THE COMMUNITY THEATRE OF CEDAR RAPIDS, INC.
D/B/A THEATRE CEDAR RAPIDS

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

YEAR ENDED JULY 31, 2011
(with summarized financial information for the
year ended July 31, 2010)

with

INDEPENDENT AUDITOR'S REPORT

CONTENTS

Brian D. Bast, P.C.
Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Community Theatre of Cedar Rapids, Inc.
D/B/A Theatre Cedar Rapids
Cedar Rapids, Iowa

I have audited the accompanying statement of financial position of The Community Theatre of Cedar Rapids, Inc., D/B/A Theatre Cedar Rapids (the "Theatre"), a nonprofit organization, as of July 31, 2011, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Theatre's management. My responsibility is to express an opinion on these financial statements based on my audit. The prior year summarized comparative information has been derived from the Theatre's 2010 financial statements and, in my report dated January 17, 2011, I expressed an unqualified opinion on those financial statements.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Theatre's internal control over financial reporting. Accordingly, I express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Theatre as of July 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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Brian D. Bast, P.C.
Certified Public Accountant

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Brian D. Bast, P.C.

November 17, 2011

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THE COMMUNITY THEATRE OF CEDAR RAPIDS, INC.
D/B/A THEATRE CEDAR RAPIDS
STATEMENT OF FINANCIAL POSITION
July 31, 2011
(with summarized financial information for July 31, 2010)

ASSETS

	2011	2010
Current assets:		
Cash and cash equivalents	$ 84,582	$ 33,101
Receivables:		
Unconditional promises to give	4,863	-
Trade accounts	7,605	6,634
Grants	42,505	133,711
Other	3,924	-
Total receivables	58,897	140,345
Prepaid expenses	49,746	54,272
Total current assets	193,225	227,718
Property and equipment:		
Equipment	506,185	441,954
Transportation equipment	1,300	1,300
	507,485	443,254
Less accumulated depreciation and amortization	149,202	107,978
Net property and equipment	358,283	335,276
Other assets:		
Deferred income taxes	10,800	9,500
Interest in assets of the Community Theatre Building Corporation (Note 2)	3,507,077	3,391,478
Other	2,000	4,000
Collection items (Note 11)	-	-
Total other assets	3,519,877	3,404,978
Total	$ 4,071,385	$ 3,967,972

See accompanying notes to the financial statements.

LIABILITIES AND NET ASSETS

	2011	2010
Current liabilities:		
Demand note payable	$ -	$ 40,000
Accounts payable	21,888	32,852
Accrued expenses (Note 6)	8,422	16,265
Accrued income taxes payable	500	100
Deferred revenues	173,175	161,747
Current portion of capital lease obligation (Note 5)	2,345	2,140
Total current liabilities	206,330	253,104
Long-term liability:		
Capital lease obligation, less current portion (Note 5)	1,687	4,032
Total liabilities	208,017	257,136
Commitments (Notes 5 and 6)		
Net assets:		
Unrestricted	306,816	255,741
Temporarily restricted (Note 7)	3,556,552	3,455,095
Total net assets	3,863,368	3,710,836
Total	$ 4,071,385	$ 3,967,972

THE COMMUNITY THEATRE OF CEDAR RAPIDS, INC.
D/B/A THEATRE CEDAR RAPIDS
STATEMENT OF ACTIVITIES
Year Ended July 31, 2011
(with summarized financial information for the year ended July 31, 2010)

	Unrestricted	Temporarily Restricted	Totals 2011	Totals 2010
Public support and revenues:				
Production income (Note 9)	$ 767,345	$ -	$ 767,345	$ 680,440
Public support (Note 9)	603,543	49,475	653,018	849,690
Other income (Note 9)	218,481	-	218,481	162,770
Expiration of time and purpose restrictions	63,617	(63,617)	-	-
Total public support and revenues	1,652,986	(14,142)	1,638,844	1,692,900
Expenses:				
Productions (Notes 8 and 9)	1,126,299	-	1,126,299	962,050
Educational programming (Note 9)	122,915	-	122,915	95,146
Supporting services (Note 9)	178,849	-	178,849	188,375
Fundraising (Note 9)	173,848	-	173,848	102,955
Total expenses	1,601,911	-	1,601,911	1,348,526
Change in net assets from operations	51,075	(14,142)	36,933	344,374
Change in interest in assets of the Community Theatre Building Corporation (Note 2)	-	115,599	115,599	601,754
Change in net assets	51,075	101,457	152,532	946,128
Net assets, beginning of year	255,741	3,455,095	3,710,836	2,764,708
Net assets, end of year	$ 306,816	$ 3,556,552	$ 3,863,368	$ 3,710,836

See accompanying notes to the financial statements.

