METRO THEATER COMPANY

FINANCIAL STATEMENTS

JUNE 30, 2013

(with comparative totals for 2012)

METRO THEATER COMPANY
JUNE 30, 2013

CONTENTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Metro Theater Company

We have audited the accompanying financial statements of Metro Theater Company (the Organization), a not-for-profit organization, which comprise the statement of financial position as of June 30, 2013, 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.

Auditor's 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 or 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 of 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.

Members of the American Institute of Certified Public Accountants, the Missouri Society of Certified Public Accountants, and the Private Company Practice Section of the American Institute of Certified Public Accountants.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Metro Theater Company as of June 30, 2013, and the changes in its net assets and 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 Metro Theater Company's 2012 financial statements, and our report dated October 26, 2012, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Disclaimer of Opinion on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Bergman, Schraier & Co., P.C.

St. Louis, Missouri
February 13, 2014

METRO THEATER COMPANY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012

ASSETS

	2013	2012
CURRENT ASSETS		
Cash and equivalents	$ 298,332	$ 293,839
Escrowed funds	-	219,090
Accounts receivable	17,630	5,530
Promises to give - current	161,704	110,201
Prepaid expenses and other assets	10,773	13,325
Total Current Assets	488,439	641,985
PROMISES TO GIVE - LONG TERM	43,800	2,600
EQUIPMENT AND IMPROVEMENTS, NET	285,471	29,023
TOTAL ASSETS	$ 817,710	$ 673,608

LIABILITIES AND NET ASSETS

	2013	2012
CURRENT LIABILITIES		
Accounts payable	$ 16,937	$ 2,007
Deferred revenue	20,078	17,195
Total Current Liabilities	37,015	19,202
NET ASSETS		
Unrestricted:		
Board designated	335,016	334,999
Undesignated	42,074	51,322
Total Unrestricted	377,090	386,321
Temporarily restricted	403,605	268,085
Total Net Assets	780,695	654,406
TOTAL LIABILITIES AND NET ASSETS	$ 817,710	$ 673,608

The accompanying notes should be read in conjunction
with the financial statements.

METRO THEATER COMPANY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013
(With comparative totals for 2012)

	Unrestricted	Temporarily Restricted	Total 2013	Total 2012
SUPPORT AND REVENUE				
Support:				
Grants	149,802	$ -	$ 149,802	$ 101,915
Donations	274,946	273,195	548,141	380,827
Total support	424,748	273,195	697,943	482,742
Revenue:				
Performance and education fees	193,064	-	193,064	173,501
Miscellaneous revenue	1,649	-	1,649	764
Interest	192	72	264	1,234
Total revenue	194,905	72	194,977	175,499
Net assets released from restrictions	137,747	(137,747)	-	-
TOTAL PUBLIC SUPPORT AND REVENUE	757,400	135,520	892,920	658,241
EXPENSES				
Program:				
Production cost	447,687	-	447,687	310,761
Education	119,456	-	119,456	112,733
Supporting services:				
Management and general	134,212	-	134,212	109,989
Fundraising	65,276	-	65,276	56,716
Total Expenses	766,631	-	766,631	590,199
CHANGE IN NET ASSETS	(9,231)	135,520	126,289	68,042
NET ASSETS BEGINNING OF YEAR	386,321	268,085	654,406	586,364
NET ASSETS END OF YEAR	$ 377,090	$ 403,605	$ 780,695	$ 654,406

The accompanying notes should be read in conjunction with the financial statements.

METRO THEATER COMPANY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
OPERATING ACTIVITIES		
Change in net assets	$ 126,289	$ 68,042
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	18,191	6,734
(Increase) Decrease in operating assets:		
Escrowed funds	219,090	(219,090)
Accounts receivable	(12,100)	620
Promises to give	(92,703)	(19,064)
Prepaid expenses and other assets assets	2,552	99
Increase (Decrease) in operating liabilities:		
Accounts payable	14,930	(6,825)
Accrued expenses	-	(10,994)
Deferred revenue	2,883	17,195
Net Cash Provided by (Used in) Operating Activities	279,132	(163,283)
INVESTING ACTIVITY		
Acquisition of equipment and improvements	(274,639)	(8,932)
CASH AND EQUIVALENTS		
Net increase (decrease)	4,493	(172,215)
Beginning of year	293,839	466,054
End of year	$ 298,332	$ 293,839

The accompanying notes should be read in conjunction with the financial statements.

