

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

FINANCIAL STATEMENTS

YEAR ENDED JULY 31, 2014

**THE COMMUNITY THEATRE OF CEDAR RAPIDS, INC.
D/B/A THEATRE CEDAR RAPIDS
TABLE OF CONTENTS
YEAR ENDED JULY 31, 2014**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENT OF FINANCIAL POSITION	4
STATEMENT OF ACTIVITIES	5
STATEMENT OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS	7
SUPPLEMENTARY INFORMATION	
STATEMENT OF FUNCTIONAL EXPENSE	21

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of The Community Theatre of Cedar Rapids, Inc. D/B/A Theatre Cedar Rapids (the Theatre), which comprise the statement of financial position as of July 31, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 on 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 the Theatre as of July 31, 2014, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statement of functional expenses 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 our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



CliftonLarsonAllen LLP

Cedar Rapids, Iowa
January 13, 2015

FINANCIAL STATEMENTS

**THE COMMUNITY THEATRE OF CEDAR RAPIDS, INC.
D/B/A THEATRE CEDAR RAPIDS
STATEMENT OF FINANCIAL POSITION
JULY 31, 2014**

	2014
ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	\$ 191,432
Unconditional Promises to Give, Net	47,695
Accounts Receivable	63,727
Current Portion of Contributed Lease	502,186
Prepaid Expenses and Other Assets	94,486
Total Current Assets	899,526
EQUIPMENT, NET	312,185
OTHER ASSETS	
Deferred Income Taxes, Net	7,125
Unconditional Promises to Give, Net	84,760
Interest in Assets of the Community Theatre Building Corporation **	904,916
Beneficial Interest in Assets Held By a Community Foundation	152,248
Present Value of Contributed Lease, Less Current Portion Above	4,867,093
Collections	-
Total Other Assets	6,016,142
Total Assets	\$ 7,227,853
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts Payable	\$ 39,012
Accrued Expenses	1,049
Deferred Revenue	304,119
Total Current Liabilities	344,180
NET ASSETS	
Unrestricted	504,718
Temporarily Restricted	6,378,955
Total Net Assets	6,883,673
Total Liabilities and Net Assets	\$ 7,227,853

** See Note 4 and 18 for more information.

THE COMMUNITY THEATRE OF CEDAR RAPIDS, INC.
D/B/A THEATRE CEDAR RAPIDS
STATEMENT OF ACTIVITIES
YEAR ENDED JULY 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions	\$ 144,609	\$ 84,760	\$ 229,369
Grants	59,341	20,000	79,341
Corporate Sponsorships, Donations and Matching Gifts	324,631	-	324,631
Contributed Goods and Services	148,487	-	148,487
Government Grants	55,730	-	55,730
Community Theatre Building Corporation Contribution	65,000	-	65,000
Special Events, Net of Expenses of \$27,340	23,465	-	23,465
Advertising Sales	38,525	-	38,525
Parking, Box Office, Rental and Other	138,770	-	138,770
Production	994,566	-	994,566
Concessions and Catering, Net of Expenses of \$1,384	12,462	-	12,462
Sale of Merchandise, Net of Expenses of \$21,483	(2,961)	-	(2,961)
Education	92,992	-	92,992
Net Change in Beneficial Interest in Assets Held by Community Foundation	10,352	-	10,352
Net Change in Interest in Assets Held by the Community Theatre Building Corporation	-	36,796	36,796
Total Support and Revenue	<u>2,105,969</u>	<u>141,556</u>	<u>2,247,525</u>
NET ASSETS RELEASED FROM RESTRICTIONS			
Satisfaction of Time and Purpose Restrictions	<u>837,395</u>	<u>(837,395)</u>	<u>-</u>
Total Support, Revenue and Net Assets Released from Restrictions	2,943,364	(695,839)	2,247,525
EXPENSES			
Program Services	2,264,999	-	2,264,999
Fundraising	232,389	-	232,389
Management and General	292,178	-	292,178
Total Expenses	<u>2,789,566</u>	<u>-</u>	<u>2,789,566</u>
Change in Net Assets from Operations	153,798	(695,839)	(542,041)
NON-OPERATING ACTIVITIES			
Contributed Lease	<u>-</u>	<u>3,730,069</u>	<u>3,730,069</u>
CHANGE IN NET ASSETS	153,798	3,034,230	3,188,028
Net Assets - Beginning	<u>350,920</u>	<u>3,344,725</u>	<u>3,695,645</u>
NET ASSETS - ENDING	<u>\$ 504,718</u>	<u>\$ 6,378,955</u>	<u>\$ 6,883,673</u>

