

Zeiterion Theatre, Inc.

Financial Statements (with Independent Auditors' Report Thereon)

May 31, 2015

ZEITERION THEATRE, INC.

Financial Statements

Table of Contents

Financial statements:

Independent auditors' report	1 - 2
Statement of financial position	3
Statement of activities	4
Statement of cash flows	5
Notes to financial statements	6 - 17



Rt. 18, 76 Lakeside, Suite 100
Lakeville, MA 02347
Two Cabot Place, Suite 8
Stoughton, MA 02072
Tel: 774.206.5553
www.allansmithcpa.com

Independent Auditors' Report

To the Board of Directors
Zeiterion Theatre, Inc.
New Bedford, Massachusetts

Report on the financial statements:

We have audited the accompanying financial statements of the Zeiterion Theatre, Inc. (a Massachusetts not-for-profit organization) (hereinafter "Organization") which comprise the statement of financial position as of May 31, 2015, and the related statements of activities and cash flows for the year 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.

Auditors' responsibility:

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 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 Organization'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 Organization'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.

To the Board of Directors
Zeiterion Theatre, Inc.
Page two

Opinion:

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Zeiterion Theatre, Inc. as of May 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on summarized comparative information:

We have previously audited the Zeiterion Theatre, Inc.'s 2014 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated April 13, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended May 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Allen Smith CPA". The signature is written in a cursive, flowing style.

September 15, 2015
Lakeville, Massachusetts

ZEITERION THEATRE, INC.**Statement of Financial Position****May 31, 2015****(with comparative totals for 2014)**

	May 31,	
<u>Assets:</u>	<u>2015</u>	<u>2014</u>
Current assets:		
Cash	\$ 274,954	\$ 150,721
Accounts receivable, net of allowance for uncollectible accounts of \$1,000 and \$1,000	21,537	5,415
Grants receivable	-	56,000
Prepaid expenses and other assets	12,258	44,800
Pledges receivable net, current portion	14,290	12,930
Total current assets	323,039	269,866
Long-term assets:		
Property and equipment, net	433,883	365,532
Pledges receivable, net of current portion	-	11,254
Total long-term assets	433,883	376,786
Total assets	\$ 756,922	\$ 646,652
<u>Liabilities and Net Assets:</u>		
Current liabilities:		
Accounts payable	\$ 84,535	\$ 55,711
Accrued expenses	20,312	12,829
Deferred revenue	338,543	313,825
Note payable, line of credit	18,905	78,000
Current portion of capital lease payable	5,836	655
Total current liabilities	468,131	461,020
Long-term liabilities:		
Capital lease payable, net of current portion	25,527	-
Total long-term liabilities	25,527	-
Total liabilities	493,658	461,020
Net assets:		
Unrestricted	238,264	166,878
Temporarily restricted	25,000	18,754
Total net assets	263,264	185,632
Total liabilities and net assets	\$ 756,922	\$ 646,652

ZEITERION THEATRE, INC.

Statement of Activities

Year Ended May 31, 2015

(with summarized comparative totals for 2014)

	Year Ended May 31, 2015			(Summarized Comparative)
	Unrestricted	Temporarily Restricted	Total	Year Ended May 31, 2014
Revenues and other support:				
Admissions revenue	\$ 1,700,006	\$ -	\$ 1,700,006	\$ 1,365,118
In-kind support	136,100	-	136,100	220,600
Contributions, grants and other funding sources:				
Public agency support	184,060	-	184,060	395,000
Private foundation support	74,460	25,000	99,460	169,240
Corporate sponsor support	75,500	-	75,500	48,000
Individual support	140,450	-	140,450	149,143
Memberships	94,462	-	94,462	98,040
Concessions and advertising sales	182,771	-	182,771	112,239
Rental income	239,612	-	239,612	231,502
Fundraising	81,435	-	81,435	15,072
Other revenue and support	24,172	-	24,172	(192)
Total revenues and other support	2,933,028	25,000	2,958,028	2,803,762
Release of restrictions	18,754	(18,754)	-	-
Expenses:				
Program services:				
Center presentations	1,901,160	-	1,901,160	1,750,953
Hall rental operations	242,990	-	242,990	266,642
Educational programs	215,135	-	215,135	192,942
Total program services	2,359,285	-	2,359,285	2,210,537
General and administration	254,901	-	254,901	289,485
Fundraising	266,210	-	266,210	162,551
Total expenses	2,880,396	-	2,880,396	2,662,573
Change in net assets	71,386	6,246	77,632	141,189
Net assets, beginning of year	166,878	18,754	185,632	44,443
Net assets, end of year	\$ 238,264	\$ 25,000	\$ 263,264	\$ 185,632