THE COMMUNITY THEATRE OF CEDAR RAPIDS, INC.
D/B/A THEATRE CEDAR RAPIDS
STATEMENT OF CASH FLOWS
Year Ended July 31, 2011
(with summarized financial information for the year ended July 31, 2010)

	2011	2010
Cash flows from operating activities:		
Change in net assets	$ 152,532	$ 946,128
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Undistributed portion of change in interest in assets of the Community Theatre Building Corporation	(115,599)	(601,754)
Deferred income taxes	(1,300)	(5,500)
Loss on equipment and website disposals	4,117	4,836
Forgiveness of forgivable note payable	-	(50,000)
Depreciation and amortization	44,468	56,444
Changes in operating assets and liabilities:		
Receivables	81,448	(105,838)
Prepaid expenses	4,526	(17,081)
Recoverable income taxes	-	250
Accounts payable and accrued expenses	(18,807)	(63,973)
Accrued income taxes payable	400	100
Deferred revenues	11,428	70,690
Net cash flows from operating activities	163,213	234,302
Cash flows from investing activities:		
Purchases of property and equipment	(67,592)	(277,928)
Change in restricted cash	-	512
Payment of website costs	(2,000)	(4,000)
Net cash flows from operating activities	(69,592)	(281,416)
Cash flows from financing activities:		
Proceeds from demand note payable	-	40,000
Repayment of demand note payable	(40,000)	-
Payments on capital lease obligation	(2,140)	(1,952)
Net cash flows from financing activities	(42,140)	38,048
Net change in cash and cash equivalents	51,481	(9,066)
Cash and cash equivalents at beginning of year	33,101	42,167
Cash and cash equivalents at end of year	$ 84,582	$ 33,101
Supplemental disclosure:		
Cash paid during the year for interest	$ 1,079	$ 3,393

See accompanying notes to the financial statements.

THE COMMUNITY THEATRE OF CEDAR RAPIDS, INC.
D/B/A THEATRE CEDAR RAPIDS
NOTES TO FINANCIAL STATEMENTS
Year Ended July 31, 2011

1. Nature of organization and significant accounting policies

The Community Theatre of Cedar Rapids, Inc., D/B/A Theatre Cedar Rapids (the "Theatre"), is an Iowa nonprofit corporation managed by its Board of Directors. The Theatre provides dramatic art activities for participants through main stage, studio, children's and summer theatre productions and provides educational and entertainment services to the Cedar Rapids, Iowa community.

Basis of presentation
The accompanying financial statements have been prepared on the accrual basis of accounting. All financial transactions have been recorded and reported as either: unrestricted, temporarily restricted, or permanently restricted net assets, based on the existence or absence of donor-imposed restrictions.

Use of estimates
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 that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near-term relate to the determination of the imputed rental value of the facilities used in the Theatre's operations, the discount rate used to determine the interest in the assets of the Community Theatre Building Corporation, the allowance for uncollectible unconditional promises to give used to determine the interest in the assets of the Community Theatre Building Corporation and the functional allocation of expenses to the various programs, supporting services and fundraising activities.

Net assets
Net assets are classified based on the existence or absence of donor-imposed restrictions. The following is a description of each class:

Unrestricted – Unrestricted net assets include all net assets which are neither temporarily nor permanently restricted and are available for use in the performance of the activities of the Theatre. If the Board of Directors specifies a purpose where none has been stated by the original donor, such funds are classified as designated, unrestricted funds.

1. Nature of organization and significant accounting policies, continued

Temporarily restricted – Temporarily restricted net assets include contributed net assets for which donor-imposed time and purpose restrictions have not been met and the ultimate purpose of the contribution is not permanently restricted. Net assets released from restrictions represent net assets that became unrestricted because of expenses incurred during the year or the passage of time satisfied the original restriction.

Permanently restricted – Permanently restricted net assets consist of contributions subject to donor-imposed stipulations that they be maintained permanently by the Theatre. Generally, the donors of these assets would permit the Theatre to use all or part of the income earned on related investments for general or specific purposes. The Theatre did not have any permanently restricted net assets at July 31, 2011 and 2010.

Cash and cash equivalents

For purposes of the Statements of Cash Flows, the Theatre considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents.

