

St. George Theatre Restoration, Inc.

Financial Statements

For the Six Months Ended

June 30, 2015

(With Independent Auditors' Report Thereon)



*Navigating the Road
to
Financial Security*

St. George Theatre Restoration, Inc.

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Independent Auditors' Report

Board of Directors
St. George Theatre Restoration, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of St. George Theatre Restoration, Inc., which comprise the statement of financial position as of and for the six months ended June 30, 2015, and the related statements of activities, cash flows, and functional expenses for the period then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion 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.

(1)

St. George Theatre Restoration, Inc.

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 St. George Theatre Restoration, Inc. as of and for the six months ended June 30, 2015, and the changes in its net assets and its cash flows for the period then ended in accordance with accounting principles generally accepted in the United States of America.

Deyantis, Kiefer, Shall & Sarcone, LLP

Staten Island, New York

April 15, 2016

St. George Theatre Restoration, Inc.

Statement of Financial Position June 30, 2015

Assets

Current Assets:	
Cash and Cash Equivalents	\$ 162,986
Accounts Receivable	3,493
Prepaid Show Expenses	25,000
Prepaid Insurance	<u>29,568</u>
Total Current Assets	\$ 221,047
Non-Current Assets:	
Fixed Assets, Net Accumulated Depreciation	<u>6,391,893</u>
Total Non-Current Assets	<u>6,391,893</u>
Total Assets	<u>\$ 6,612,940</u>

Liabilities and Net Assets

Current Liabilities:	
Accounts Payable	\$ 138,584
Overdraft Cash	23,102
Deferred Revenue	289,752
Line of Credit Payable	<u>195,000</u>
Total Current Liabilities	646,438
Non-Current Liabilities:	
Loans Payable - Officers and Directors	<u>195,106</u>
Total Non-Current Liabilities	<u>195,106</u>
Total Liabilities	841,544
Net Assets:	
Unrestricted Net Assets	<u>5,771,396</u>
Total Net Assets	<u>5,771,396</u>
Total Liabilities and Net Assets	<u>\$ 6,612,940</u>

St. George Theatre Restoration, Inc.

Statement of Activities for the Six Months Ended June 30, 2015

Unrestricted Net Assets

Support and Revenue:

Ticket Sales	\$ 590,153
Site Rental Income	88,084
Grants and Contributions	92,145
In-Kind Donation of Equipment	1,428,430
Fundraising Income - Gala	68,549
Concession Income	58,505
Memberships	285
Interest Income	<u>272</u>

Total Support and Revenue \$ 2,326,423

Expenses:

Program Services	949,790
Fundraising	29,095
Management and General	<u>107,859</u>

Total Expenses 1,086,744

Changes in Unrestricted Net Assets 1,239,679
Net Assets, Beginning of Year 4,531,717

Net Assets, End of Year \$ 5,771,396

St. George Theatre Restoration, Inc.

Statement of Cash Flows for the Six Months Ended June 30, 2015

Cash Flows from Operating Activities:

Changes in Net Assets		\$ 1,239,679
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided By Operating Activities:		
Depreciation and Amortization	\$ 81,742	
In-Kind Donation of Equipment	(1,428,430)	
(Increase) Decrease in Operating Assets:		
Accounts Receivable	19,896	
Grants Receivable	100,000	
Prepaid Show Expenses	(20,650)	
Prepaid Insurance	(29,568)	
Increase in Operating Liabilities:		
Accounts Payable	21,549	
Deferred Revenue	175,963	
Total Adjustments		<u>(1,079,498)</u>
Net Cash Provided By Operating Activities		160,181
Cash Flows from Investing Activities		
Purchase of Fixed Assets	<u>(318,422)</u>	
Net Cash Used In Investing Activities		(318,422)
Cash Flows from Financing Activities:		
Overdraft Cash	23,102	
Proceeds from Line of Credit	<u>70,000</u>	
Net Cash Provided By Financing Activities		<u>93,102</u>
Net Decrease in Cash and Cash Equivalents		(65,139)
Cash and Cash Equivalents, Beginning of Year		<u>228,125</u>
Cash and Cash Equivalents, End of Year		<u>\$ 162,986</u>
Supplemental Disclosures of Cash Flow Information:		
Cash Paid During the Period for:		
Interest		<u>\$ 3,941</u>

St. George Theatre Restoration, Inc.

Statement of Functional Expenses for the Six Months Ended June 30, 2015

	2015			
	Program Expenses	Fundraising	Management and General	Total Expenses
Salaries and Benefits	\$ 233,205	\$ 26,537	\$ 69,046	\$ 328,788
Show Fees	385,323			385,323
Equipment Rental	31,760			31,760
Marketing and Promotion	61,927			61,927
Credit Card Discounts	6,637			6,637
Concession Expenses	31,278			31,278
Utilities	47,444		5,272	52,716
Repairs and Maintenance	48,970			48,970
Office Supplies			14,979	14,979
Insurance	4,090		454	4,544
Telephone	5,918		658	6,576
Bank Charges			65	65
Outside Professional Services			11,835	11,835
Meetings and Events			986	986
Payroll Service	2,155		239	2,394
Miscellaneous	9,341			9,341
Gala Expenses		2,558		2,558
Depreciation	81,742			81,742
Interest			3,941	3,941
Filing Fees			384	384
Total Expenses	\$ 949,790	\$ 29,095	\$ 107,859	\$ 1,086,744

St. George Theatre Restoration, Inc.