ZEITERION THEATRE, INC.

Statement of Cash Flows

Year Ended May 31, 2015
(with comparative totals for 2014)

	Years Ended May 31,	
	2015	2014
Cash flows from operating activities:		
Change in net assets	\$ 77,632	\$ 141,189
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	28,163	28,500
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	(16,122)	(1,896)
Grants receivable	56,000	-
Prepaid expenses and other assets	32,542	(42,524)
Pledges receivable	9,894	11,758
Increase (decrease) in liabilities:		
Accounts payable	28,824	(59,924)
Accrued expenses	7,483	(10,387)
Deferred revenue	24,718	115,019
Total adjustments	171,502	40,546
Net cash provided by operating activities	249,134	181,735
Cash flows from investing activities:		
Purchase of property and equipment	(62,031)	-
Net cash used in investing activities	(62,031)	-
Cash flows from financing activities:		
Repayment of line-of-credit	(59,095)	(62,000)
Financed purchase under capital lease	-	-
Repayment under capital lease payable	(3,775)	(2,510)
Net cash used in financing activities	(62,870)	(64,510)
Net increase in cash	124,233	117,225
Cash, beginning of year	150,721	33,496
Cash, end of year	\$ 274,954	\$ 150,721
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 3,171	\$ 2,737
Financed purchase of property and equipment	\$ 34,483	\$ -

ZEITERION THEATRE, INC.

Notes to Financial Statements

1. Organization and summary of significant accounting policies:

Organization and nature of operations:

The Zeiterion Theatre, Inc. (hereinafter “Organization”) is a Massachusetts not-for-profit organization incorporated in 1982. The mission of the Organization is “to provide New Bedford, Massachusetts and the region with performing arts programming of excellence that inspires, educates, engages and entertains. The Organization seeks to bring the community together in shared experience and imbue everything they do with positive energy.” The Organization recognizes that a performing arts center has the ability to galvanize and transform the community and is committed to serving as a catalyst to energize the City of New Bedford, its citizens and the region. The Organization aspires to: present a broad range of the highest caliber national and international performing artists and programs that speak to the diversity of cultures and interests in the region; engage and enrich young people and the community’s participation, experience and understanding of the world, the arts and creativity; actively participate in the revitalization of downtown New Bedford; and provide a welcoming home to resident companies and community groups. The Organization derives its revenue and support from ticket sales, annual memberships, individual donors, corporate sponsors, private foundations and public grants.

The Organization’s programs have been categorized as follows:

Center presentations – Performances of ballet, Broadway musicals, jazz and other events presented directly by the Organization.

Hall rental operations – The use of the theater by outside organizations to present their own performances including the New Bedford Symphony Orchestra, the New Bedford Festival Theatre and the New Bedford Ballet.

Educational programs – The many arts education activities of the Organization include on stage events which bring children into the theater for the performing arts experience.