Concentration of credit risk

The Theatre maintains its demand deposits at one financial institution that at times has exceeded the Federal Deposit Insurance Corporation ("FDIC") insurance limits of $250,000. Effective June 13, 2011, the Dodd-Frank Act provided for unlimited FDIC coverage of non-interest bearing accounts retroactive back to December 31, 2010, and until December 31, 2012. On January 1, 2013, the FDIC insurance limit for non-interest bearing accounts will revert back to $250,000. As of July 31, 2011 and 2010, the Theatre's demand deposits did not exceed the FDIC insurance limit. However, the maximum amount of this concentration at any one time during the years ended July 31, 2011 and 2010 would have approximated $-0- and $6,000, respectively, representing the excess of the Theatre's demand deposits over the amounts that would have been covered by FDIC insurance.

Concentration of credit risk associated with cash and cash equivalents is considered low due to the credit quality of the issuers of the financial instruments held by the Theatre. Unconditional promises to give expected to be collected in future years are recorded at the present value of the estimated future cash flows. Trade accounts receivable are valued at net invoice cost. Unconditional promises to give and trade accounts receivable are due primarily from local individuals, local corporate entities and large nationally recognized companies. The Theatre performs ongoing credit evaluations of its significant customers and does not require collateral.

1. Nature of organization and significant accounting policies, continued

The Theatre's allowance for doubtful accounts represents an estimate of potential accounts receivable write-offs associated with recognized revenue based on historical trends and factors surrounding the credit risk of specific customers. Trade accounts receivables are generally deemed uncollectible and charged to bad debt expense after all collection efforts have been exhausted. As of July 31, 2011 and 2010, accounts receivable of $1,343 and $3,221, respectively, were greater than 90 days past due. The allowance for doubtful accounts deemed necessary by management at July 31, 2011 and 2010 was not material to the financial statements. The Theatre includes bad debt expense as a component of supporting services expense. Interest income (finance charges) on accounts receivable is recorded on the cash basis.

Property and equipment
Purchased property and equipment additions are recorded at their original cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor restrictions regarding how long those donated assets must be maintained, the Theatre reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Theatre reclassifies temporarily restricted net assets to unrestricted net assets at that time. Major repairs, improvements and replacements are capitalized. Purchased and donated costumes are expensed as incurred as a component of production expenses. Gains and losses on disposals of property and equipment are recognized in the year of disposition as a component of other income or production and supporting services expense, as applicable. Depreciation of property and equipment is computed on the straight-line method over the estimated useful lives of the assets. The estimated useful lives range from five to twenty-five years. Amortization of office equipment under capital lease is included with depreciation expense.

Depreciation expense for the years ended July 31, 2011 and 2010, was $44,468 and $56,444, respectively, including equipment under capital lease amortization expense of $2,108 and $2,109 for the years ended July 31, 2011 and 2010, respectively.

Equipment under capital lease included in the property and equipment balances consisted of the following at July 31, 2011 and 2010:

	2011	2010
Equipment	$ 10,544	$ 10,544
Less accumulated amortization	7,029	4,921
Equipment under capital lease, net	$ 3,515	$ 5,623

1. Nature of organization and significant accounting policies, continued

Ticket sales, tuition and deferred revenues
Ticket sales and tuition are recognized as revenue in the period earned when the production or class is held. Deferred revenues arise from advance performance ticket sales and other performance revenues related to future periods. These deferred revenues will be recognized in the periods when the productions are held.

Prepaid expenses
Prepaid expenses represent costs incurred in preparation for the following season's productions. These costs are recognized as expenses when the productions are held.

Contributions and grants
Contributions and grants received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence or nature of any donor or grantor imposed restrictions. Unconditional promises to give are recorded in the period received, are due within one year and recorded at their undiscounted amount. Management considers all unconditional promises to give to be collectible; therefore, no allowance for uncollectible promises to give was deemed necessary at July 31, 2011.

Donated services, materials and facilities
Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

The Theatre received donated facilities, advertising, production, accounting and printing services valued at $291,855 and $196,229 for the years ended July 31, 2011 and 2010, respectively. The donated services were used primarily for its main stage theatre productions. In return for the donated services, the Theatre was required to provide publicity and exposure on behalf of the donors. The Theatre has included these amounts in both contributions and expenses in the Statements of Activities for the years ended July 31, 2011 and 2010.

The Theatre estimates that volunteers have donated over 35,500 hours, both for program services and supporting services. No amounts have been recognized in the accompanying Statement of Activities because the criteria for recognition of such volunteer efforts have not been satisfied.

Functional allocation of expenses
The costs of providing the various activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the activities and supporting services benefited. Expenses that are applicable to several programs and/or supporting services and fundraising are allocated primarily based upon estimates of the payroll costs used by the related functions.