See accompanying Notes to Financial Statements.

**THE COMMUNITY THEATRE OF CEDAR RAPIDS, INC.
D/B/A THEATRE CEDAR RAPIDS
STATEMENT OF CASH FLOWS
YEAR ENDED JULY 31, 2014**

	2014
CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ 3,188,028
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities	
Depreciation and Amortization	47,619
Contributed Goods and Services	(3,878,556)
Contributed Goods and Services Expense	878,867
Net Realized and Unrealized Gains in Beneficial Interest in Assets Held by Community Foundation	(10,352)
Net Realized and Unrealized Gains in Assets Held by the Community Theatre Building Corporation	(36,796)
Effects of Changes in Operating Assets and Liabilities:	
Unconditional Promises to Give	(25,661)
Accounts Receivable	(46,700)
Prepaid Expenses and Other Assets	(16,083)
Accounts Payable	22,006
Accrued Expenses and Other Liabilities	(3,938)
Deferred Revenue	48,145
Net Cash Provided by Operating Activities	166,579
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Property and Equipment	(71,993)
Transfer to Community Foundation	(38,929)
Transfer from Community Foundation	4,809
Net Cash Used by Investing Activities	(106,113)
NET INCREASE IN CASH AND CASH EQUIVALENTS	60,466
Cash and Cash Equivalents - Beginning of Year	130,966
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 191,432

See accompanying Notes to Financial Statements.

THE COMMUNITY THEATRE OF CEDAR RAPIDS, INC.
D/B/A THEATRE CEDAR RAPIDS
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organizational Purpose

With a history that reaches back to 1926, The Community Theatre of Cedar Rapids, Inc. D/B/A Theatre Cedar Rapids (the Theatre) was incorporated in the state of Iowa as a nonprofit community theatre. Committed to its mission “together we make the magic of live theatre”, participants volunteer as performers, set builders and tech crew, costume and prop builders, ushers and box office workers, and aided by professional staff, they offer Eastern Iowa eight main stage productions in addition to 3 studio productions and a Festival of new scripts. The Education program offers theatre classes, camps, career events, outreach programs, and educational performances. The theatre facility is also made available for community meetings, forums, lunch and dinner events, community tours, fundraisers, concerts, and school productions.

The fiscal year-end for the Theatre is July 31. Significant accounting policies followed by the Theatre are presented below.

Cash and Cash Equivalents

The Theatre considers all liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Prepaid Expenses and Other Assets

Prepaid expenses represent costs incurred in the preparation for the following season’s productions. These costs are recognized as expenses when the productions are held. Other assets consist of merchandise inventories. Other assets are stated at the lower of cost using the first-in, first-out (“FIFO”) method, or market.

Equipment

Purchased equipment is recorded at cost while contributed property and equipment is recorded at estimated fair value at the date of gift. Depreciation is computed utilizing the straight-line method over the estimated useful lives of the assets which range from five to twenty-five years. The Theatre follows the policy of capitalizing all equipment purchases over \$600 whose useful life is greater than one year.

Interest in Assets of Community Theatre Building Corporation

The Theatre recognizes its interest in the assets of the Community Theatre Building Corporation (Building Corporation) held by a community foundation as an asset and annually adjusts that interest for its share of the change in the Building Corporation’s assets.