Management’s plan for operations:

The Organization has sustained recurring losses in prior years through fiscal 2013. This has significantly eroded working capital and the Organization has limited cash for the year ended May 31, 2015 when netted against advanced cash receipts held as deferred revenue. Further, current liabilities exceed current assets by approximately \$140,000 at May 31, 2015. Near year end 2013, the Board of Directors instituted a re-organization of the management team and with this, a significant reduction in the overhead of the Organization and changes to its operational philosophy. This provided almost immediate improvement in the operational results and the Organization closed fiscal 2014 with a nearly \$300,000 increase in its net operating results. Fiscal 2015 also provided strong operational results with a net surplus of approximately \$78,000. The Organization continues to review all significant activities for effectiveness and efficiency and has more appropriately aligned operations and employee staffing with projected revenues and support. The Organization also formalized its contract with the City of New Bedford to fund the management of the City owned performance facility with reasonable compensation. Management believes that the implementation of these strategies will continue to contribute favorably towards achieving sustained surpluses and significantly improve net cash flow in the coming years. Normal operations are dependent upon the Organization’s continued alignment with its strategic plan.

ZEITERION THEATRE, INC.

Notes to Financial Statements

1. Organization and summary of significant accounting policies - continued:

A summary of significant accounting policies consistently applied in the preparation of the financial statements follows:

Use of estimates and assumptions:

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. These affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates and assumptions.

Summarized comparative data:

The financial statements include certain prior-year summarized comparative information in total but not by net asset classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended May 31, 2014 from which the summarized information was derived.

Financial statement presentation:

The financial statements are presented on the basis of unrestricted, temporarily restricted and permanently restricted net assets, in accordance with accounting standards for not-for-profit organizations. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets comprised of public support and program revenues which are available and used for operations and programs. Contributions are considered available for unrestricted use unless specifically restricted by the donor. The governing board of the Organization may elect to designate such resources for specific purposes. This designation may be removed at the Board's discretion.

Temporarily restricted net assets - Net assets subject to donor-imposed restrictions which permit the donee organization to expend the assets as specified and are satisfied either by the passage of time or by actions of the Organization. Temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions in the period in which the donor-imposed stipulations are met or the stipulated time restrictions have passed. Resources of this nature originate from contributions, grants, bequests and contracts.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

The Organization has no permanently restricted net assets at May 31, 2015 and 2014.

ZEITERION THEATRE, INC.

Notes to Financial Statements

1. Organization and summary of significant accounting policies - continued:

Financial statement presentation - continued:

Grants, which are limited to the use of various of the Organization's programs, are reflected as unrestricted revenue if these funds are received and spent during the same year and if they support the activities of the Organization within the limits of the Organization's articles of organization.

Cash and cash equivalents:

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid debt instruments with a maturity of three (3) months or less to be cash equivalents.

Accounts receivable, grants receivable and uncollectible accounts:

The Organization carries its accounts and grants receivable at cost less an allowance for doubtful accounts. On a periodic basis, all accounts and grants receivable greater than ninety (90) days old are considered past due, are evaluated for collectability and are written off after it is evident that the collection effort has little or no chance of near term success. Based on this review, the Organization evaluates its accounts and grants receivable and adjusts its allowance for doubtful accounts based on its history of past write-offs, collections and current economic and credit conditions. It is reasonably possible that the Organization's estimate of the allowance for doubtful accounts will change. Accounts receivable is presented net of an allowance for doubtful accounts of \$1,000 at May 31, 2015 and 2014.

Pledges receivable and contributions:

Contributions, including unconditional promises to give, are recognized as revenue in the period received or promised. Contributions subject to donor-imposed stipulations that are met in the same reporting period are reported as unrestricted support. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of publicly traded securities are recorded at their fair value at the time of donation. It is the Organization's policy to convert contributions of marketable securities to cash as soon as practical and prudent and then to record them at their estimated fair value at the date of donation.

Unconditional promises to give, that are expected to be collected within one year, are recorded at net realizable value. Unconditional promises to give, that are expected to be collected in future years, are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using a risk adjusted interest rate applicable to the years in which the promises are received. Amortization of the discounts is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any, on the contribution.

Pledges receivable are made primarily by individuals located throughout Southeastern Massachusetts and are reflected at the present value of estimated future cash flows using a risk adjusted discount rate of between three and one quarter percent (3.25%) and five and one quarter percent (5.25%).

