Main Street Theater

Financial Statements

For the Fiscal Years Ended August 31, 2013 and 2012

CONTENTS

Briggs & Veselka Co.
A PROFESSIONAL CORPORATION
Certified Public Accountants and Business Advisors

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Main Street Theater
Houston, Texas

We have audited the accompanying statements of financial position of Main Street Theater (a Texas nonprofit organization) as of August 31, 2013 and 2012, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the fiscal 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.

Auditors' 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 auditors' 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 of
Main Street Theater
Re: Independent Auditors' Report

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Main Street Theater as of August 31, 2013 and 2012, and the changes in its net assets and its cash flows for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

Briggs & Veselka Co.

Briggs & Veselka Co.
Houston, Texas

January 14, 2014

MAIN STREET THEATER
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2013 AND 2012

	2013	2012
ASSETS		
Current assets		
Cash and cash equivalents	**$ 23,996**	$ 33,732
Restricted cash	**417,677**	35,588
Contributions receivable	**158,250**	511,182
Contributions receivable – related party	**59,442**	-
Prepaid expenses	**59,142**	48,576
Total current assets	**718,507**	629,078
Property and equipment, net	**1,381,823**	93,949
Investments, at fair value	**42,351**	36,976
Deposits	**13,398**	12,969
TOTAL ASSETS	**$ 2,156,079**	$ 772,972
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	**$ 16,260**	$ 30,167
Accrued expenses	**4,324**	4,923
Deferred revenue – deposits/prepayments	**86,089**	75,521
Deferred revenue – tuition	**19,577**	29,031
Current portion of capital lease obligations	**-**	1,792
Total current liabilities	**126,250**	141,434
Notes payable	**835,000**	-
Total liabilities	**961,250**	141,434
Net assets (deficit)		
Unrestricted	**517,198**	(24,708)
Temporarily restricted	**647,631**	626,246
Permanently restricted	**30,000**	30,000
Total net assets	**1,194,829**	631,538
TOTAL LIABILITIES AND NET ASSETS	**$ 2,156,079**	$ 772,972

The accompanying notes are an integral part of these financial statements.

MAIN STREET THEATER
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Assets
Public support and revenues				
Contributions and donations	$ 364,776	$ 95,000	$ -	$ 459,776
Capital campaign contributions	-	505,192	-	505,192
Government grants	59,332	-	-	59,332
Special events	14,460	-	-	14,460
Less: costs of direct benefit to donors	-	-	-	-
Admissions	852,788	-	-	852,788
Workshop and other program service fees	421,382	-	-	421,382
Unrealized gain on investments	-	5,375	-	5,375
Other revenues	79,569	-	-	79,569
Total public support and revenues	1,792,307	605,567	-	2,397,874
Releases from temporary restrictions	584,182	(584,182)	-	-
Total public support, revenues and releases from temporary restrictions	2,376,489	21,385	-	2,397,874
Expenses				
Program services	1,579,370	-	-	1,579,370
Management and general	207,628	-	-	207,628
Fund-raising and special events	47,585	-	-	47,585
Total expenses	1,834,583	-	-	1,834,583
Change in net assets	541,906	21,385	-	563,291
Net assets (deficit), beginning of year	(24,708)	626,246	30,000	631,538
NET ASSETS, END OF YEAR	$ 517,198	$ 647,631	$ 30,000	$ 1,194,829

The accompanying notes are an integral part of these financial statements.

MAIN STREET THEATER
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Assets
Public support and revenues				
Contributions and donations	$ 351,788	$ 2,000	$ -	$ 353,788
Government grants	80,832	-	-	80,832
Special events	93,547	-	-	93,547
Less: costs of direct benefit to donors	(9,100)	-	-	(9,100)
Admissions	975,488	-	-	975,488
Workshop and other program service fees	447,734	-	-	447,734
Unrealized gain on investments		4,020	-	4,020
Other revenues	44,205	-	-	44,205
Total public support and revenues	1,984,494	6,020	-	1,990,514
Releases from temporary restrictions	940	(940)	-	-
Total public support, revenues and releases from temporary restrictions	1,985,434	5,080	-	1,990,514
Expenses				
Program services	1,693,542	-	-	1,693,542
Management and general	122,994	-	-	122,994
Fund-raising and special events	64,794	-	-	64,794
Total expenses	1,881,330	-	-	1,881,330
Change in net assets	104,104	5,080	-	109,184
Net assets (deficit), beginning of year	(128,812)	621,166	30,000	522,354
NET ASSETS (DEFICIT), END OF YEAR	$ (24,708)	$ 626,246	$ 30,000	$ 631,538

The accompanying notes are an integral part of these financial statements.