1. Nature of organization and significant accounting policies, continued

Advertising expense

The Theatre follows the policy of charging the costs, including in-kind contributions, of advertising to expense when the advertisements are first displayed or aired and consist primarily of billboard, newspaper, radio and television ads. Advertising expense for the years ended July 31, 2011 and 2010 was $124,800 and $134,179, respectively.

Sales and use taxes

The Theatre records sales and use taxes assessed by governmental authorities on a net basis. Under this method, sales and use taxes collected by the Theatre are excluded from the specific revenue-producing transaction.

Income taxes

On April 10, 1997, the Internal Revenue Service reaffirmed that the Theatre is generally exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, which provides income tax exemption for corporations organized and operated exclusively for religious, charitable or educational purposes. A similar section of Iowa law also states that the Theatre is generally exempt from state income taxes.

The Theatre's production advertising revenue is considered unrelated business income and is subject to both federal and state corporate income taxes. Income tax expense is included as a component of production expenses.

When tax returns are filed, it is highly certain that some positions taken will be sustained upon examination by the respective taxing authorities, while other tax positions are subject to uncertainty about the merits of the tax position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position would be sustained upon examination, including the resolution of appeals or litigation processes, if any. Management of the Theatre has not identified, nor is it aware of, any material unrecognized tax benefits that are required to be recorded. With few exceptions, the Theatre is no longer subject to U.S. federal or Iowa income tax examinations for tax years ended through July 31, 2008. There are no U.S. federal or Iowa income tax return examinations currently in progress.

Deferred income taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

1. Nature of organization and significant accounting policies, continued

General business tax credits are accounted for by the flow-through method whereby they reduce income taxes currently payable and the provision for income taxes in the period the assets giving rise to such credits are earned. To the extent such credits are not currently utilized on the Theatre's return, deferred tax assets, subject to considerations about the need for a valuation allowance, are recognized for the carryforward amount.

Prior year summarized information

The financial statements 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 only be read in conjunction with the Theatre's financial statements as of and for the year ended July 31, 2010, from which the summarized information was derived.

Subsequent events

The Theatre has evaluated subsequent events through November 17, 2011, the date the financial statements were available to be issued.

2. Interest in the assets of the Community Theatre Building Corporation

On September 26, 2007, a joint meeting of the Board of Trustees of the Community Theatre Building Corporation (the "Building Corporation") and the Board of Directors of the Theatre approved a $3.5 million, three-year funding program for the Theatre, entitled The Next Act. $2.5 million of the proceeds from the Next Act would be used for building improvements, $700,000 of the proceeds would be used for the establishment of an endowment fund for the Theatre, $200,000 would be used for updating educational and Theatre programming and the remaining $100,000 for other costs, such as fundraising. The proceeds raised for building improvements were retained by the Building Corporation and spent on Iowa Theatre Building flood remediation and renovation costs. The proceeds raised for the establishment of the endowment fund have been transferred to and maintained by The Greater Cedar Rapids Community Foundation (the "GCRCF"). In connection with The Next Act, the Building Corporation was not granted variance power over the unconditional promises to give.

During the years ended July 31, 2011 and 2010, the Building Corporation received approximately $3,400 and $520,000 of unconditional promises to give on behalf of the Theatre, respectively. The assets raised as part of the funding program have been segregated in separate cash accounts for the benefit of the Theatre. These segregated assets of the Building Corporation are reported as required by the *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others* topic of the Financial Accounting Standards Board, Accounting Standards Codification. Building Corporation assets, which are not in the possession of the Theatre, are recorded in the Statement of Financial Position as temporarily restricted net assets and as an interest in the assets of the Building Corporation based on the respective fair value of the portion of the Building Corporation's assets segregated or funded by The Next Act proceeds.

2. Interest in the assets of the Community Theatre Building Corporation, continued

The major components of the Theatre's interest in the assets of the Building Corporation as of July 31, 2011 and 2010, are as follows:

	2011	2010
Cash and cash equivalents	$ 105,637	$ 780,430
Unconditional promises to give, net	92,547	675,322
Deposits with GCRCF	643,652	104,422
Other assets	20,119	34,638
Property and equipment, net	2,645,122	1,796,666
Interest in assets of Building Corporation	$ 3,507,077	$ 3,391,478

The unconditional promises to give are stated net of an unamortized discount of $8,261 and $29,157 at July 31, 2011 and 2010, respectively, and an allowance for doubtful unconditional promises to give of $8,500 and $89,370 at July 31, 2011 and 2010, respectively. See also Note 12 for related fair value disclosures for the Theatre's interest in the assets of the Building Corporation.

