



**RANDLE & ASSOCIATES, LLC**  
**Certified Public Accountants**

**METRO THEATER COMPANY**

Financial Statements

June 30, 2014

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## **Independent Auditors' Report**

Board of Directors  
Metro Theater Company  
St. Louis, Missouri

We have audited the accompanying financial statements of Metro Theater Company (a not-for-profit organization) which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and cash flow for the year then ended and 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 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. These procedures selected depend on the auditor's judgment, including the assessment of the risk 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.

## **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, 2014, 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.

## **Prior Period Summarized Financial Statements**

The financial statements of Metro Theater Company as of June 30, 2013, were audited by other auditors whose report dated February 13, 2014, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Randall & Associates, LLC, CPAs*

Florissant, Missouri  
November 13, 2014

METRO THEATER COMPANY  
Statement of Financial Position  
June 30, 2014 and 2013

<u>ASSETS</u>	<u>2014</u>	<u>2013</u>
Current assets:		
Cash and cash equivalents	\$ 288,460	\$ 298,332
Accounts receivable	-	17,630
Promise to give - current	97,147	161,704
Prepaid assets	<u>4,361</u>	<u>10,773</u>
Total current assets	<u>389,968</u>	<u>488,439</u>
Promise to Give - Long Term	30,000	43,800
Fixed assets (net accumulated depreciation of \$136,741)	<u>262,162</u>	<u>285,471</u>
Total assets	<u>\$ 682,130</u>	<u>\$ 817,710</u>
 <u>LIABILITIES AND NET ASSETS</u>  		
Current liabilities:		
Accounts payable	12,601	16,937
Accrued expenses	2,897	-
Deferred revenue	<u>26,215</u>	<u>20,078</u>
Total current liabilities	<u>41,713</u>	<u>37,015</u>
Net assets:		
Unrestricted		
Board designated:	249,664	335,016
Undesignated	<u>62,983</u>	<u>42,074</u>
	<u>312,647</u>	<u>377,090</u>
Temporarily restricted	<u>327,770</u>	<u>403,605</u>
Total net assets	<u>640,417</u>	<u>780,695</u>
Total liabilities and net assets	<u>\$ 682,130</u>	<u>\$ 817,710</u>

The accompanying notes are an integral part of these financial statements

METRO THEATER COMPANY  
Statement of Activities  
For the Year Ended June 30, 2014  
(With comparative totals for 2013)

	2014			2013
	Unrestricted	Temporarily Restricted	Total	Total
<b>Support and Revenue:</b>				
Support:				
Grants	\$ 18,000	\$ -	\$ 18,000	\$ 149,802
Donations	229,166	142,000	371,166	548,141
Special events	99,949	-	99,949	-
Total support	347,115	142,000	489,115	697,943
Revenues:				
Performance and education fees	174,364	-	174,364	193,064
Miscellaneous revenue	1,469	-	1,469	1,649
Interest and investment income	126	76	202	264
Total revenues	175,959	76	176,035	194,977
Net assets released from restrictions	217,911	(217,911)	-	-
Total support and revenue	740,985	(75,835)	665,150	892,920
<b>Expenses:</b>				
Program expenses:				
Production cost	460,014	-	460,014	447,687
Education expense	108,059	-	108,059	119,456
Supporting services:				
Management and general	150,008	-	150,008	134,212
Fund - raising	87,347	-	87,347	65,276
Total expenses	805,428	-	805,428	766,631
Change in net assets	(64,443)	(75,835)	(140,278)	126,289
Net assets, beginning of year	377,090	403,605	780,695	654,406
Net assets, end of year	\$ 312,647	\$ 327,770	\$ 640,417	\$ 780,695