Notes to Financial Statements
For the Six Months Ended June 30, 2015

1. Nature of Organization

St. George Theatre Restoration, Inc. (the Organization) is a not-for-profit corporation in Staten Island, New York dedicated to the restoration of the historic St. George Theatre and its development as a Cultural and Performing Arts Center. The theatre serves as a cultural arts center for a myriad of activities including outreach educational programs, architectural tours, television and film shoots, concerts, comedy, Broadway touring companies and small and large scale children's shows.

2. Summary of Significant Accounting Policies

Method of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Restrictions, which expire in the reporting period in which support is recognized, are reported as an increase in unrestricted net assets. In addition, the Organization is required to present a statement of cash flows.

The Organization also follows the Financial Accounting Standard Board Accounting Standard Codification (FASB ASC) topic that addresses accounting for contributions received and contributions made. In accordance with this standard, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. In addition, the Organization could receive contributions with donor-imposed restrictions that result in temporarily restricted net assets.

It is the Organization's policy to report donor-restricted contributions whose restrictions are met in the same reporting period as unrestricted support.

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a 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. At June 30, 2015, there were no permanently restricted net assets.

St. George Theatre Restoration, Inc.

Notes to Financial Statements
For the Six Months Ended June 30, 2015

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statements of cash flow, the Organization considers all highly liquid investments, with a maturity of three months or less when purchased, to be cash equivalents.

Equipment, Furniture, Building and Improvements

The Organization capitalizes all expenditures for equipment in excess of \$1,000. Equipment, furniture, building and improvements are recorded at cost or, at estimated fair value at date of gift, if donated. Depreciation is provided over the estimated useful lives on a straight-line basis.

Grants from Government Agencies

The Organization receives government grants from the City of New York Department of Cultural Affairs. All grants are recognized in the grant period in which they are earned.

Marketing and Promotion Expenses

Marketing costs are expensed as incurred. Marketing expenses were \$61,927 for the six months ended June 30, 2015.

Functional Allocation of Expenses

The cost of providing various programs and other activities has been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the programs and the supporting services benefited.

St. George Theatre Restoration, Inc.

Notes to Financial Statements
For the Six Months Ended June 30, 2015

Deferred Revenue

Income from ticket sales for future shows is deferred and recognized in the period to which the shows relates.

Income Tax Status

The Organization is organized under Section 501(c)(3) of the Internal Revenue Code as a non-profit tax-exempt organization. The Organization represents that, to the best of its knowledge and belief, the tax-exempt status is still in effect as of June 30, 2015.

3. Fixed Assets

The summary of fixed assets at June 30, 2015 is as follows:

	<u>2015</u>
Land	\$ 900,000
Building	3,600,000
Improvements	1,551,745
Equipment and Fixtures	<u>1,701,100</u>
	7,752,845
Less: Accumulated Depreciation	<u>1,360,952</u>
	<u>\$6,391,893</u>

Depreciation expense for the six months ended June 30, 2015 was \$81,742.

During the six month period ended June 30, 2015, construction of a new rigging system was provided to the Organization by the City of New York. The value of the construction of the equipment was \$1,428,430, which was recorded as an in-kind donation on the statement of activities.

As a result of this and other improvements made to the theatre during the period, the main stage was closed for all performances from January 1 through April 22, 2015.

4. Line of Credit

The Organization maintains a revolving line of credit with New York Community Bank in the amount of \$200,000. This financing was made available to support the purchase and installation of new seating in the theatre. Interest on the line is prime rate + 1% floating with a floor of 4.25%. The interest rate was 4.50% at June 30, 2015. The Organization had \$195,000 outstanding on the revolving line of credit at June 30, 2015.

St. George Theatre Restoration, Inc.

Notes to Financial Statements
For the Six Months Ended June 30, 2015

5. Long-Term Debt

Long-term debt at June 30, 2015 consists of the following:

	<u>2015</u>
Unsecured Loan Payable to a former Officer of Company, 0.00% Interest, No formal repayment terms.	\$ 70,106
Unsecured Loans Payable to Directors, 0.00% Interest; No formal repayment terms.	<u>125,000</u>
Long-Term Portion of Loans Payable	<u>\$195,106</u>

6. Concentration of Credit Risk

The Organization maintains its cash in bank deposit accounts which, at times, may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

7. Related Party Transactions

The former President of the Organization provided a loan of \$70,106 as of December 31, 2008, which bears no interest and has no formal repayment terms.

One former member of the Board of Directors made unsecured loans of \$30,000 to the Organization. These loans bear no interest and there are no formal repayment terms.

One board member loaned the Organization \$95,000, which bears no interest and there are no formal repayment terms.

The attorney for the Organization is a former member of the Board of Directors and the work performed for the Organization is performed pro bono.

St. George Theatre Restoration, Inc.

Notes to Financial Statements
For the Six Months Ended June 30, 2015

8. Income Tax Uncertainties

The Organization has adopted the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Organization has analyzed the tax positions taken in its filings with the Internal Revenue Service and state jurisdictions where it operates. The Organization believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse affect on the Organization's financial condition, results of operations or cash flows. Accordingly, the Organization has not recorded any reserves or related accruals for interest and penalties for uncertain income tax positions at June 30, 2015.

The Organization is subject to examinations by Federal and New York State taxing jurisdictions for the years ended June 30, 2012, 2013, and 2014; however, there are currently no examinations for any tax periods in progress.

9. Subsequent Events

The Organization has evaluated subsequent events through April 15, 2016, the date the financial statements are available to be issued and has determined that there are no reportable subsequent events or transactions that need to be disclosed in these financial statements.

10. Fair Value of Financial Instruments

The Organization's significant financial instruments are cash, accounts receivable, prepaid expenses and accounts payable. For these financial instruments, carrying values approximate fair values.

The carrying amounts of loans and the lines of credit approximate fair value because the Organization can obtain similar loans at the same terms.