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Metro Theater Company (the "Organization"), a not-for-profit organization incorporated in the State of Missouri on April 26, 1973. Inspired by the intelligence and emotional wisdom of young people, the Organization creates professional theater, fosters inclusive community and nurtures meaningful learning through the arts. The Organization's programs consist of touring and main stage performances, as well as education programs in schools and the community. Programs are made possible by fees for touring performances and classroom residencies, ticket sales, grants from federal, state, and local agencies, and contributions from foundations, corporations and individuals.

Summary of Significant Accounting Policies

The following summary of significant accounting policies of Metro Theater Company is presented to assist in the understanding of the Organization's financial statements. The financial statements and notes are representations of the Metro Theater Company's management, who are responsible for their integrity and objectivity.

Comparative Totals

The Statement of Activities and the Schedule of Functional Expenses include certain prior year summarized comparative information in total but not by net asset class. 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 June 30, 2012, from which the summarized information was derived.

Basis of Accounting

The financial statements of the Organization are prepared on the accrual basis of accounting.

Estimates and Assumptions

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

Cash and Equivalents

Cash and equivalents include all cash balances and highly liquid investments with an initial maturity of three months or less. Cash and equivalents include $245,416 designated by the board for the Future Fund and Ready Cash Reserve.

Concentrations of Risk

The Organization places its temporary cash investments with high credit quality financial institutions. At times such investments may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit. The Organization does not believe it is exposed to any significant credit risk on cash and equivalents.

Accounts Receivable

The Organization provides an allowance for doubtful accounts equal to the estimated collection losses that will be incurred in collection of all receivables. The estimated losses are based on historical collection experience coupled with a review of the current status of the existing receivables. Management is of the opinion that no allowance was necessary at June 30, 2013 and 2012.

Promises to Give

Unconditional promises to give are recognized as revenue in the period the pledges are received. Conditional pledges, which depend upon specified future and uncertain events, are recognized as revenues when the conditions upon which they depend are substantially met.

Unconditional promises are reported at the amount management expects to collect on balances outstanding at year end.

Equipment and Improvements

The Organization capitalizes all expenditures in excess of $1,000 for equipment and improvements at cost. Depreciation and amortization are recorded on a straight-line basis over the estimated useful lives of the assets ranging from three to twenty years. Routine repairs and maintenance are expensed as incurred.

Revenue Recognition

The Organization reports revenues as increases in unrestricted net assets unless the use of the related assets is limited by donor-imposed restrictions and reports expenses as decreases in unrestricted net assets.

The Organization records temporarily restricted contributions whose restrictions are met in the period received as changes in unrestricted net assets.

Fees collected in advance of the related program taking place are recognized as deferred income on the Statement of Financial Position.

Net Asset Classifications

The financial statements are prepared to focus on the Organization as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This is accomplished by classifying beginning net assets and current year transactions into three classes of net assets: unrestricted, temporarily restricted, or permanently restricted.

Unrestricted net assets

"Unrestricted" means those resources over which the Board of Directors has discretionary control. Designated amounts represent those resources the Board has set aside for a particular purpose. Unrestricted net assets are not subject to donor-imposed stipulations. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized.

Temporarily restricted net assets

This category represents net assets subject to donor-imposed stipulations that may or may not be met by actions of the Organization and/or the passage of time. After the donor-imposed time or purpose restriction is satisfied, the Organization reclassifies temporarily restricted net assets to unrestricted net assets and reports them within the statement of activity as net assets released from restrictions.

Permanently restricted net assets

These assets represent contributions subject to donor-imposed stipulations requiring 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 specific purposes. The Organization did not have any permanently restricted net assets at June 30, 2013 or 2012.

In-kind Contributions

The Organization records various types of in-kind support, including services and other tangible assets. GAAP requires recognition of professional services received if those services create or enhance long-lived assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. In-kind services provided to the Organization consisted of the artistic design of performance posters and lodging. The Organization records an estimate of the value of the services provided based on the time spent. Contributions of tangible assets are recognized at fair value when received.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the schedule of functional expenses. Accordingly, certain costs have been allocated among the program services, management and general and fundraising. Costs common to several functions are allocated based on periodic time and expense studies.