The change in the major components of the Theatre's interest in the assets of the Building Corporation for the year ended July 31, 2011 and 2010, is as follows:

	2011	2010
Balance at beginning of year	$ 3,391,478	$ 2,789,724
Unconditional promises to give	3,432	519,726
Change in present value discounts	20,896	32,982
Change in allowance for uncollectible promises to give	80,870	101,877
Other	13,901	-
Flood remediation costs	-	(11,197)
Fundraising costs	(3,500)	(41,634)
Balance at end of year	$ 3,507,077	$ 3,391,478

3. Demand revolving line of credit payable

The demand revolving line of credit payable is uncollateralized and payable to a financial institution. The line of credit payable agreement is due on January 12, 2012. The demand revolving line of credit payable to the financial institution provides for maximum borrowings of up to $80,000 for working capital purposes. Outstanding borrowings bear interest at the highest prime rate as published in the most current issue of the Wall Street Journal plus 1%, variable daily, subject to a floor of 6.5% (combined rate of 6.5% at July 31, 2011) and is payable monthly.

During the years ended July 31, 2011 and 2010, the Theatre incurred interest expense of $1,079 and $3,393, respectively.

4. Demand note payable

On April 19, 2010, the Theatre entered into a demand note agreement with a financial institution. The demand note agreement was due December 30, 2010 and provided for a single advance of $40,000 on April 19, 2010 for working capital and flood related expenses that were awaiting FEMA reimbursement. Outstanding borrowings under the agreement bore interest at the highest prime rate as published in the most current issue of the Wall Street Journal plus 1%, variable daily, subject to a floor of 6.5%, and payable monthly. The demand note was repaid on September 30, 2010, with proceeds received from FEMA reimbursements.

5. Lease commitments

The Theatre leases the facility where its scene shop is located under three separate operating agreements requiring monthly payments of $1,560 and the payment of utilities, janitorial expenses and insurance. These operating agreements also require the Theatre to pay its pro-rated share of real estate taxes on the land, building and parking lot of $116 per month. The operating agreements also provide for annual increases in the total monthly lease payments of $40 and expire on October 31, 2014. The Theatre has also entered into a monthly lease for office equipment that has been capitalized for financial reporting purposes.

The future minimum rental commitments under capital lease obligations and noncancellable operating leases, is as follows:

	Capital Leases	Noncancellable Operating Leases	Total
Year ending July 31:			
2012	$ 2,619	$ 22,569	$ 25,188
2013	1,746	22,358	24,104
2014	-	22,838	22,838
2015	-	5,739	5,739
Total minimum lease payments	4,365	$ 73,504	$ 77,869
Less amounts representing interest	333		
	4,032		
Less current portion of capital lease obligations	2,345		
Capital lease obligations, less current portion	$ 1,687		

Total rent expense was $234,162 and $137,053 for the years ended July 31, 2011 and 2010, respectively, including $210,000 and $98,801, in imputed rent expense for temporary office space donated by the Building Corporation for 2011 and 2010 and a local business for 2010, respectively.

6. Other commitments

The Theatre had a potential contingent liability of up to $3 million at July 31, 2011, for its guarantee of the indebtedness of the Building Corporation. The guarantee is uncollateralized and unlimited. As of July 31, 2011 and 2010, $100,000 and $1,075,000 were outstanding. Outstanding borrowings on the debt bear interest at 6% and mature on October 1, 2011. On September 30, 2011, the loan was extended to October 3, 2012 and the maximum amount of indebtedness was reduced to $750,000. The loan is collateralized by an assignment of rents and profits by the Building Corporation and the unconditional promises to give from The Next Act as disclosed in Note 2. As repayment of this indebtedness is expected to come from funds provided by the Federal Emergency Management Agency ("FEMA") and the unconditional promises to give held by the Building Corporation, the Theatre has not recorded a liability relative to this guaranteed debt. In the event the Building Corporation defaults on the loan, the Theatre may be required to perform under its guarantee obligation. The Theatre has accrued a liability of $1,000 and $10,750 at July 31, 2011 and 2010, respectively, as its obligation to "stand ready" to fund such guarantee. The Theatre may recover the amount of any guarantee payments from the Building Corporation, although the term of such recovery may extend over several future periods. The Building Corporation's other sources of funds for repayment of the loan would be from rental income from unaffiliated tenants of the Iowa Theatre Building. As of July 31, 2011, there were no unaffiliated tenants of the Iowa Theatre Building.