Contributions of assets other than cash are recorded at their estimated fair market value at the date received.

ZEITERION THEATRE, INC.

Notes to Financial Statements

1. Organization and summary of significant accounting policies - continued:

Property and equipment:

Property and equipment are stated at cost at the date of acquisition or fair value at the date of donation, in the case of gifts. Property and equipment are recorded as unrestricted net assets or temporarily restricted net assets, in the case of donations with time stipulations.

Expenditures greater than \$500 that significantly add to the productivity or extend the useful lives of property and equipment are capitalized. Other expenditures for maintenance and repairs are charged to operations in the year the costs are incurred.

The Organization performs an informal capital needs assessment on a routine basis. Currently, the long-lived assets held require no significant scheduled maintenance that has not been contemplated in the long-term capital budgeting process. However, the Organization's program and administrative operations are provided within a facility leased from and owned by the City of New Bedford, Massachusetts. The City of New Bedford has performed a formal capital needs assessment of the facility and has identified significant repairs and betterments that exceed currently budgeted resources. The cost of routine and non-routine maintenance is funded on a "pay-as-you-go" basis.

Depreciation is provided for over the estimated service lives of the respective assets on a straight-line basis. A summary of depreciable lives follows:

Leasehold improvements	5 - 20 years
Furniture, fixtures and equipment	3 - 7 years
Equipment under capital lease	3 - 5 years

Income tax status:

The Organization is generally exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been determined not to be a private foundation. The Organization is also exempt from Massachusetts income tax. Therefore, no provision for income taxes has been made in the accompanying financial statements. Contributions to the Organization qualify for the fifty percent (50%) charitable contribution deduction.

The Organization will file not-for-profit tax returns in the U.S. federal jurisdiction and the Commonwealth of Massachusetts, where they operate and solicit funds. The Internal Revenue Service (IRS) and the Commonwealth of Massachusetts have not requested examination of open tax years of 2014, 2013 and 2012. The Commonwealth of Massachusetts has a statute of limitations of three (3) years. The Organization's U.S. federal and Commonwealth of Massachusetts income tax returns prior to May 31, 2012 are closed. At May 31, 2015, the Organization believes that it has no significant uncertain tax positions within any of its open tax years.

Deferred revenue:

Box office receipts, unredeemed gift certificates and theater rental income attributable to future activities are included in cash and reflected as deferred revenue until earned.

ZEITERION THEATRE, INC.

Notes to Financial Statements

1. Organization and summary of significant accounting policies - continued:

Revenue recognition:

The Organization records performance ticket revenues in the period that the performance is scheduled consistent with the contract for service. Membership revenue is recognized in the month that the membership is paid and is not refundable. Grant revenue is recognized in the period the Organization incurs reimbursable program expenditures.

In-kind contribution:

Contributions of goods and services are recognized when provided by individuals or organizations whose specialized skills would need to be purchased if not provided by donation or would create or enhance long-lived assets. Such skills include professional services. Contributed goods and services are reflected as contributions at their estimated fair market value at date of receipt if an objective basis exists for recording and assigning value to such donations.

Advertising and promotional expense:

The Organization reports advertising and promotional costs as incurred. Advertising and promotional expense for the years ended May 31, 2015 and 2014 totaled \$151,284 and \$218,513, respectively.

Subsequent events:

Subsequent events are transactions or events that occur after the Statement of Financial Position date, but before the financial statements are issued or available to be issued. The Organization has evaluated subsequent events through September 15, 2015 which is the date the financial statements were available to be issued.

ZEITERION THEATRE, INC.