THE COMMUNITY THEATRE OF CEDAR RAPIDS, INC.
D/B/A THEATRE CEDAR RAPIDS
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Beneficial Interest in Assets Held by a Community Foundation

Certain funds are held by The Greater Cedar Rapids Community Foundation (the Foundation) in a permanent designated agency endowment fund for the benefit of the Theatre. The transactions with the Foundation are deemed to be reciprocal and, therefore, the value of the funds held by the Foundation are recognized as an asset (beneficial interest in assets held by a community foundation) by the Theatre.

Other designated funds held by the Foundation for the benefit of the Theatre have been established by separate donors who explicitly granted variance power to the Foundation in a nonreciprocal transfer. As such, these funds are not recognized as an asset by the Theatre. The distributions received from the Foundation from these funds are recognized as revenue by the Theatre upon receipt.

Collections

The collections, which were acquired through purchases and contributions since the Theatre's inception, are not recognized as assets on the statement of financial position. Purchases of collection items are recorded as decreases in unrestricted net assets, through an expense, in the year in which the items are acquired or as decreases in temporarily or permanently restricted net assets if the assets used to purchase the items are restricted by donors. Contributed collection items are not reflected on the financial statements. Proceeds from sales or insurance recoveries are reflected as increases in the appropriate net asset classes.

Deferred Revenue

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 period. These deferred revenues will be recognized in the periods when the productions or classes are held.

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 net assets - Includes all net assets which are neither temporarily or permanently restricted.

Temporarily restricted net assets - Includes 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.

Permanently restricted net assets - Includes contributions and other inflows of assets whose use by the Theatre is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Theatre. The Theatre had no permanently restricted net assets at July 31, 2014.

THE COMMUNITY THEATRE OF CEDAR RAPIDS, INC.
D/B/A THEATRE CEDAR RAPIDS
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Support and Revenue

All contributions and grants are considered to be available for unrestricted use unless specifically restricted by the donor or by law. Amounts received which are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support. If a restriction is fulfilled in the same time period in which the contribution is received, the organization reports the support as unrestricted. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Unconditional promises to give are recorded as a receivable and as support when the promise is received. Substantially all the unconditional promises to give are due from local businesses and individuals. Contributions whose collection extends beyond one year are measured at the present value of the estimated future collections expected to be received by the Theatre. An allowance for discount is provided based on the estimated present value of estimated future collections, when applicable.

Contributions of donated goods are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, 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.

A number of volunteers have made significant contributions of their time in the furtherance of the Theatre's programs. The value of this contributed time is not reflected in the accompanying statements of activities as the services do not meet the criteria for recognition.

Contributed property and equipment is recorded at estimated fair value at the date of gift. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Unconditional promise to give expected to be collected in future years are recorded at the present value of the estimated future cash flows. Accounts receivable are valued at net invoice cost.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenses, gains, losses, donated goods and services, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

**THE COMMUNITY THEATRE OF CEDAR RAPIDS, INC.
D/B/A THEATRE CEDAR RAPIDS
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of Long-Lived Assets

The Theatre reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell.

Functional Expenses

The costs of providing various program and supporting activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated between program and supporting activities benefitted.

Non-Operating Activities

The Theatre recognized the initial value of a contributed lease as a non-operating activity.

Income Taxes

The Theatre is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar section of the Iowa income tax law, which provides income tax exemption for corporations organized and operated exclusively for religious, charitable, or educational purposes. The IRS has not classified the Theatre as a private foundation.

The Theatre files information returns in the U.S. federal jurisdiction. The Theatre has determined that it was not required to record a liability related to uncertain tax positions. The federal information returns of the Theatre for the year ended July 31, 2011 and thereafter are subject to examination by the IRS, generally for three years after they were filed.

Significant Estimates

The Theatre is provided space under a contributed lease. The value of the donated rent expense and recorded asset are considered a significant estimate. See Note 8 for additional information.