7. Temporarily restricted net assets

Temporarily restricted net assets consist of the following at July 31, 2011 and 2010:

	2011	2010
Subsequent year's operations	$ 49,475	$ 63,617
Interest in the assets of the Building Corporation	3,507,077	3,391,478
Total temporarily restricted net assets	$ 3,556,552	$ 3,455,095

8. Income taxes

For the years ended July 31, 2011 and 2010, income tax expense on the unrelated business income related to the Theatre's advertising revenues consisted of the following:

	2011	2010
Current:		
Federal	$ 1,000	$ 750
State	500	350
Deferred	(2,300)	(6,250)
Total income tax expense	$ (800)	$ (5,150)

8. Income taxes, continued

The Theatre's deferred tax asset consists of U.S. federal general business credits generated during the year ended July 31, 2009, related to flood wage retention credits earned as a result of continuing to employ persons after the major flooding that occurred in Cedar Rapids, Iowa. The credits expire if unused on July 31, 2029. The deferred tax asset is recorded net of a valuation allowance of $14,800 and $17,100, at July 31, 2011 and 2010, respectively. The valuation allowance decreased by $1,300 and $5,500 during the years ended July 31, 2011 and 2010, respectively.

9. Related party transactions

The Building Corporation is related to the Theatre by virtue of common Board of Director membership. Up to six members of the 16-member Board of Trustees of the Building Corporation can also be members of the Board of Directors of the Theatre. The Building Corporation does not have the power to appoint members of the Theatre's Board of Directors. The Building Corporation is responsible for the ownership, maintenance and improvement of the Iowa Theatre Building used by the Theatre for productions, education and administrative purposes. The Theatre continues to use this building without rental charge. The Building Corporation provides for all real estate taxes and improvements as part of the imputed rental expense included in these financial statements. Imputed amounts are prepared by management based on current market rates for similar rental space and services. Summarized unaudited financial data for the Building Corporation as of and for the year ended July 31, 2011, the only year for which it is available, is as follows:

Assets:		
Cash and cash equivalents	$	105,637
Unconditional promises to give, net		92,547
FEMA grant receivable		348,686
Deposits with GCRCF		643,652
Other assets, net		32,868
Property and equipment, net		9,930,835
Accumulated depreciation		(2,177,460)
Total assets	$	8,976,765
Liabilities and net assets:		
Accounts payable and accruals	$	12,748
Line of credit payable		100,000
Permanently restricted net assets		604,297
Unrestricted net assets		8,259,720
Total liabilities and net assets	$	8,976,765

9. Related party transactions, continued

Revenues:	
FEMA grant	$ 348,686
Other grants	224,742
Investment return, net	30,210
Contributions - public	3,432
Interest income	6,549
Other	2,339
Total revenues	615,958
Expenses:	
Property	41,684
Depreciation	435,433
Supporting services	23,149
Interest	30,533
Fundraising expenses	20,262
Total expenses	551,061
Change in net assets	$ 64,897

The Theatre also receives contributions, advertising revenues, program sponsorships and ticket purchases from members of the Board of Directors or the businesses which employ them. Board members have also individually purchased tickets to various productions. The amount of these individually purchased tickets is not considered by management to be significant.

A summary of related party transactions for the years ended July 31, 2011 and 2010 is as follows:

	2011	2010
Imputed rental expense to the Building Corporation	$ 210,000	$ 83,333
Contributions from the Building Corporation	3,500	23,000
Contributions from Board of Directors' members	9,251	8,405
Contributions from employers of the Board of Directors' members	14,675	23,550
Advertising revenues from employers of the Board of Directors' members	2,065	3,050
Program sponsorships from employers of the Board of Directors' members	94,000	68,000
Special performance revenues from employers of the Board of Directors' members	5,806	8,910
Other revenues from employers of the Board of Directors' members	1,696	118

10. Retirement plan

The Theatre participates in a retirement arrangement with its employees intended to qualify as a tax-sheltered annuity plan in accordance with Internal Revenue Code Section 403(b). The arrangement allows Theatre employees to defer a portion of their compensation on a pre-tax basis. The Theatre presently matches employee contributions up to a maximum of 3% of employee compensation. The Theatre's expense under the tax-sheltered annuity plan was $5,804 and $4,408 for the years ended July 31, 2011 and 2010, respectively.

11. Collection items

The Theatre owns a pencil sketch of its first playbill done by Grant Wood and a replica of the painting "Tramp Comedian" by Marvin Cone. The Grant Wood playbill pencil sketch has been appraised for $15,000 (unaudited) on September 1, 2009, and the replica of the Marvin Cone painting has been appraised for $400. The Grant Wood playbill pencil sketch is available for public viewing at the Cedar Rapids Museum of Art. The replica of the painting "Tramp Comedian" is available for public viewing in the Theatre's Fed Hedges Library. The Theatre has adopted a policy of not capitalizing collections. Accordingly, no collection items are recognized as assets, whether they are purchased or received as a donation. Purchases of collection items reduce net assets in the period when purchased. Proceeds from sales or insurance recoveries are recorded as increases in net assets when received.