Notes to Financial Statements

2. Pledges receivable:

Pledges receivable as of May 31 are presented as unrestricted revenue and other support unless the donor's stipulations have not been met during the current fiscal year. The following schedule summarizes pledges receivable as of May 31:

	<u>2015</u>	<u>2014</u>
Within one year	\$ 14,290	\$ 12,930
From one to five years	-	13,100
From six to ten years	-	400
	<u>14,290</u>	<u>26,430</u>
Less: discount to net present value	-	(1,546)
Less: allowance for uncollectible pledges	-	(700)
Net pledges receivable	<u>\$ 14,290</u>	<u>\$ 24,184</u>

The following schedule summarizes the classification of pledges receivable on the Statement of Financial Position as of May 31:

	<u>2015</u>	<u>2014</u>
Current portion of pledges receivable	\$ 14,290	\$ 12,930
Pledges receivable, long-term	-	11,254
Total pledges receivable	<u>\$ 14,290</u>	<u>\$ 24,184</u>

Pledges receivable are made primarily by individuals located throughout Southeastern Massachusetts and are reflected at the present value of estimated future cash flows using a risk adjusted discount rate of between three and one quarter percent (3.25%) and five and one quarter percent (5.25%).

The Organization wrote-off all outstanding pledges receivable due in more than one (1) year at May 31, 2015 after an extensive evaluation of the collectability of the receivables.

ZEITERION THEATRE, INC.

Notes to Financial Statements

3. **Property and equipment:**

Property and equipment consisted of the following at May 31:

	<u>2015</u>	<u>2014</u>
Leasehold improvements	\$ 725,388	\$ 669,388
Equipment	172,525	166,494
Furniture and fixtures	18,912	18,912
Equipment under capital lease	<u>34,483</u>	<u>15,652</u>
	951,308	870,446
Less: accumulated depreciation	<u>(517,425)</u>	<u>(504,914)</u>
Property and equipment, net	<u>\$ 433,883</u>	<u>\$ 365,532</u>

Depreciation expense for the years ended May 31, 2015 and 2014 was \$28,163 and \$28,500, respectively.

4. **Accrued expenses:**

Accrued expenses consisted of the following as of May 31:

	<u>2015</u>	<u>2014</u>
Accrued wages and related taxes	\$ 14,195	\$ 9,981
Other accrued expenses	<u>6,117</u>	<u>2,848</u>
Total accrued expenses	<u>\$ 20,312</u>	<u>\$ 12,829</u>

5. **Deferred revenue:**

Deferred revenue consisted of the following as of May 31:

	<u>2015</u>	<u>2014</u>
Gift certificates	\$ 45,710	\$ 58,924
Advance ticket sales	277,877	223,897
Advance rental and other receipts	<u>14,956</u>	<u>31,004</u>
Total deferred revenue	<u>\$ 338,543</u>	<u>\$ 313,825</u>

ZEITERION THEATRE, INC.

Notes to Financial Statements

6. Note payable – line of credit:

The Organization maintains a demand note payable with a financial institution with a maximum line-of-credit availability of \$200,000. The note bears interest at the bank's variable prime lending rate minus one percent (1%) on the outstanding balance (two and one quarter percent (2.25%) at May 31, 2015 and 2014). Substantially all of the assets of the Organization have been pledged as collateral for the demand note payable. The outstanding balance at May 31, 2015 and 2014 was \$18,905 and \$78,000, respectively. Interest expense for the years ended May 31, 2015 and 2014 totaled \$1,035 and \$2,595, respectively. The loan agreement contains a provision whereby the Organization is required to pay down the loan to no more than forty percent (40%) of the available balance for at least thirty (30) days annually.

7. Equipment under capital lease:

The Organization leased office equipment under a capital lease agreement which expired in August 2014. Lease payments were \$221 per month. The Organization had the option to purchase the equipment at the end of the lease for fair market value which it did not elect.

The Organization leases office equipment under a capital lease agreement which expires in November 2019. Lease payments are \$750 per month. The Organization has the option to purchase the equipment at the end of the lease for fair market value. The monthly payment is shared by two (2) unrelated not-for-profit organizations that share the equipment and are responsible to the Organization for \$500 per month for the term of the lease agreement.