MAIN STREET THEATER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEAR ENDED AUGUST 31, 2013

	Program Services	Management and General	Fund-Raising and Special Events	Total Expenses
Expenses				
Salaries and benefits	$ 453,483	$ 60,207	$ 29,755	$ 543,445
Payroll taxes	3,453	33,479	207	37,139
Contract labor	530,968	-	-	530,968
Accounting	-	16,671	-	16,671
Advertising costs	36,435	-	667	37,102
Royalties	70,707	-	-	70,707
Production expenses	74,912	-	-	74,912
Postage	46,568	1,399	5,095	53,062
Printing	36,452	828	4,477	41,757
Repairs	6,638	-	-	6,638
Utilities	20,700	4,106	-	24,806
Rent	218,543	11,900	-	230,443
Equipment rental	-	4,845	-	4,845
Telephone	8,745	2,000	-	10,745
Supplies	6,535	3,820	1,621	11,976
Insurance	7,017	9,387	-	16,404
Depreciation	48,907	-	-	48,907
Bank charges	-	129	-	129
Miscellaneous	6,660	10,127	-	16,787
Interest expense	-	20,000	-	20,000
Credit card fees	-	28,730	-	28,730
Concessions expense	2,647	-	-	2,647
Special events	-	-	5,763	5,763
TOTAL EXPENSES	$ 1,579,370	$ 207,628	$ 47,585	$ 1,834,583

The accompanying notes are an integral part of these financial statements.

MAIN STREET THEATER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEAR ENDED AUGUST 31, 2012

	Program Services	Management and General	Fund-Raising and Special Events	Total Expenses
Expenses				
Salaries and benefits	$ 532,075	$ 56,000	$ 32,500	$ 620,575
Payroll taxes	37,147	4,060	2,356	43,563
Contract labor	473,723	-	-	473,723
Accounting	-	14,819	-	14,819
Advertising costs	59,977	-	381	60,358
Royalties	86,471	-	-	86,471
Production expenses	74,101	-	-	74,101
Postage	38,507	1,921	2,401	42,829
Printing	40,902	-	2,541	43,443
Repairs	7,051	-	-	7,051
Utilities	21,239	1,100	500	22,839
Rent	239,953	10,800	-	250,753
Equipment rental	2,499	3,000	-	5,499
Telephone	8,702	900	500	10,102
Supplies	5,917	4,239	880	11,036
Insurance	11,255	-	-	11,255
Depreciation	16,517	-	-	16,517
Bank charges	-	151	-	151
Miscellaneous	7,287	1,732	-	9,019
Credit card fees	-	24,272	-	24,272
Concessions expense	30,219	-	-	30,219
Special events	-	-	22,735	22,735
TOTAL EXPENSES	$ 1,693,542	$ 122,994	$ 64,794	$ 1,881,330

The accompanying notes are an integral part of these financial statements.

MAIN STREET THEATER
STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED AUGUST 31, 2013 AND 2012

	2013	2012
Cash flows from operating activities		
Change in net assets	**$ 563,291**	$ 109,184
Adjustments to reconcile net change in net assets to net cash from operating activities:		
Depreciation	**48,907**	16,517
Unrealized gain on investments	**(5,375)**	(4,020)
Changes in operating assets and liabilities:		
Contributions receivable	**293,490**	(3,182)
Prepaid expenses	**(10,566)**	(3,602)
Accounts payable	**(13,907)**	(2,060)
Accrued expenses	**(599)**	4,923
Deferred revenue – deposits/prepayments	**10,568**	(17,388)
Deferred revenue – tuition	**(9,454)**	(12,603)
Net cash from operating activities	**876,355**	87,769
Cash flows from investing activities		
Cash restricted for capital campaign	**(382,089)**	8,855
Purchases of property and equipment	**(1,336,781)**	(53,978)
Deposits	**(429)**	(1,364)
Net cash from investing activities	**(1,719,299)**	(46,487)
Cash flows from financing activities		
Proceeds (repayments) on loans	**835,000**	(49,295)
Proceeds from redemption of certificate of deposit	**-**	4,000
Payments on capital lease obligations	**(1,792)**	(2,500)
Net cash from financing activities	**833,208**	(47,795)
Net change in cash and cash equivalents	**(9,736)**	(6,513)
Cash and cash equivalents, beginning of year	**33,732**	40,245
Cash and cash equivalents, end of year	**$ 23,996**	$ 33,732
Supplemental disclosure of cash flow information:		
Cash paid for interest	**$ 21,652**	$ 1,750