The accompanying notes are an integral part of these financial statements

METRO THEATER COMPANY  
STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b>		
Increase (Decrease) in net assets	\$ (140,278)	\$ 126,289
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	23,309	18,191
(Increase) decrease in operating assets		
Escrowed funds	-	219,090
Accounts and grants receivable	17,630	(12,100)
Promises to give	78,357	(92,703)
Inventory	-	-
Prepaid assets	6,412	2,552
Increase (decrease) in operating liabilities		
Accounts payable	(4,336)	14,930
Accrued payroll and related liabilities	2,897	-
Deferred revenue	6,137	2,883
Net cash provided by (used in) operating activities	<u>(9,872)</u>	<u>279,132</u>
<b>CASH FLOWS USED IN INVESTING ACTIVITY</b>		
Acquisition of equipment and improvements	<u>-</u>	<u>274,639</u>
Net increase in cash and cash equivalents	(9,872)	4,493
Beginning cash and cash equivalents	<u>298,332</u>	<u>293,839</u>
Ending cash and cash equivalents	<u>\$ 288,460</u>	<u>\$ 298,332</u>
<b>Supplemental disclosure</b>		
Cash paid during the year for interest	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

**METRO THEATER COMPANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

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**1. Nature of Activities**

Metro Theater Company (the Company) is 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 Company creates professional theater, fosters inclusive community, and nurtures meaningful learning through the arts. The Company programs are made possible by funding from fees for touring performances and classroom residencies; ticket sales; grants from federal, state and local agencies; and contributions from foundations, corporations, and individuals.

**2. Summary of Significant Accounting Policies**

**Basis of Accounting**

The financial statements of the Company are presented on the accrual basis of accounting.

**Financial Statement Presentation**

Financial statement presentation follows the requirements of Financial Accounting Standards. Therefore, the Company reports its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

*Unrestricted Net Assets* include all resources which are not subject to donor-imposed restrictions of a more specific nature than those which only obligate the Company to utilize funds in furtherance of its mission.

*Temporary Restricted Net Assets* carry specific, donor-imposed restrictions on the expenditure or other use of contributed funds or limitations imposed by law. Temporary restrictions may expire either by the passage of time or by certain actions taken by the Company which fulfill the restriction.

*Permanently Restricted Net Assets* are those that are subject to donor-imposed restrictions which will never lapse, thus requiring that the funds be retained permanently. The Company does not have any permanently restricted net assets at June 30, 2014 or 2013.

The Company's program expenses are shown as production and education costs in the accompanying statement of activities.



**METRO THEATER COMPANY**  
**NOTES TO FINANCIAL STATEMENTS – (cont.)**  
**June 30, 2014**

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**2. Summary of Significant Accounting Policies (cont.)**

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 funds designated by the board for the Future Fund and Ready Cash Reserve in the amounts of \$199,470 and \$245,416 for the years ending June 30, 2014 and 2013, respectively.

Concentration of Risk

The Company maintains cash deposits in bank accounts which at times may exceed the federally insured limits. Bank balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at each financial institution. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and equivalents.

The Company generates receivables in the normal course of business. The Company does not require collateral to secure these receivables and is under the belief they are fully collectible.

Accounts Receivable

The Company 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. Company management is of the opinion that no allowance is necessary at June 30, 2014 or 2013.

Promises To Give

Unconditional promises to give are recognized as revenue in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Promises to give are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Fixed Assets

Fixed assets are recorded at cost, if purchased or fair value at the time of donation, if donated. Furniture and equipment purchases over \$1,000 are capitalized and depreciated using the straight-line method over the estimated useful life of the asset ranging from 3 to 5 years. Routine repairs of furniture and equipment are expensed in the year which the repairs are performed or committed.

**METRO THEATER COMPANY**  
**NOTES TO FINANCIAL STATEMENTS – (cont.)**  
**June 30, 2014**

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**2. Summary of Significant Accounting Policies (cont.)**

Revenue Recognition

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

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

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

Tax Status

The Company is tax-exempt under Section 501c (3) of the Internal Revenue Service Code. As such, the Company can only be taxed on income from any activities unrelated to its charitable purpose. There was no unrelated business income for 2014 or 2013; therefore, the statements do not include any provision for income taxes.

The Company has adopted the standards for accounting for uncertainty in income taxes and management is not aware of any uncertain tax provisions of the Company related to the tax filings.