Leased equipment included in property and equipment totaled \$34,483 and \$15,652 at May 31, 2015 and 2014, respectively. Accumulated depreciation totaled \$3,448 and \$15,652 at May 31, 2015 and 2014, respectively. Depreciation expense on the leased equipment is included with depreciation for other long-lived assets and totaled \$3,448 and \$3,132 for the years ended May 31, 2015 and 2014, respectively. Interest expense on the leased equipment totaled \$2,136 and \$142 for the years ended May 31, 2015 and 2014, respectively.

Future minimum lease payments for the remainder of the lease term and in the aggregate, together with the present value of the net minimum lease payments are as follows:

<u>May 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 5,836	\$ 3,161	\$ 8,997
2017	6,511	2,486	8,997
2018	7,264	1,733	8,997
2019	8,105	892	8,997
2020	<u>3,647</u>	<u>101</u>	<u>3,748</u>
Total net minimum lease payments	<u>\$ 31,363</u>	<u>\$ 8,373</u>	<u>\$ 39,736</u>

ZEITERION THEATRE, INC.

Notes to Financial Statements

8. Temporarily restricted net assets:

The Organization has recognized revenue related to grants and contributions that are restricted as to purpose or the expiration of time. The following is a detail of the nature of the restriction on net assets at May 31:

	<u>2015</u>	<u>2014</u>
Restricted for time	\$ -	\$ 11,254
Restricted for program specific expenditures	<u>25,000</u>	<u>7,500</u>
Total temporarily restricted net assets	<u>\$ 25,000</u>	<u>\$ 18,754</u>

Releases from restrictions consisted of the following for the years ended May 31:

	<u>2015</u>	<u>2014</u>
Released for program purposes	\$ 7,500	\$ 7,500
Release for time period for use	<u>11,254</u>	<u>11,758</u>
Total releases from restrictions	<u>\$ 18,754</u>	<u>\$ 19,258</u>

9. Operating lease commitments:

The Organization leases credit card processing equipment which provides for monthly payments of \$564 for thirty (36) months beginning September 16, 2014.

Minimum future lease payments under all of the leases above, for the remainder of the lease term outstanding and in the aggregate, as of May 31, 2015, are as follows:

May 31,

2016	\$ 6,768
2017	6,768
2018	<u>2,256</u>
Total future minimum lease payments	<u>\$ 15,792</u>

Lease expense for the years ended May 31, 2015 and 2014 totaled \$4,512 and \$-, respectively.

ZEITERION THEATRE, INC.

Notes to Financial Statements

10. Facility management agreement:

The Organization manages the performance facility and supporting offices for the City of New Bedford, Massachusetts (hereinafter “City”) in exchange for the use of the facility. The Organization is responsible for routine repairs, maintenance and cleaning of the facility. In exchange for the facility management services provided and the provision of certain educational programming to New Bedford school age children, the City supports the remaining facility costs. The management agreement has been in place for more than twenty (20) years with similar terms. The fair market value for the use of the performance facility was estimated to be \$42,000 and \$100,000 for the year ended May 31, 2015 and 2014, respectively.

In December 2013, in recognition of the significant property management services of the performance facility that the Organization provides on behalf of the City, the City provided funding in the amount of \$30,000 per month. This informal agreement provided for continuing support while the City gathered formal competitive bids from interested parties and awarded a formal contract. On May 27, 2014, the City accepted the Organization’s bid to manage the performance facility on a go-forward basis. The City entered into a management contract from July 1, 2014 through June 30, 2017 for the management of the theater operations for a monthly fee of \$15,000 for year one of the contract, \$16,250 for year two and \$17,500 for year three with a total contract value of \$585,000. The management income is included as a component of Public Agency Support on the Statement of Activities.

11. Significant contracts:

The Organization contracts with local not-for-profit organizations to allow the use of the performance facility for their events. The typical contract provisions include specific rental dates totaling less than fifteen (15) dates throughout the year, a daily rental fee, a box office processing fee and daily or hourly fees for the use of the Organization’s staff and equipment. The duration of these contracts is less than one (1) year and may be in effect for periods after May 31, 2015.