The accompanying notes are an integral part of these financial statements.

NOTE 1 – ORGANIZATION, NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Main Street Theater (the "Organization") is a nonprofit theatrical organization located in Houston, Texas. Main Street Theater was organized in 1975 to provide a wide variety of dramatic literature and theatrical innovation. In addition, the Organization provides an opportunity for artists living in the Houston area to showcase and develop their talents. The Organization's primary sources of revenue are from program service fees (admissions and workshop fees), contributions, grants and special events.

Financial Statement Presentation – The Organization presents its financial statements under accounting guidance for *Not for Profit Organizations* and in accordance with accounting principles generally accepted in the United States of America (GAAP). Under this guidance, the Organization is required to report information regarding its financial position and activities according to three classes of net assets as follows:

- **Unrestricted Net Assets** – Net assets that are not subject to donor-imposed restrictions.

- **Temporarily Restricted Net Assets** – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

- **Permanently Restricted Net Assets** – Net assets subject to donor-imposed stipulations that they be maintained permanently on behalf of the Organization.

Use of Estimates – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents – The Organization considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents for purposes of the statements of cash flows exclude restricted cash and cash equivalents, if any.

Allowance for Doubtful Accounts – The Organization believes all balances included in contributions receivable are fully collectible. As such, no provision has been made for bad debts.

Property and Equipment – Property and equipment is recorded at cost or at estimated value at the date of gift, if donated. Property and equipment additions equal to or in excess of $1,000 are capitalized. Depreciation is computed on a straight-line basis over the estimated useful life of the assets. Leasehold improvements are being amortized over the shorter of the lease term or useful life.

Investments and Investment Return – Investments consist primarily of money market and mutual funds and are recorded at fair value. Investment return includes interest income and unrealized gains and losses on investments.

Deferred Revenues – Advance ticket sales for the following fiscal year are recognized as deferred revenues at the time of collection. The portion of the sales that relates to each production are recognized as revenue in the period the production is presented. If scheduled productions are cancelled and not replaced by another production, the advance ticket sales related to the production may be subject to refund to the ticket holders.

Advance class registrations are recognized as program deposits at the time of collection. These deposits are recognized as revenues in the period the class is conducted.

Contributions – In accordance with accounting guidance for *Revenue Recognition*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of donor restrictions. Contributions are recognized as an increase to unrestricted net assets when the donor makes a promise to give to the Organization that is, in substance, unconditional. Support that is restricted by the donor is reported as an increase in unrestricted assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as temporarily restricted or permanently restricted support when received. Temporarily restricted support is reclassified to unrestricted net assets upon expiration of the restriction.

In-Kind Support and Donated Services – The Organization records various types of in-kind support including property and equipment. Contributions of tangible assets are recognized at fair market value when received. The Organization also receives donated professional services and donated time to help with fundraising, program activities, special projects, and clerical and office work.

Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically be purchased if not provided by donations.

Amounts for these services have not been recognized in the accompanying statements of activities and changes in net assets because the criteria for recognition have not been satisfied.

Allocation of Functional Expenses – The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising – Advertising costs are expensed as incurred. For the fiscal years ended August 31, 2013 and 2012, advertising costs were $37,102 and $60,358, respectively.

Income Tax Status – The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes is made in these financial statements.

Fair Value Measurements – Under accounting guidance for *Fair Value Measurements*, fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The guidance includes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value:

- **Level 1 –** Quoted prices in active markets for identical assets or liabilities. An active market is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

- **Level 2 –** Inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities that are not active; or other inputs that are observable or can be corroborated by observable market data.

- **Level 3** – Significant unobservable inputs that are supported by little or no market activity.

