

Actor's Express, Inc.

Financial Statements

at

June 30, 2016 and July 31, 2015



**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors
Actor's Express, Inc.
Atlanta, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of Actor's Express, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016 and July 31, 2015, and the related statements of activities and cash flows for the eleven months and 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 audits. We conducted our audits 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 auditors consider 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 Actor's Express, Inc. as of June 30, 2016 and July 31, 2015, and the results of its operations and its cash flows for the eleven months and year then ended in accordance with accounting principles generally accepted in the United States of America.

December 15, 2016

ACTOR'S EXPRESS, INC.
Statement of Financial Position
June 30, 2016 and July 31, 2015

| | 2016 | 2015 |
|--|----------------|----------------|
| Assets | | |
| Cash and Cash Equivalents | \$ 4,781 | \$ 8,488 |
| Pledges Receivable | 75,199 | 7,187 |
| Prepaid Expenses | 22,661 | 24,302 |
| Fixed Assets, Net | 168,194 | 190,696 |
| Total Assets | \$ 270,835 | \$ 230,673 |
| Liabilities and Net Assets | | |
| Liabilities: | | |
| Accounts Payable | \$ 23,437 | \$ 47,900 |
| Sales and Payroll Taxes Payable | 38,176 | 41,522 |
| Unearned Subscription and Ticket Revenue | 38,821 | 44,630 |
| Advance from Board Member | 74,000 | 74,000 |
| Total Liabilities | 174,434 | 208,052 |
| Unrestricted Net Assets | 96,401 | 22,621 |
| Total Liabilities and Net Assets | \$ 270,835 | \$ 230,673 |

See Accompanying Notes

ACTOR'S EXPRESS, INC.
Statement of Activities
For the Eleven Months Ended June 30, 2016 the Year Ended July 31, 2015

| | <u>2016</u> | <u>2015</u> |
|--|----------------------|----------------------|
| Unrestricted Net Assets: | | |
| Support and Revenue: | | |
| Subscription and Ticket Sales | \$ 466,314 | \$ 478,002 |
| Individual Contributions | 215,925 | 247,035 |
| Corporate and Foundation Contributions | 233,561 | 63,299 |
| Government Grants | <u>49,400</u> | <u>30,500</u> |
| Total Support and Revenue | 965,200 | 818,836 |
| Expenses: | | |
| Program - Theatre Productions, Sales and Marketing | 735,903 | 708,051 |
| Management and General | 121,406 | 130,609 |
| Fundraising | <u>34,111</u> | <u>49,857</u> |
| Total Operating Expenses | <u>891,420</u> | <u>888,517</u> |
| Increase (Decrease) in Unrestricted Net Assets | 73,780 | (69,681) |
| Increase (Decrease) in Net Assets | 73,780 | (69,681) |
| Net Assets at Beginning of Year | <u>22,621</u> | <u>92,302</u> |
| Net Assets at End of Year | <u>\$ 96,401</u> | <u>\$ 22,621</u> |

See Accompanying Notes

ACTOR'S EXPRESS, INC.
Statement of Cash Flows
For the Eleven Months Ended June 30, 2016 the Year Ended July 31, 2015

| | 2016 | 2015 |
|--|-----------------|-----------------|
| Cash Flows from Operating Activities: | | |
| Increase (Decrease) in Net Assets | \$ 73,780 | \$ (69,681) |
| Adjustments to reconcile Decrease in Net Assets to Net Cash Used in Operating Activities: | | |
| Depreciation | 22,502 | 24,791 |
| Changes in Assets and Liabilities: | | |
| (Increase) Decrease in Assets: | | |
| Pledges Receivable | (68,012) | 2,563 |
| Prepaid Expenses | 1,641 | (19,374) |
| Increase (Decrease) in Liabilities: | | |
| Accounts Payable | (24,463) | 14,846 |
| Accrued Payroll and Sales Tax Liability | (3,346) | 21,687 |
| Unearned Subscription and Ticket Revenue | <u>(5,809)</u> | <u>22,691</u> |
| Net Cash Used in Operating Activities | (3,707) | (2,477) |
| Cash Flows from Investing Activities: | | |
| Purchase of Furniture and Equipment | <u>-</u> | <u>(4,475)</u> |
| Net Cash Used in Investing Activities | - | (4,475) |
| Cash Flows from Financing Activities: | | |
| Repayment of Advance from Board Member | <u>-</u> | <u>(5,000)</u> |
| Net Cash Used by Financing Activities | <u>-</u> | <u>(5,000)</u> |
| Decrease in Cash and Cash Equivalents | (3,707) | (11,952) |
| Cash and Cash Equivalents at Beginning of Year | <u>8,488</u> | <u>20,440</u> |
| Cash and Cash Equivalents at End of Year | <u>\$ 4,781</u> | <u>\$ 8,488</u> |