**THE COMMUNITY THEATRE OF CEDAR RAPIDS, INC.
D/B/A THEATRE CEDAR RAPIDS
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2014**

NOTE 2 UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consist of the following as of July 31:

	2014
Unconditional Promises to Give	\$ 145,745
Less Allowance for Doubtful Accounts	(2,000)
Less Discount to Present Value	(11,290)
Net Unconditional Promises to Give	\$ 132,455
Amounts Due In:	
Less than One Year	\$ 47,695
One to Five Years	84,760
Total	\$ 132,455

Unconditional promises to give expected to be collected in more than one year from July 31, 2014, are discounted at a rate of return respective to the year the unconditional promises to give was originally promised. Unconditional promises to give are recorded using a discount rate of 4%.

NOTE 3 EQUIPMENT

A summary of the property and equipment accounts is as follows for the year ending July 31, 2014:

	2014
Equipment	\$ 575,132
Less Accumulated Depreciation	(262,947)
Net Equipment	\$ 312,185

Depreciation expense totaled \$47,619 for the year ending July 31, 2014.

NOTE 4 INTEREST IN NET ASSETS OF COMMUNITY THEATRE BUILDING CORPORATION

On September 26, 2007, a joint meeting of the Board of Trustees of the Community Theatre Building Corporation (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. The proceeds raised for building improvements were retained by the Building Corporation and spent on the Iowa Theatre Building in which the Theatre resides. The Theatre has recognized a Contributed Lease asset as the Theatre is provided the space for \$1 per year. See Note 8 for additional information.

THE COMMUNITY THEATRE OF CEDAR RAPIDS, INC.
D/B/A THEATRE CEDAR RAPIDS
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2014

**NOTE 4 INTEREST IN NET ASSETS OF COMMUNITY THEATRE BUILDING CORPORATION
(CONTINUED)**

The proceeds raised for establishing the endowment fund have been transferred to and maintained by The Greater Cedar Rapids Community Foundation (Foundation). The fund is administered by the Foundation for the benefit of the Building Corporation. Control over the investment or reinvestment of these funds is exercised exclusively by the Foundation. A portion of the fund's earnings is made available to the Building Corporation periodically. During the year ended July 31, 2014, there were no transfers between the Theatre and the Building Corporation. The only assets of the Building Corporation that are included on the Theatre's financial statements is the endowment at the Foundation. In connection with The Next Act, the Building Corporation was not granted variance power over the unconditional promises to give.

NOTE 5 BENEFICIAL INTEREST IN ASSETS OF COMMUNITY FOUNDATION

The Theatre has funds held by The Greater Cedar Rapids Community Foundation (Foundation). The fund is administered by the Foundation for the benefit of the Theatre. Control over the investment or reinvestment of these funds is exercised exclusively by the Foundation. A portion of the fund's earnings is made available for distribution to the Theatre periodically. \$4,809 was distributed to the Theatre from the Foundation for the year ended June 30, 2014.

NOTE 6 BENEFICIARY OF DESIGNATED FUNDS AT COMMUNITY FOUNDATION

Designated funds for the benefit of the Theatre have been established by donors with the Foundation. In establishing a designated fund, donors select a specific nonprofit institution as the recipient, and grants are made to the recipient annually as long as the named institution remains in existence and continues to fulfill its intended purpose. These funds are not recognized as an asset by the Theatre. The distributions received from the Foundation from these funds are recognized as revenue by the Theatre upon receipt. For the year ended July 31, 2014, \$16,821 of earnings was distributed to the Theatre.

NOTE 7 FAIR VALUE MEASUREMENTS

Generally accepted accounting principles establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted 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 -Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

**THE COMMUNITY THEATRE OF CEDAR RAPIDS, INC.
D/B/A THEATRE CEDAR RAPIDS
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2014**

NOTE 7 FAIR VALUE MEASUREMENTS (CONTINUED)

Level 2 - Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

Interest in assets of the Community Theatre Building Corporation: Valued at the net asset value of the Building Corporation's pro-rata share of the community foundation's investment pools. The unobservable inputs are the underlying assets at the community foundation and follow their investment policy.