Tax Positions

The Organization remains exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Organization believes it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

The Organization's federal Exempt Organization Business Returns are subject to examination by the IRS for the statutory period.

Subsequent Events

The Organization has evaluated subsequent events through February 13, 2014, the date which the financial statements were available to be issued.

2. ESCROWED FUNDS

The Organization signed a lease for a new space on March 15, 2012. The lease required the Organization to transfer $219,090 to an escrow account to cover construction costs for the build-out of the new space. During 2013, these funds were released and expended on final construction costs.

3. PROMISES TO GIVE

Unconditional promises to give consist of the following:

	2013	2012
Current		
Receivable in less than one year	$ 161,704	$ 110,201
Long-Term		
Receivable in one to five years	43,800	2,600
Receivable in more than five years	-	-
Net long-term unconditional promises to give	43,800	2,600
Total promises to give	$ 205,504	$ 112,801

4. EQUIPMENT AND IMPROVEMENTS

	2013	2012
Construction in progress	$ -	$ 10,404
Leasehold improvements	270,321	5,200
Office equipment	63,369	48,646
Production equipment	44,631	44,631
Vehicle	20,582	20,582
	398,903	129,463
Less accumulated depreciation and amortization	113,432	100,440
Net Book Value	$ 285,471	$ 29,023

Construction in progress consisted of expenses incurred for the build-out of the office space located at 3311 Washington Avenue.

5. FUTURE FUND AND READY CASH RESERVE

In 1998, the National Endowment for the Arts (NEA) granted the organization $67,000, provided a 1:1 match equaling a total of $134,000 was met, towards a cash reserve. Metro Theater Company exceeded the original match and continued to raise funds for the New Works / Future Fund, under the temporary restrictions set out by the NEA Guidelines. On June 30, 2010, the time the restrictions were lifted, the New Works / Future Fund held nearly $250,000 in cash and pledges.

On September 16, 2010, the board of directors voted to maintain the fund as an unrestricted board designated fund called the Future Fund. The board reaffirmed its intention to ensure the legacy of the organization, provide for the development of meaningful work central to the company's mission, and honor the wishes of those who were the first to step forward and support the goals of the New Works / Future Fund.

The Future Fund is invested under the guidance of the Finance Committee. Furthermore, the Board structured the Future Fund to include a $75,000 ready cash reserve for use as an internal line of credit, as authorized by the Board and subject to repayment. All funds in The Future Fund beyond the ready cash reserve shall be maintained and utilized at the discretion of the Board. At June 30, 2013 and 2012, the fund had a value of $245,416 and $245,399, respectively.

In the absence of donor restrictions, the board of directors has the ability to distribute so much of the original principal of any trust or separate gift, bequest, or fund as the board in its sole discretion shall determine. As a result of the ability to distribute the original principal, the reserve remains classified as unrestricted net assets for financial statement purposes.

Changes in the Future Fund and Ready Cash Reserve for the years ended June 30, 2013 and 2012:

	2013	2012
Future Fund and Ready Cash Reserve, beginning of year	$ 245,399	$ 245,399
Contributions	-	-
Interest	17	-
Amounts appropriated for expenditure	-	-
Future Fund and Ready Cash Reserve, end of year	$ 245,416	$ 245,399

	2013	2012

6. NET ASSETS

The Company's board of directors has chosen to place the following limitations on unrestricted net assets:

	2013	2012
Future fund	$ 170,399	$ 170,399
Ready cash reserves	75,017	75,000
Cash and investments - designated	245,416	245,399
Future operations	89,600	89,600
Total board designated unrestricted net assets	$ 335,016	$ 334,999

Temporarily restricted net assets are subject to the following donor-imposed restrictions:

	2013	2012
Future productions	$ 218,195	$ 119,000
Purpose - Buildout	30,000	-
3311 Washington Initiative	90,253	99,000
Time restricted	65,157	50,085
Total temporarily restricted net assets	$ 403,605	$ 268,085

Net assets released from donor-imposed restrictions:

	2013	2012
Future productions	$ 119,000	$ 90,500
3311 Washington Initiative	8,747	-
Time restricted	10,000	-
Total net assets released from restriction	$ 137,747	$ 90,500

7. IN-KIND CONTRIBUTIONS

	2013	2012
Artistic services	$ 1,500	$ -
Gift cards	2,066	583
Lodging	-	790
Meals and refreshments	72	-
Office equipment	13,475	-
Professional development	3,200	-
Special event venue	-	750
Total in-kind contributions	$ 20,313	$ 2,123

8. COMMITMENTS

The Organization entered into a lease on March 15, 2012 for a new office space located at 3311 Washington Avenue. The Organization did not move into the space until September 1, 2012 due to the uncompleted build-out of the space. The five year lease commenced upon the move-in date and has a renewal option of three five-year periods.