See Accompanying Notes

ACTOR'S EXPRESS, INC.
Notes to the Financial Statements
For the Eleven Months Ended June 30, 2016 and the Year Ended July 31, 2015

Note 1 - Organization and Summary of Significant Accounting Policies

Nature of Business

Actor's Express, Inc. (Theatre) is an independent not-for-profit theatre company located in Atlanta, Georgia. The mission of Actor's Express is to challenge and reflect contemporary human experiences in an inclusive environment. The Theatre seeks to jumpstart individual transformations through the shared adventure of its live performances, which range from daringly provocative to audaciously hilarious.

The Theatre is funded in part through private foundations, individual and corporate contributions, and state and local government grants.

Basis of Accounting

Basis of accounting refers to the manner in which revenues and expenses are recognized in the accounts and reported in the financial statements. The financial statements are presented on the accrual method of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

Basis of Presentation

The Theatre reports information regarding its financial position and activities according to three classes of net assets:

- *Unrestricted Net Assets* - net assets that are not subject to donor imposed stipulations.
- *Temporarily Restricted Net Assets* - net assets subject to donor-imposed stipulations that will be met either by actions of the Theatre and / or the passage of time.
- *Permanently Restricted Net Assets* - net assets subject to donor-imposed stipulations that are to be maintained permanently by the Theatre. Generally, the donors of permanently restricted net assets permit the Theatre to use all or part of the income earned on the related investments for general or specific purposes.

As of June 30, 2016 and July 31, 2015, the Theatre had no temporarily or permanently restricted net assets.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates and assumptions that affect the reported amounts of assets and liabilities, 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 materially from those estimates.

ACTOR'S EXPRESS, INC.
Notes to the Financial Statements
For the Eleven Months Ended June 30, 2016 and the Year Ended July 31, 2015

Note 1 - Organization and Summary of Significant Accounting Policies - continued

Tax Status

The Theatre is a not-for-profit organization exempt from income taxes under the Internal Revenue Code Section 501(c)(3). Therefore, no provision for income taxes has been made. The Theatre believes it has appropriate support for any tax positions taken and therefore does not have any uncertain tax positions that are material to the financial statements.

Fair Value of Financial Instruments

Cash and cash equivalents, pledges receivable, prepaid expenses, accounts payable, accrued payroll and sales tax liability, and unearned subscription and ticket revenue are carried at amounts which approximate their fair value due to the short-term nature of these instruments.

Expendable Restricted Resources

The Theatre reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. 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. All cash contributions are considered to be available for unrestricted use unless specifically restricted by donor.

The Theatre reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Theatre reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Functional Allocation of Expenses

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

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

ACTOR'S EXPRESS, INC.
Notes to the Financial Statements
For the Eleven Months Ended June 30, 2016 and the Year Ended July 31, 2015

Note 1 - Organization and Summary of Significant Accounting Policies - continued

Cash and Cash Equivalents

Cash and cash equivalents represent funds without legal restrictions on hand or on deposit with financial institutions that are available for use within a thirty-day period.

Pledges Receivable

Unconditional pledges receivable are recognized as revenue or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of benefits received. Conditional pledges receivable are recognized only when the conditions are substantially met and the pledges become unconditional.

Fixed Assets

The Theatre capitalizes all assets that have a useful life greater than one year and a value of \$1,000 or more. Fixed assets consist of leasehold improvements, equipment, furniture, fixtures and software which are stated at cost for assets purchased and at fair market value at date received for assets donated. Leasehold improvements are amortized over the life of the lease. Other assets are depreciated using the straight-line method over the estimated useful life of each asset. The Theatre uses five years as the estimated useful life of furniture, fixtures and software and five to fifteen years as the estimated useful life of equipment.