The Organization contracts with local, national and international performers for future performances. The duration of these contracts is typically for a limited number of performances, may represent significant financial commitments individually and in total, and may be in effect for periods after May 31, 2015.

Grants receivable outstanding from one (1) governmental agency represents approximately sixty-five percent (65%) of total receivables at May 31, 2014.

ZEITERION THEATRE, INC.

Notes to Financial Statements

12. Contributed goods and services:

The Organization recognizes contribution revenue for certain goods and services received at fair value. These goods and services include the following items for the years ended May 31:

	<u>2015</u>	<u>2014</u>
Performance facility usage	\$ 42,000	\$ 100,000
Printing and publications	-	3,000
Hospitality services	5,500	17,500
Radio promotional spots	20,000	35,000
Promotional activities	25,100	16,100
Concessions	19,000	15,000
Production support	24,000	19,000
Administration and general	<u>500</u>	<u>15,000</u>
Total contributed goods and services	<u>\$ 136,100</u>	<u>\$ 220,600</u>

13. Related party transactions:

The Organization receives significant support from four (4) members of the Board of Directors of the Organization and received \$60,000 and \$173,500 in support for the years ended May 31, 2015 and 2014, respectively.

14. Tax deferred savings plan:

Beginning in fiscal 2015, the Organization offers a tax deferred savings plan (Savings Incentive Match Plan for Employees IRA) (hereinafter "Plan") which qualifies under Internal Revenue Code Sections 408(b) and 408(p). Participants can contribute to fully vested individual tax deferred savings accounts. Employees are allowed to contribute contributions to the plan up to the maximum allowed by law which are matched dollar for dollar up to three percent (3%) of eligible compensation. The Plan covers substantially all employees who work more than thirty (30) hours per week. Prior to fiscal 2015, the Organization offered a tax deferred savings plan which qualified under Internal Revenue Code Section 403(b) until terminated. The Organization's annual contribution to the former 403(b) plan was discretionary and full vesting occurred when the employee had worked a minimum number of years for the Organization. For the years ended May 31, 2015 and 2014, the Organization made contributions totaling \$15,269 and \$- to the Plan, respectively.

15. Concentrations of credit and economic risk:

The Organization maintains its cash deposits at three (3) financial institutions. The Organization has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents which may, at times, exceed federally insured limits. At May 31, 2015 and 2014, there were no uninsured cash balances.

ZEITERION THEATRE, INC.

Notes to Financial Statements

16. Effect of new accounting pronouncements:

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This standard enhances the comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets and for disclosing information about the nature, amount, timing and uncertainty of revenue that is recognized in accordance with U.S. generally accepted accounting principles (GAAP) and International Financial Reporting Standards (IFRS). ASU No. 2014-09, as amended by ASU No. 2015-14, *Revenue from Contracts with Customers- Deferral of Effective Date*, is effective for the Organization's year ending May 31, 2020 and is not expected to have a material impact on the Organization's financial statements.

In January 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-01, *Income Statement – Extraordinary and Unusual Items (Subtopic 225-20)*, *Simplifying the Income Statement Presentation By Eliminating the Concept of Extraordinary Items*. This update is intended to simplify the income statement presentation by eliminating the concept of extraordinary items. Extraordinary items are events and transactions that are distinguished by their unusual nature and by the infrequency of their occurrence. Eliminating the extraordinary classification simplifies the income statement presentation by altogether removing the concept of extraordinary items from consideration. ASU No. 2015-01 is effective for the Organization's year ending May 31, 2017 and is not expected to have a material impact on the Organization's financial statements.

In April 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-03, *Interest – Imputation of Interest (Subtopic 835-30)*, *Simplifying the Presentation of Debt Issuance Costs*. This update is intended to simplify the presentation of debt issuance costs. This update requires debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability. ASU No. 2015-03 is effective for the Organization's year ending May 31, 2017 and is not expected to have a material impact on the Organization's financial statements.

Other recent accounting pronouncements issued by the Financial Accounting Standards Board (FASB) did not or are not believed by management to have a material impact on the Organization's present or future financial statements.