Future lease payments (not inclusive of lease options):

Fiscal Year	Amount
2014	$ 30,750
2015	31,671
2016	32,626
2017	33,601
2018	5,626
	$ 134,274

Office rent and related expenses totaled $37,359 and $22,204 for 2013 and 2012, respectively.

The Organization leases certain office equipment for various terms under long-term operating lease agreements. The future annual minimum rental payments:

Fiscal Year	Amount
2014	$ 9,213
2015	9,349
2016	9,168
2017	8,888
2018	6,165
Thereafter	720
	$ 43,503

Equipment lease expenses totaled $7,697 and $4,583 for 2013 and 2012, respectively.

9. PENSION PLANS

The Organization sponsors a 403(b) qualified deferred compensation plan which covers substantially all employees. Employees may elect to make contributions to the plan up to the maximum amount allowed by the Internal Revenue Service. At this time, the Organization has not matched employees' contributions.

SUPPLEMENTARY SCHEDULE

METRO THEATER COMPANY
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013
(With comparative totals for 2012)

	Program Services			Supporting Services			Total	
	Production Cost	Education Expense	Total	Management and General	Fund-Raising	Total	2013	2012
Salaries	$ 237,753	$ 69,245	$ 306,998	$ 69,808	$ 37,869	$ 107,677	$ 414,675	$ 349,398
Payroll taxes and benefits	33,762	7,182	40,944	12,984	6,720	19,704	60,648	51,530
Total Salaries and Related Expenses	271,515	76,427	347,942	82,792	44,589	127,381	475,323	400,928
Advertising	11,146	2,225	13,371	-	-	-	13,371	9,593
Building rent	31,008	3,362	34,370	1,868	1,121	2,989	37,359	22,204
Campaign and event expenses	-	-	-	-	11,546	11,546	11,546	9,956
Conferences and seminars	324	578	902	-	-	-	902	1,391
Contractual and professional fees	24,574	26,003	50,577	22,003	2,500	24,503	75,080	53,897
Costumes and props	13,962	-	13,962	-	-	-	13,962	7,088
Depreciation	11,263	775	12,038	5,895	258	6,153	18,191	6,734
Dues and subscriptions	1,179	-	1,179	709	-	709	1,888	2,176
Hall and facility rental	-	-	-	-	-	-	-	952
Insurance	8,536	926	9,462	514	309	823	10,285	6,949
Maintenance and repairs	10,258	-	10,258	2,850	262	3,112	13,370	12,149
Miscellaneous	5,659	-	5,659	2,906	-	2,906	8,565	4,577
Postage	2,569	855	3,424	186	819	1,005	4,429	5,327
Printing	7,973	2,718	10,691	-	3,337	3,337	14,028	8,239
Production cost - other	24,621	-	24,621	-	-	-	24,621	11,058
Supplies	3,529	4,564	8,093	6,629	219	6,848	14,941	7,905
Telephone	2,734	296	3,030	165	99	264	3,294	3,892
Travel	10,837	76	10,913	-	-	-	10,913	10,118
Utilities	6,000	651	6,651	361	217	578	7,229	5,066
Website	-	-	-	7,334	-	7,334	7,334	-
Total Expenses - 2013	$ 447,687	$ 119,456	$ 567,143	$ 134,212	$ 65,276	$ 199,488	$ 766,631	
Percentage - 2013	58.4%	15.6%	74.0%	17.5%	8.5%	26.0%	100.0%	
Total Expenses - 2012	$ 310,761	$ 112,733	$ 423,494	$ 109,989	$ 56,716	$ 166,705		$ 590,199
Percentage - 2012	52.7%	19.1%	71.8%	18.6%	9.6%	28.2%		100.0%

The accompanying independent auditor's report on supplementary information should be read in conjunction with the supplementary schedule.