fees		37,243
Promotion		13,521
Other		3,528
		<u>63,211</u>
Running costs		
Physical production	\$	1,590
Salaries-fees		62,770
Promotion		28,169
Other		34,950
		<u>127,479</u>
Total production costs	\$	<u><u>190,690</u></u>

See accountants' audit report