At August 31, 2013 and 2012, the Organization has Level 1 and Level 2 investments which are measured at fair value on a recurring basis (*see Note 4*).

Reclassifications – Certain reclassifications have been made to the prior year to conform to the current year presentation.

Recent Accounting Pronouncements – The Organization has implemented all new accounting pronouncements and does not believe that there are any other new accounting pronouncements that have been issued that may have a material impact on its financial statements.

NOTE 2 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of unrestricted promises to give of $95,000 and $11,182 as of August 31, 2013 and 2012, respectively.

Promises to give temporarily restricted for the Organization's capital campaign (see *Note 10*) consisted of $122,692 and $500,000 at August 31, 2013 and 2012, respectively.

Contributions are largely expected to be collected within one year with approximately $20,000 expected to be collected in two to five years. A discount to net present value has not been recorded due to its insignificance.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of August 31, 2013 and 2012:

	2013	2012
Land	**$ 216,000**	$ -
Buildings	**1,130,159**	-
Furniture, fixtures and equipment	**63,184**	40,881
Leasehold improvements	**141,499**	248,993
	1,550,842	289,874
Less: accumulated depreciation	**(169,019)**	(227,606)
	1,381,823	62,268
Prepaid leasehold construction	**-**	19,826
Prepaid building acquisition costs	**-**	11,855
Total property and equipment, net	**$ 1,381,823**	$ 93,949

Depreciation expense totaled $48,907 and $16,517 during the fiscal years ended August 31 2013 and 2012, respectively.

Land and buildings secure outstanding notes payable as described in *Note 6*.

NOTE 4 – INVESTMENTS

As described in *Note 1*, the Organization measures its investments at fair value. Investments include amounts restricted for the Saunders Endowment Fund as described in *Note 8.* Fair values of assets measured on a recurring basis at August 31, 2013 and 2012 are summarized below:

	August 31, 2013			
	Level 1	Level 2	Level 3	Fair Value
Money market funds for long-term investment	**$ 7,248**	**$ -**	**$ -**	**$ 7,248**
Mutual funds – corporate stocks	**-**	**35,103**	**-**	**35,103**
Totals	**$ 7,248**	**$ 35,103**	**$ -**	**$ 42,351**

	August 31, 2012			
	Level 1	Level 2	Level 3	Fair Value
Money market funds for long-term investment	$ 7,323	$ -	$ -	$ 7,323
Mutual funds – corporate stocks	-	29,653	-	29,653
Totals	$ 7,323	$ 29,653	$ -	$ 36,976

In general, and where applicable, the Organization uses quoted prices in active markets for identical assets to determine fair value. This pricing methodology applies to Level 1 financial assets which consisted of money market funds at August 31, 2013 and 2012. If quoted prices in active markets for identical assets are not available to determine fair value, then quoted prices for similar assets or inputs other than the quoted prices that are observable, either directly or indirectly, are used. These investments are included in Level 2 and consist of mutual funds.

Unrealized appreciation of investments at August 31, 2013 and 2012 are summarized below:

	2013		
	Cost	Fair Value	Appreciation
Money market funds for long-term investment	**$ 7,248**	**$ 7,248**	**$ -**
Mutual funds – corporate stocks	**20,000**	**35,103**	**15,103**
Totals	**$ 27,248**	**$ 42,351**	**$ 15,103**

	2012		
	Cost	Fair Value	Appreciation
Money market funds for long-term investment	$ 7,323	$ 7,323	$ -
Mutual funds – corporate stocks	20,000	29,653	9,653
Totals	$ 27,323	$ 36,976	$ 9,653

The following schedule summarizes the investment return which is reported in investment gain in the statements of activities and changes in net assets for the fiscal years ended August 31, 2013 and 2012:

	2013			
	Unrestricted	Temporarily	Restricted	Total
Total unrealized gain on investments	**$ -**	**$ 5,375**	**$ -**	**$ 5,375**

	2012			
	Unrestricted	Temporarily	Restricted	Total
Total unrealized gain on investments	$ -	$ 4,020	$ -	$ 4,020

NOTE 5 – REVOLVING LINE OF CREDIT

The Organization has available a revolving line of credit with a bank for the principal amount of $50,000 which is used for seasonal working capital purposes. The line of credit will continue until termination of the account, and the obligation will remain in effect until the Organization has paid all amounts due. The Board of Directors requires that the line be paid down to a zero balance for at least four weeks each year. Borrowings under the line of credit bear interest at the current index plus 5.5% (8.75% at August 31, 2013 and 2012). The credit line is not secured by the Organization's assets. There was no outstanding line of credit at August 31, 2013 or 2012. Interest expense, which is recorded in management and general expense related to the line of credit and other payables of $1,652 and $1,750 was incurred during the fiscal years ended August 31, 2013 and 2012, respectively.