Beneficial interest in assets held by community foundation: Valued at the Theatre's pro-rata share of the community foundation's investment pools. The unobservable inputs are the underlying assets at the community foundation and follow their investment policy.

The following table presents assets measured at fair value by classification within the fair value hierarchy as of July 31, 2014:

	Level 1	Level 2	Level 3	Total
Interest in Assets Held by Building Corporation	\$ -	\$ -	\$ 904,916	\$ 904,916
Beneficial Interest in Assets Held by Community Foundation	-	-	152,248	152,248
Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,057,164</u>	<u>\$1,057,164</u>

**THE COMMUNITY THEATRE OF CEDAR RAPIDS, INC.
D/B/A THEATRE CEDAR RAPIDS
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2014**

NOTE 7 FAIR VALUE MEASUREMENTS (CONTINUED)

The following is a reconciliation of the beginning and ending balances of assets measured at fair value on a recurring basis using significant unobservable (level 3) inputs during the year ended July 31, 2014:

	Interest in Assets Held by Community Theatre Building Corporation	Beneficial Interest in Assets Held by Community Foundation	Total
Balance, July 31, 2013	\$ 3,237,710	\$ 106,705	\$3,344,415
Contributions	-	40,000	40,000
Distributions	-	(4,809)	(4,809)
Change in Beneficial Interest in Assets held by Community Foundation	-	10,352	10,352
Change in Interest in Assets Held by Building Corporation	36,796	-	36,796
Transfer from Interest in Assets Held by Community Theatre Building Corporation to Contributed Lease	(2,369,590)	-	(2,369,590)
Balance, July 31, 2014	<u>\$ 904,916</u>	<u>\$ 152,248</u>	<u>\$1,057,164</u>

NOTE 8 CONTRIBUTED LEASE

The Theatre has entered into a lease agreement effective January 1, 2014 with the Building Corporation for the building in which the Theatre is located. The lease agreement provides for a rental payment of \$1 per year. The lease covers a period of ten years and expires December 31, 2023.

Based on the present value of the fair value of the building in excess of the lease fees, the Theatre has recorded a contribution and related asset from the Building Corporation which will be amortized over the term of the lease and recognized a temporarily restricted net asset (see Note 10). The contributed lease is amortized to rent expense over the life of the lease. For the year ended July 31, 2014, the Theatre recognized \$730,380 as rent expense under this lease. The value of the contributed lease has been discounted at a rate of 4.25%.

**THE COMMUNITY THEATRE OF CEDAR RAPIDS, INC.
D/B/A THEATRE CEDAR RAPIDS
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2014**

NOTE 8 CONTRIBUTED LEASE (CONTINUED)

The calculation of the contributed lease from the Building Corporation and the related discount to present value is based on certain estimates of the fair value of the building, its annual lease value, and a discount rate. Management believes the contributed lease and discount to present value are reasonable estimates based on information currently known. However, circumstances impacting these estimates could occur which could significantly change these calculations.

	2014
Contributed Lease	\$ 6,099,659
Less Discount to Present Value	(730,380)
Net Present Value of Contributed Lease	\$ 5,369,279
Amounts to be Recognized in:	
Less Than One Year	\$ 502,186
One to Five Years	5,597,473
Total	\$ 6,099,659

NOTE 9 ENDOWMENTS

The Theater's endowment consists of a fund with the Foundation to support its general operating needs of the Theatre. Its endowment consists of funds designated by the Board of Directors (Board) to function as an endowment. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Return Objectives and Risk Parameters

The Theatre has adopted investment and spending policies for endowment assets that attempt to provide current income to fund the operations of the Theatre as well as to enhance the future resources available to the Theatre through long-term appreciation of assets. The endowment assets are invested in a manner that is intended to provide growth of principal and income. Currently, all of the endowment assets are being held and managed by the Foundation.

Spending Policy

Distributions, if any, are determined annually by the Theater's governing board.