Although the financial statements do not disclose the cumulative cost of collections, each of the items in the collection is preserved, cared for and activities verifying their existence and assessing their condition are performed continuously.

12. Fair value measurements

The Theatre follows the *Fair Value Measurements* topic of the Financial Accounting Standards Board, Accounting Standards Codification. This topic establishes an authoritative definition of fair value, sets out a framework for measuring fair value, and requires additional disclosures about fair value measurements. This topic also establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted, observable quoted prices in active markets for identical assets or liabilities ("Level 1 measurements") and the lowest priority to unobservable inputs ("Level 3 measurements"). The three levels of the fair value hierarchy are described as follows:

Level 1	Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
Level 2	Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.);
Level 3	Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable (including the Theatre's own assumptions in determining fair value).

As required by the *Fair Value Measurements* topic, financial assets are classified in their entirety based on the lowest level of any input that is significant to its fair value measurement.

A component of the Theatre's interest in the assets of the Building Corporation at fair value, as of July 31, 2011 and 2010, consisted of $92,548 and $675,322, respectively, of unconditional promises to give. This financial asset was measured using a Level 3 fair value measurement. The Theatre's analysis of the imputed building rental expense for the Iowa Theatre Building of $210,000 and $83,333 for the years ended July 31, 2011 and 2010, respectively, is also measured using a Level 3 fair value measurement. There were no transfers between Levels 1 or 2 during the years ended July 31, 2011 or 2010.

12. Fair value measurements, continued

The following table sets forth a summary of the changes in the fair value of the Theatre's Level 3 investment in the assets of the Building Corporation for the years ended July 31, 2011 and 2010. As reflected in the table below, the net unrealized gain on Level 3 investment assets was $80,870 and $101,877 for the years ended July 31, 2011 and 2010, respectively.

	2011	2010
Balance at beginning of year	$ 675,322	$ 1,583,547
Reduction in discount for passage of time	20,896	32,982
Reduction in allowance for doubtful unconditional promises to give	80,870	101,877
Additions of unconditional promises to give	3,432	519,726
Payments received on unconditional promises to give	(687,973)	(1,562,810)
Balance at end of year	$ 92,547	$ 675,322
The total gains for the year included in earnings attributable to the change in the reduction in the allowance for doubtful unconditional promises to give relating to assets still held	$ 80,870	$ 101,877

Unconditional promises to give of the Building Corporation are reflected at the present value of estimated future cash flows using a 5% discount rate. The allowance for doubtful unconditional promises to give is based on management's estimate of potential write-offs based current economic trends and factors surrounding the credit risk of the specific donors and inquiry of other local not-for-profit entities' experience.

13. Greater Cedar Rapids Community Foundation designated fund

On April 29, 2010, the Theatre was notified by the GCRCF that it had been made a beneficiary of the Ken and Ortha Harstad Fund, a designated fund established at the GCRCF.

Designated funds are component funds of the GCRCF whose beneficiaries are specified by the donor when the fund is established. A designated fund provides annual payments to support the beneficiary organizations, subject only to the variance power of the GCRCF's Board of Directors. GCRCF is responsible for the distribution of the designated funds. The Ken and Ortha Harstad Fund will remain in effect for ten years from the date of its establishment on December 18, 2008.

As of July 31, 2011 and 2010, the balance in the Ken and Ortha Harstad Fund at the GCRCF was $826,353 and $803,684, respectively. During the years ended July 31, 2011 and 2010, the Theatre received $11,239 and $9,946 as its annual payment. This represented approximately 1.4% and 1.2% of the total fund balance before distributions were made to all beneficiary organizations for the years ended July 31, 2011 and 2010, respectively.