The Company continually evaluates the effects of all tax positions taken including expiring statutes of limitations, tax examinations, unrelated business income and new authoritative rulings. The Company files federal information returns (Form 990). The statutes of limitations for information returns filed for the years ended June 30, 2010, through 2014 have not expired, and therefore, are subject to examination.

Donated Materials, Equipment and Services

Donated materials and equipment are recorded as contributions at their estimated fair values. The Company recognized \$4,202 as donated services in 2014 because the contribution met the criteria for recognition under SFAS 116.

**METRO THEATER COMPANY**  
**NOTES TO FINANCIAL STATEMENTS – (cont.)**  
**June 30, 2014**

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**2. Summary of Significant Accounting Policies (cont.)**

Use of Estimates

The preparation of financial statements in accordance 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.

Subsequent Events

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

**3. Concentration of Credit Risk**

The Company 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 Company does not believe it is exposed to any significant credit risk on cash and cash equivalents.

**4. Fixed Assets**

Fixed assets consist of the following as of June 30::

	<u>2014</u>	<u>2013</u>
Production equipment	\$ 44,631	\$ 44,631
Vehicle	20,582	20,582
Office equipment	63,369	63,369
Leasehold improvements	<u>270,321</u>	<u>270,321</u>
Total Fixed assets	398,903	398,903
Less: Accumulated depreciation	<u>(136,741)</u>	<u>(113,432)</u>
Net fixed assets	\$ <u>262,162</u>	\$ <u>285,471</u>

Depreciation charged against revenue amounted to \$23,309 and \$18,191 in 2014 and 2013, respectively.

**METRO THEATER COMPANY**  
**NOTES TO FINANCIAL STATEMENTS – (cont.)**  
**June 30, 2014**

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**5. Operating Leases**

The Company entered into a lease on March 15, 2012 for new office space located at 3311 Washington Avenue. The Company 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):

<u>Fiscal Year</u>	<u>Amount</u>
2015	\$ 31,670
2016	32,624
2017	33,604
2018	<u>5,628</u>
Total	\$ <u>103,526</u>

Office rent and related expenses totaled \$37,359 and \$37,359 for 2014 and 2013, respectively.

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

<u>Fiscal Year</u>	<u>Amount</u>
2015	\$ 9,032
2016	9,032
2017	8,816
2018	<u>369</u>
Total	\$ <u>27,249</u>

Equipment rental expense totaled \$10,516 and \$7,697 in 2014 and 2013, respectively.

**6. Letter of Credit**

The Company has an open-end letter of credit in the amount of \$50,000. Advances on the letter of credit are subject to finance charges from the date of transaction to the date payment is made to the lender. The periodic rate of the finance charge is subject to change, based on the value of prime rate index. No balance was outstanding at June 30, 2014 and 2013.

**METRO THEATER COMPANY**  
**NOTES TO FINANCIAL STATEMENTS – (cont.)**  
**June 30, 2014**

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**7. Future Fund and Ready Cash Reserve**

In 1998, the National Endowment for the Arts (NEA) granted the organization \$67,000 provided a one to one match equaling a total of \$134,000 was met, towards the cash revenue. 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 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, 2014 and 2013, the fund had a value of \$199,470 and \$245,416, 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 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, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Beginning balance	\$ 245,416	\$ 245,399
Contributions	-	-
Interest	16	17
Amounts appropriated for expenses	<u>(45,962)</u>	-
Ending balance	\$ <u>199,470</u>	\$ <u>245,416</u>

**METRO THEATER COMPANY**  
**NOTES TO FINANCIAL STATEMENTS – (cont.)**  
**June 30, 2014**

**8. Restrictions and Limitations on Net Assets**

The Company's board of directors has chosen to place the following limitations on unrestricted net assets at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Designated for Future Fund	\$ 174,440	\$ 170,399
Ready Cash Reserve	<u>25,030</u>	<u>75,017</u>
Designated cash and investments	199,470	245,416
Designated for future operations	<u>50,194</u>	<u>89,600</u>
Total board designated	\$ <u>249,664</u>	\$ <u>335,016</u>

For the year ended June 30, 2014, the board released funds from previous years' operating surpluses to assist the Company in the planned operating shortfall to support the artistic director search and transition.