Strategies Employed for Achieving Objectives

The Theatre primarily follows the investment strategy of the Foundation which relies on a total return strategy in which investment returns are achieved through capital appreciation and current yield (interest and dividends). This strategy targets a diversified asset allocation that emphasizes growth instruments and equity securities to achieve its long-term objectives within prudent risk constraints.

**THE COMMUNITY THEATRE OF CEDAR RAPIDS, INC.
D/B/A THEATRE CEDAR RAPIDS
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2014**

NOTE 9 ENDOWMENTS (CONTINUED)

Endowment net asset composition by type of fund as of July 31, 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board Designated Endowment Funds	<u>\$ 152,248</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 152,248</u>

Changes in endowment net assets for the year ended July 31, 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net Assets, Beginning of Year	\$ 106,705	\$ -	\$ -	\$ 106,705
Contributions	40,000	-	-	40,000
Change in Beneficial Interest	10,352	-	-	10,352
Appropriation of Endowment Assets for Program Expenditures	(4,809)	-	-	-
Net Assets, End of Year	<u>\$ 152,248</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 152,248</u>

NOTE 10 NATURE AND AMOUNT OF RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods as of July 31:

	<u>2014</u>
Time Restricted	\$ 84,760
Expansion of Education Program	20,000
Interest in Net Assets of the Community Theatre Building Corporation	904,916
Contributed Lease	5,369,279
Total	<u>\$ 6,378,955</u>

THE COMMUNITY THEATRE OF CEDAR RAPIDS, INC.
D/B/A THEATRE CEDAR RAPIDS
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2014

NOTE 11 LEASE COMMITMENT AND RENT EXPENSE

The Theatre is leasing office equipment that requires monthly payments of \$202.

Future minimum payments under these leases are as follows:

<u>Year Ending July 31</u>	<u>Amount</u>
2015	\$ 2,424
2016	2,424
2017	2,424
2018	606
Total	<u>\$ 7,878</u>

Rent expense for the year ended July 31, 2014 totaled \$754,541. This includes \$730,380 of in-kind rent expense for space donated by the Building Corporation.

NOTE 12 ADVERTISING

Advertising expense for the year ended July 31, 2014 totaled \$259,310.

NOTE 13 COLLECTIONS

The Theatre's collections are made up of a pencil sketch and a replica painting. Each of the items is cataloged, preserved, and cared for and activities verifying their existence and assessing their condition are performed continuously. The collections are subject to a policy that requires proceeds from their sale to be used to acquire other items for collections.

NOTE 14 LINE OF CREDIT

The Theatre has a \$100,000 revolving line of credit available at a bank, none of which was used as of July 31, 2014. The line of credit bears interest at 4.25%. The line of credit matures on August 3, 2015.

NOTE 15 EMPLOYEE BENEFIT PLAN

The Theatre has established a defined contribution retirement plan under IRS Code Section 403(b). Theatre employees are eligible to make an elective salary deferral pursuant to a salary reduction agreement. Presently the Theatre matches employee contributions up to a maximum of 3% of employee compensation. Expenses under this plan for the year ended July 31, 2014 totaled \$11,961.

**THE COMMUNITY THEATRE OF CEDAR RAPIDS, INC.
D/B/A THEATRE CEDAR RAPIDS
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2014**

NOTE 16 DISCLOSURE ABOUT CERTAIN CONCENTRATIONS

The Theatre maintains cash balances in one commercial bank. During the course of the year, the Theatre's deposits at the bank exceeded the maximum amount insured by the FDIC. Management believes the credit risk related to the uninsured balance is minimal.

NOTE 17 INCOME TAXES

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 during 2008. The credits expire if unused on July 1, 2029. The deferred tax asset is recorded net of a valuation allowance of \$18,475 at July 31, 2014.

NOTE 18 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 fifteen to twenty members 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.