NOTE 6 – NOTES PAYABLE

Notes payable at August 31, 2013 and 2012 consists of the following:

	2013	2012
Mortgage note payable dated November 30, 2012 to a third-party with interest at 5%, and monthly interest only payments maturing December 1, 2017, collateralized by a certain theater and land.	**$ 600,000**	$ -
Mortgage note payable dated August 12, 2013 to a third-party with interest at 5%, and monthly interest only payments maturing August 12, 2018, collateralized by a certain theater.	**235,000**	-
Total notes payable	**$ 835,000**	$ -

Interest expense related to the above notes payable is recorded in management and general expense and amounted to $20,000 and $-0- for the fiscal years ended August 31, 2013 and 2012, respectively.

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

At August 31, 2013 and 2012, the Organization had $647,631 and $626,246, respectively, in temporarily restricted net assets to be used primarily for the purchase and renovation of a building as further described in *Note 10*.

In addition, with respect to these temporarily restricted net assets, the Organization has set aside restricted cash of $417,677 and $35,588 at August 31, 2013 and 2012, respectively.

At September 1, 2011, unrestricted net assets of $2,956 were reclassified to temporarily restricted net assets to appropriately account for gains on endowed investments as temporarily restricted until appropriated for expenditure in accordance with Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA) as further described in *Note 8*. At August 31, 2013 and 2012, $12,351 and $6,976, respectively, of unappropriated gains on endowed investments were included in temporarily restricted net assets.

NOTE 8 – PERMANENTLY RESTRICTED NET ASSETS – ENDOWMENT FUNDS

The Organization received permanently restricted contributions as follows for the Saunders Endowment Fund:

November 1998	$ 10,000
December 2000	10,000
November 2001	10,000
Total permanently restricted net assets at August 31, 2013 and 2012	$ 30,000

The Saunders Endowment Fund is on deposit with a financial services firm in Houston Texas and is invested in a money market account and a mutual fund account (*see Note 4*). As required by GAAP, net assets associated with the Saunders Endowment Fund are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law – The Board of Directors of the Organization has interpreted the TUPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by TUPMIFA. In accordance with TUPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purpose of the Organization and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Organization; and
- The investment policies of the Organization.

Endowment net assets composition by type of fund as of August 31, 2013 and 2012 consist of the following:

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	**$ -**	**$ 12,351**	**$ 30,000**	**$ 42,351**
Board-designated endowment funds	**-**	**-**	**-**	**-**
Total funds	**$ -**	**$ 12,351**	**$ 30,000**	**$ 42,351**

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 6,976	$ 30,000	$ 36,976
Board-designated endowment funds	-	-	-	-
Total funds	$ -	$ 6,976	$ 30,000	$ 36,976

Changes in endowment net assets for the fiscal years ended August 31, 2013 and 2012 include:

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	**$ -**	**$ 6,976**	**$ 30,000**	**$ 36,976**
Investment income net appreciation (realized and unrealized)	**-**	**5,375**	**-**	**5,375**
Total investment return	**-**	**5,375**	**-**	**5,375**
Endowment net assets, end of year	**$ -**	**$ 12,351**	**$ 30,000**	**$ 42,351**

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ 2,956	$ 30,000	$ 32,956
Investment income net appreciation (realized and unrealized)	-	4,020	-	4,020
Total investment return (loss)	-	4,020	-	4,020
Endowment net assets, end of year	$ -	$ 6,976	$ 30,000	$ 36,976

Description of amounts classified as permanently restricted net assets and temporarily restricted net assets (endowments only):

	2013	2012
Permanently restricted net assets		
(1) The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by TUPMIFA	**$ 30,000**	$ 30,000
Total endowment funds classified as permanently restricted net assets	**$ 30,000**	$ 30,000

Funds With Deficiencies – The fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or TUPMIFA requires the Organization to retain as a fund of perpetual duration. These deficiencies may result from unfavorable market fluctuations. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. There were no deficiencies as of August 31, 2013 and 2012.