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SUPPLEMENTARY INFORMATION

THE COMMUNITY THEATRE OF CEDAR RAPIDS, INC.
D/B/A THEATRE CEDAR RAPIDS
SCHEDULE OF PUBLIC SUPPORT AND REVENUES
Year Ended July 31, 2011
(with summarized financial information for the year ended July 31, 2010)

	2011	2010
Production income:		
Season tickets	$ 83,146	$ 71,863
Business tickets	37,098	17,050
General admissions	418,400	385,285
Sponsorships	173,350	128,600
Advertising and miscellaneous	45,294	51,263
Concessions	10,057	26,379
Total production income	767,345	680,440
Public support:		
Contributions – public	247,158	243,070
Contributions – Building Corporation	3,500	23,000
Grants	60,505	359,391
Hotel/Motel tax	50,000	28,000
In-kind contributions – public	81,855	112,896
In-kind contributions – Building Corporation	210,000	83,333
Total public support	653,018	849,690
Other income:		
Special events and education sponsorships	110,728	132,737
Education grant	9,750	-
Rentals	97,915	30,033
Interest	88	-
Total other income	218,481	162,770
Total public support and revenues	$ 1,638,844	$ 1,692,900

THE COMMUNITY THEATRE OF CEDAR RAPIDS, INC.
D/B/A THEATRE CEDAR RAPIDS
SCHEDULE OF PRODUCTION EXPENSES
Year Ended July 31, 2011
(with summarized financial information for the year ended July 31, 2010)

	2011	2010
Payroll	$ 300,440	$ 235,566
Payroll taxes and fringe benefits	85,347	74,426
Sets and props	39,907	37,544
Costumes and makeup	38,452	44,434
Honoraria	94,448	104,735
Royalties and scripts	64,796	61,058
Advertising and promotion	118,540	134,179
Programs	20,917	20,194
Concessions	10,062	9,236
Box office expenses	19,130	9,863
Miscellaneous production expenses	10,573	36,427
Lighting and sound	8,221	10,929
Depreciation	28,865	17,964
Loss on equipment disposals	2,673	2,853
Income taxes	(800)	(5,150)
Repairs and maintenance	17,252	7,732
Utilities and telephone	49,464	33,103
Rental expense	136,311	88,328
Custodial expense	5,812	-
Scene shop	24,545	24,277
Truck expense	431	981
Office expenses	22,895	1,277
Credit card expense	12,285	-
Volunteer expenses	5,822	2,636
Facility insurance	9,911	9,458
Total production expenses	$ 1,126,299	$ 962,050

THE COMMUNITY THEATRE OF CEDAR RAPIDS, INC.
D/B/A THEATRE CEDAR RAPIDS
SCHEDULE OF EDUCATION EXPENSES
Year Ended July 31, 2011
(with summarized financial information for the year ended July 31, 2010)

	2011	2010
Payroll	$ 40,176	$ 47,912
Payroll taxes and fringe benefits	11,413	15,137
Educational programs	27,882	27,603
Rental expense	18,228	-
Repairs and maintenance	2,274	-
Custodial expense	2,113	-
Utilities and telephone	6,615	-
Facility insurance	1,325	-
Office expenses	2,983	260
Advertising and promotion	3,743	-
Credit card expense	931	-
Box office expenses	1,015	-
Loss on equipment disposals	357	580
Depreciation	3,860	3,654
Total education	$ 122,915	$ 95,146

THE COMMUNITY THEATRE OF CEDAR RAPIDS, INC.
D/B/A THEATRE CEDAR RAPIDS
SCHEDULE OF SUPPORTING SERVICES EXPENSES
Year Ended July 31, 2011
(with summarized financial information for the year ended July 31, 2010)

	2011	2010
Payroll	$ 68,641	$ 83,845
Payroll taxes and fringe benefits	19,499	26,490
Depreciation	6,594	6,394
Office expenses	5,097	455
Utilities and telephone	11,301	3,678
Custodial expense	2,114	4,786
Repairs and maintenance	3,885	859
Rental expense	34,217	9,814
Credit card expense	-	20,558
Legal and accounting	22,473	25,782
Facility insurance	2,264	1,051
Box office expenses	1,015	-
Loss on equipment disposals	611	1,016
Interest expense	1,079	3,393
Penalties and late fees	59	254
Total supporting services	$ 178,849	$ 188,375

THE COMMUNITY THEATRE OF CEDAR RAPIDS, INC.
D/B/A THEATRE CEDAR RAPIDS
SCHEDULE OF FUNDRAISING EXPENSES
Year Ended July 31, 2011
(with summarized financial information for the year ended July 31, 2010)

	2011	2010
Payroll	$ 53,599	$ 31,941
Payroll taxes and fringe benefits	15,226	10,092
Special projects	13,062	10,740
Rental expense	24,318	-
Utilities and telephone	8,825	-
Office expenses	3,980	173
Credit card expense	4,589	-
Repairs and maintenance	3,033	-
Advertising and promotion	2,496	-
Facility insurance	1,768	-
Custodial expense	528	-
Box office expenses	1,015	-
Depreciation	5,149	2,436
Loss on equipment disposals	477	387
Development expenses	35,783	47,186
Total fundraising	$ 173,848	$ 102,955