Summarized unaudited financial data for the Building Corporation as of and for the year ended July 31, 2014 is as follows:

Assets	
Cash, Receivables, Investments and Other Assets	\$ 2,532,020
Equipment, Net	6,929,680
Total Assets	<u>9,461,700</u>
Liabilities	
Accounts Payable	52,347
Net Assets	
Unrestricted	8,504,437
Permanently Restricted	904,916
Total Net Assets	<u>9,409,353</u>
Total Liabilities and Net Assets	<u>\$ 9,461,700</u>
Revenues	\$ 288,756
Expenses	<u>539,995</u>
Change in Net Assets	<u>\$ (251,239)</u>

THE COMMUNITY THEATRE OF CEDAR RAPIDS, INC.
D/B/A THEATRE CEDAR RAPIDS
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2014

NOTE 18 RELATED PARTY TRANSACTIONS (CONTINUED)

The Theatre receives contributions, advertising revenues, program sponsorships and ticket purchases from members of the Board of Directors. 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.

The Theatre also has assigned certain rents and profits as collateral for the Building Corporation's line of credit with maturity date of August 3, 2015. There were no outstanding amounts at July 31, 2014.

A summary of related party transactions for the year ending July 31, 2014 is as follows:

Donated Lease Expense to the Building Corporation	\$	730,380
Contributions from the Building Corporation		65,000
Contributions from Board of Directors		15,477
Contributions from Employers of the Board of Directors		24,135
Advertising Revenues from Employers of the Board of Directors		6,000
Program Sponsorships from Employers of the Board of Directors		176,500
Special Performance Revenues from Employers of the Board of Directors		9,750

NOTE 19 SUBSEQUENT EVENTS

Management evaluated subsequent events through January 13, 2015, the date the financial statements were available to be issued. Events or transactions occurring after July 31, 2014, but prior to January 13, 2015, that provided additional evidence about conditions that existed at July 31, 2014, have been recognized in the financial statements for the year ended July 31, 2014. Events or transactions that provided evidence about conditions that did not exist at July 31, 2014 but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended July 31, 2014.

On October 22, 2014, the Theatre signed a lease agreement with a 10 year term with payments ranging from \$1,730 to \$2,220 per month.

SUPPLEMENTARY INFORMATION

**THE COMMUNITY THEATRE OF CEDAR RAPIDS, INC.
D/B/A THEATRE CEDAR RAPIDS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JULY 31, 2014**

	Program Services			Supporting Services		Total Supporting Services	Total Functional Expenses
	Production	Education	Total Program Services	Fundraising	Management and General		
EXPENSES							
Salaries	\$ 500,858	\$ 57,846	\$ 558,704	\$ 74,776	\$ 71,954	\$ 146,730	\$ 705,434
Payroll Taxes and Fringe Benefits	117,998	13,628	131,626	17,617	16,952	34,569	166,195
Contract Services	153,855	46,895	200,750	800	-	800	201,550
Facilities and Maintenance	52,326	6,043	58,369	7,812	7,517	15,329	73,698
Utilities	59,137	6,830	65,967	8,829	8,496	17,325	83,292
Office and Administrative	80,376	9,283	89,659	12,000	11,547	23,547	113,206
Development	72	-	72	26,389	92	26,481	26,553
Production and Artistic	293,205	-	293,205	-	14	14	293,219
Promotion	158,444	3,056	161,500	-	520	520	162,020
Education Programs	316	24,482	24,798	-	-	-	24,798
Volunteer Programs	9,365	-	9,365	-	-	-	9,365
In-Kind Contributions	107,940	-	107,940	2,749	37,798	40,547	148,487
Donated Lease Expense	445,531	80,342	525,873	80,342	124,165	204,507	730,380
Depreciation and Amortization	35,791	-	35,791	-	11,828	11,828	47,619
Miscellaneous	1,380	-	1,380	1,075	1,295	2,370	3,750
Total Expenses	\$ 2,016,594	\$ 248,405	\$ 2,264,999	\$ 232,389	\$ 292,178	\$ 524,567	\$ 2,789,566