Fiscal Year End Change

The Theatre's Board of Directors elected to change its fiscal year end from July 31, to June 30, effective for the eleven months ended June 30, 2016. The change was made to allow the fiscal year and the production schedule to coincide.

Advertising Costs

The Theatre uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. Advertising expense for the eleven months ended June 30, 2016 and the year ended July 31, 2015 was \$60,032 and \$65,619, respectively.

Sales Taxes

The Theatre collects sales taxes from patrons and remits the amount to the State of Georgia. The Theatre reports ticket revenue net of sales taxes in its financial statements.

Compensated Absences

The Theatre recognizes the cost of compensated absences when paid rather than when incurred. The effect of the Theatre's policy is not material to the financial statements.

ACTOR'S EXPRESS, INC.
Notes to the Financial Statements
For the Eleven Months Ended June 30, 2016 and the Year Ended July 31, 2015

Note 2 - Pledges Receivable

At July 31, 2016 and 2015, the Theatre had unconditional pledges receivable in the amounts of \$75,199 and \$7,187, respectively. The pledges have not been discounted. Management, based on experience, has determined that no allowance for uncollectible pledges is required.

Note 3 - Grant Conditions

Notwithstanding audits by independent certified public accountants, all items included in this report remain subject to audit by the funding agencies or any other sources providing support. The final audit determination rests with the officials of the funding sources having authority to make and enforce grants.

Note 4 – Fixed Assets

Fixed assets consist of the following:

| | 2016 | 2015 |
|-----------------------------------|------------|------------|
| Leasehold Improvements | \$ 333,299 | \$ 333,299 |
| Machinery and Equipment | 153,942 | 153,942 |
| Furniture and Fixtures | 86,577 | 86,577 |
| | 573,818 | 573,818 |
| Less: Accumulated Depreciation | (405,624) | (383,122) |
| Total Property and Equipment, Net | \$ 168,194 | \$ 190,696 |

In fiscal year 2015, the Theatre disposed of software it was no longer using. The original cost of the software was \$43,917 and it was fully depreciated.

Depreciation expense was \$22,502 in 2016 and \$24,791 in 2015.

Note 5 – Unearned Subscription and Ticket Sales Revenue

At June 30, 2016 and July 31, 2015, respectively, the Theatre had received \$38,821 and \$44,630 for advance subscription and ticket sales. As each production is presented, the portion of the advance sales collection pertaining to that production is recognized as revenue.

ACTOR'S EXPRESS, INC.
Notes to the Financial Statements
For the Eleven Months Ended June 30, 2016 and the Year Ended July 31, 2015

Note 6 – Advances from Board Members

The Theatre received an advance from a board member which is non-interest bearing and does not have scheduled principal repayments. The Theatre intends to repay the advance as surplus cash is available. As of June 30, 2016 and July 31, 2015, the balance of the advance was \$74,000.

Note 7 - Lease Commitments

The Theatre leased its main stage, rehearsal and dressing rooms and office space under a six year lease agreement that expired on May 31, 2015. The monthly minimum lease payment increased each year based on the Consumer Price Index from the previous calendar year. In July 2015, the Theatre extended the lease for three additional years beginning August 1, 2015 and terminating July 31, 2018. The lease extension contains the same incremental increase terms as the original lease. Rent for June and July 2015 was billed at the rate of \$4,421. The monthly rental rate for the eleven months ended June 30, 2016 is \$4,763.

The outstanding future lease commitments are as follows:

Year Ended June 30:

| | |
|------|-------------------|
| 2017 | \$ 64,728 |
| 2018 | 71,114 |
| 2019 | <u>5,926</u> |
| | <u>\$ 141,768</u> |

In fiscal year 2016 and 2015, the total lease payments for the theatre facility were \$51,903 and \$54,352, respectively.

Note 8 - Subsequent Events

Subsequent events are events or transactions that occur after the Statement of Financial Position date but through the date the financial statements were available to be issued. Management has evaluated subsequent events through December 15, 2016, the date on which the financial statements were available to be issued and concluded that no subsequent events have occurred that require recognition in the financial statements or disclosure in the notes to the financial statements.