Temporary restricted net assets are subject to the following donor imposed restrictions at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
3311 Washington Initiative	\$ 76,737	\$ 90,253
Build out	30,000	30,000
Suzi McDonald Fund (time restricted)	90,233	65,157
For future productions	<u>130,800</u>	<u>218,195</u>
	\$ <u>327,770</u>	\$ <u>403,605</u>

**9. Pension Plan**

Metro Theater Company sponsors a deferred compensation plan qualified under Section 403(b) of the Internal Revenue Code, which covers substantially all employees. If they so elect, the employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. Metro Theater Company does not match employees' contributions.

**10. Subsequent Events**

Management evaluated subsequent events through November 13, 2014, the date the financial statements were available for distribution, and did not disclose any significant matters requiring financial statement disclosure.

**SUPPLEMENTAL INFORMATION**



INDEPENDENT AUDITOR'S REPORT  
ON SUPPLEMENTARY INFORMATION

We have audited the financial statements of Metro Theater Company as of and for the year ended June 30, 2014, and our report thereon dated November 13, 2014, which expressed an unmodified opinion on those financial statements, appears on page 2. 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 the purpose 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 the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

*Randle & Associates, LLC, CPAs*

Florissant, Missouri  
November 13, 2014



METRO THEATER COMPANY  
Statement of Functional Expenses  
For the Year Ended June 30, 2014  
(With comparative totals for 2013)

	PROGRAM SERVICES		SUPPORTING SERVICES		Total	
	Production Cost	Education Expenses	Management and General	Fundraising	2014	2013
Salaries	\$ 246,135	\$ 66,163	\$ 77,796	\$ 39,015	\$ 429,109	\$ 414,675
Payroll taxes and fringes	35,605	7,432	14,017	6,805	63,859	60,648
Total personnel cost	<u>281,740</u>	<u>73,595</u>	<u>91,813</u>	<u>45,820</u>	<u>492,968</u>	<u>475,323</u>
Advertising	10,614	2,718	800.00	-	14,132	13,371
Bad debt expense	-	-	2,800	-	2,800	-
Building rent expense	31,368	3,401	1,890	1,134	37,793	37,359
Campaign and event expenses	5,504	-	-	35,240	40,744	11,546
Conferences and seminars	1,881	-	-	-	1,881	902
Contractual and professional fees	39,594	18,864	20,611	-	79,069	75,080
Costumes and props	4,539	-	-	-	4,539	13,962
Depreciation	15,335	1,216	6,353	405	23,309	18,191
Dues and subscriptions	1,587	-	550	-	2,137	1,888
Hall and facility rental	400	-	-	-	400	-
Insurance	13,675	1,123	624	374	15,796	10,285
Maintenance, rental, and repairs	9,062	946	15,070	315	25,393	13,370
Miscellaneous	0	-	3,742	-	3,742	8,565
Postage	1,095	761	2,233	682	4,771	4,429
Printing	2,305	2,529	1,220	2,838	8,892	14,028
Production cost-other	8,660	-	-	-	8,660	24,621
Supplies	4,611	1,946	1,768	219	8,544	14,941
Telephone	2,741	297	165	99	3,302	3,294
Travel	19,184	-	-	-	19,184	10,913
Utilities	6,119	663	369	221	7,372	7,229
Website	-	-	-	-	-	7,334
Total expenses	<u>\$ 460,014</u>	<u>\$ 108,059</u>	<u>\$ 150,008</u>	<u>\$ 87,347</u>	<u>\$ 805,428</u>	<u>\$ 766,631</u>
Percentage	57.1%	13.4%	18.6%	10.8%	100.0%	

The accompanying independent auditors' report on supplemental information should be read in conjunction with this supplemental schedule