Return Objectives and Risk Parameters – The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for donor-specified periods as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that meet or exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk.

The Organization expects its endowment funds, over time, to provide an average rate of return of approximately 6% to 8% annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives – To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy – The Organization has a policy of appropriating funds for distribution only when the donor-restricted endowment exceeds the original endowment by 10%. In establishing this policy, the Organization considered the long-term expected return on its endowment. This is consistent with the Organization's objectives to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

NOTE 9 – LEASES

The Organization leases storage space under a noncancelable operating lease agreement requiring monthly payments of $2,550 through July 2015. Additionally, the Organization leases month-to-month theater and office space for $12,675 and $900, respectively. The Organization also leases office equipment under various noncancelable operating lease agreements.

The following is a schedule of future minimum rental payments required under these operating leases that have initial or remaining noncancelable lease terms in excess of one year as of August 31, 2013:

For the Fiscal Year Ending August 31,	Amount
2014	$ 34,008
2015	31,032
Total	$ 65,040

The Organization recognized $230,443and $256,252 in rental expense for the fiscal years ended August 31, 2013 and 2012, respectively.

The Organization leases a copier under a capital lease. The lease agreement contains a bargain purchase option at the end of the lease term. The following is an analysis of the leased asset included in property and equipment as of August 31, 2013:

Office and computer equipment	$ 7,304
Less: accumulated depreciation	(7,304)
Total	$ -

Amortization of assets held under capital leases is included with depreciation expense.

The final capital lease payment of $1,851, which includes $59 interest, was paid in fiscal year 2013.

NOTE 10 – CAPITAL CAMPAIGN

In fiscal year 2008, the Organization's Board of Directors approved a capital campaign to fund the purchase and renovation of the theater building on Times Boulevard (the "Times Theater") and in fiscal year 2013, the Organization purchased from and partially financed the Times Theater with the property's two owners (*Note 6* discusses financing arrangements). Through August 31, 2013, the Organization has raised $1,122,462 of which $582,182 has been expended, primarily for down payments on the purchase of the Times Theater.

The estimated remaining cost of servicing the notes payable of $825,000 and renovating the Times Theater is approximately $2,500,000. The renovations are expected to be completed in phases as donations are received for the capital campaign. Management expects that the campaign will be successful and completed as planned such that all capital contributions received and pledged will be used for their intended purpose. The Organization acquired the services of a capital campaign consultant to assist with raising the funds, and expenses associated with the capital campaign were $5,733 and $-0- for the fiscal years ended August 31, 2013 and 2012, respectively.

Additionally, the Organization has received a commitment to fund an additional $250,000 that is contingent upon the Organization raising the balance of funds needed to satisfy the debt obligations and renovate the theater building. The commitment is considered a conditional promise to give, and is not recorded in the statement of financial position and will not be recognized until the conditions are substantially met.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Restricted contributions and grants require the fulfillment of certain conditions as set forth by the contributor or grantor. Failure to fulfill the conditions could result in the return of the funds to contributors or grantors. Although that is a possibility, the Board deems the contingency remote since, by accepting the gifts and their restrictions, it has accommodated the objectives of the Organization to the provisions of the gifts.

NOTE 12 – CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash investments and money market funds. The Organization maintains its cash balances in financial institutions, which at times exceed the amount insured by the Federal Deposit Insurance Corporation (FDIC). Management periodically assesses the financial condition of the financial institutions and believes that any possible credit risk is minimal. The mutual funds, with a balance of $35,103 and $29,653 at August 31, 2013 and 2012, respectively, are not insured.

Due to the level of risk associated with the mutual fund investments, it is at least reasonably possible that changes in the value of mutual fund investments will occur in the near term, and such changes could materially affect the amounts reported in the Organization’s financial statements.

NOTE 13 – RELATED PARTY TRANSACTIONS

During the fiscal year ended August 31, 2013, members of the Organization’s Board of Directors provided support for the Organization’s capital campaign by donating cash contributions of $23,483. At August 31, 2013, an additional $59,442 was pledged by the Organization’s Board of Directors and is reported as contributions receivable – related party.

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 14, 2014, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.