

Egyptian Theatre

Financial Statements

Year ended June 30, 2018



WIPFLI^{LLP}
CPAs and Consultants



Independent Auditor's Report

Board of Directors
Egyptian Theatre
DeKalb, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of Egyptian Theatre (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statement of activities, statement of functional expenses 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; 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. 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.

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 Egyptian Theatre as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

Wipfli LLP

Wipfli LLP

Rockford, Illinois
February 11, 2019

Egyptian Theatre
Statement of Financial Position
June 30, 2018

Assets

Cash and cash equivalents	\$ 97,880
Beneficial interest in trusts, at fair value	186,782
Property and equipment, net	1,008,847
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Total assets	\$ 1,293,509

Liabilities and Net Assets

Liabilities:

Accounts payable	\$ 1,995
Accrued liabilities	19,593
Deferred ticket revenue	26,243
Deferred revenue	50,000
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Total liabilities	97,831

Net Assets:

Net assets without donor restrictions	1,067,524
Net assets with donor restrictions	128,154
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Total net assets	1,195,678

Total liabilities and net assets	\$ 1,293,509
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See accompanying notes to financial statements.

Egyptian Theatre
Statement of Activities
For the Year Ended June 30, 2018

	Without donor restrictions	With donor restrictions	Total
Support and revenue:			
Contributions	\$ 58,503	\$ 21,820	\$ 80,323
Donations - in kind	198,373		198,373
Grants	16,400		16,400
Theatre income	538,880		538,880
Rental income	50,167		50,167
Membership revenue	7,225		7,225
Fundraising, net	17,093		17,093
Merchandise, net	2,508		2,508
Investment income, net	8,537	3,046	11,583
Miscellaneous	3,789		3,789
Total revenue and support	901,475	24,866	926,341
Expenses:			
Program services	593,114		593,114
Management and general	317,288		317,288
Fundraising	71,864		71,864
Total expenses	982,266		982,266
Change in net assets	(80,791)	24,866	(55,925)
Net assets, beginning of year, as previously stated	150,494	103,288	253,782
Prior period adjustment	997,821		997,821
Net asset, beginning of year, restated	1,148,315	103,288	1,251,603
Net assets, end of year	\$ 1,067,524	\$ 128,154	\$ 1,195,678

See accompanying notes to financial statements.

Egyptian Theatre

Statement of Cash Flows

For the Year Ended June 30, 2018

Cash Flows from Operating Activities

Change in net assets	\$ (55,925)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	108,573
Unrealized gain on beneficial interest in endowment	(11,569)
Contribution to beneficial interest in endowment	(50,000)
Distribution from beneficial interest in endowment	5,615
Change in assets and liabilities:	
Accounts payable	1,995
Accrued liabilities	8,134
Deferred ticket revenue	12,789
Deferred revenue	50,000

Net cash provided by operating activities	69,612
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Cash Flows from Investing Activities

In-kind additions of property and equipment	(45,249)
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Net cash used in investing activities	(45,249)
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Increase in cash and cash equivalents	24,363
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Net Cash and Cash Equivalents

Beginning	73,517
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Ending	\$ 97,880
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See accompanying notes to financial statements.

Egyptian Theatre
Statement of Functional Expenses
For the Year Ended June 30, 2018

	Program Services	Management and General	Fund Raising	Totals
Production and event	\$ 275,402			\$ 275,402
Ticket system expense	24,656			24,656
Merchandise and concessions	15,075			15,075
Supplies	2,387	\$ 2,387		4,774
Total direct show related costs	317,520	2,387		319,907
Advertising	208,128		\$ 23,125	231,253
Bank charges		20,038		20,038
Dues and subscriptions		2,389		2,389
Grant expenses		1,725		1,725
Insurance	17,208	906		18,114
Legal and accounting		7,669		7,669
Medical reimbursements		5,910		5,910
Miscellaneous	324	325		649
Office expense	2,958	2,959		5,917
Payroll taxes		9,364	3,121	12,485
Postage	274	165	110	549
Repairs and maintenance	4,110	16,438		20,548
Repairs and maintenance - in kind		5,761		5,761
Salaries and wages		129,565	43,189	172,754
Sales tax	4,694			4,694
Storage		2,143		2,143
Telephone and internet		5,338	593	5,931
Training and seminars		6,903	1,726	8,629
Utilities	5,326	21,302		26,628
Expenses before depreciation	560,542	241,287	71,864	873,693
Depreciation	32,572	76,001		108,573
Total	\$ 593,114	\$ 317,288	\$ 71,864	\$ 982,266

See accompanying notes to financial statements.

Egyptian Theatre

Notes to Financial Statements

Note 1: Nature of Business and Significant Accounting Policies

Nature of business

Egyptian Theatre is a not-for-profit corporation located in DeKalb, Illinois. Egyptian Theatre was created to share and protect the historical integrity of the theatre as a regional arts center for entertainment and community involvement. The historic Egyptian Theatre is recognized as a center for the arts and entertainment in the region, enriching the community culturally and economically. The Theatre is a beloved gathering place and source of pride, providing programming and excitement now and for future generations.

Basis of accounting:

The financial statements are on the accrual basis of accounting in which revenue is recognized when earned and expenses are recognized when incurred.

Cash and cash equivalents

For purposes of reporting the statements of cash flows, the Theatre includes all cash accounts which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months or less as cash and cash equivalents on the accompanying statement of financial position.

Property and equipment

Property and equipment are carried at cost. Expenditures for maintenance, repairs and improvements which do not significantly extend the useful lives of the assets are charged to operations as incurred. The fair value of donated property and equipment is capitalized. Depreciation is computed over the estimated useful lives of the assets under the straight-line method. The estimated useful lives of the property and equipment are as follows:

	<u>Years</u>
Buildings	39
Building improvements	7 - 15
Equipment	5 -15

Net assets are presented as follows:

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets of the Theatre and changes therein are classified and reported as follows:

Net assets *without donor restrictions*: net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, a board designated asset for debt retirement and replacement/repair of property and equipment.

Egyptian Theatre

Notes to Financial Statements

Note 1: Nature of Business and Significant Accounting Policies (Continued)

Net assets *with donor restrictions*: net assets subject to donor or certain grantor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time, long-lived assets placed in service, or other events specified by the donor. Other explicit donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenues

Earned income consists of income from ticket sales, facility rentals, concessions, and other miscellaneous sources. Ticket sales are recorded as income or deferred income, dependent upon the performance in which they relate. Ticket sales are initially recognized as deferred revenues and recognized as income as each show is performed.

Recognition of revenue and support with donor restrictions

Contributions received are recorded as without donor restrictions or with donor restrictions support depending on the existence or nature of any donor restrictions. Contributions with time and purpose restrictions are reported as temporarily restricted support and reclassified to unrestricted net assets upon expiration or fulfillment of the restrictions. However, contributions that are with donor restrictions are reported as increases in without donor restriction net assets if the restrictions expire in the year in which the contributions are recognized.

Contribution recognition

Donated services and materials are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Theatre. A substantial number of volunteers have made significant contributions of their time to the Theatre's program and supporting services. The value of this contributed time is not reflected in these financial statements because the criteria for recognition have not been satisfied. Contributed goods and services from professionals are recorded when utilized and are reflected in the financial statements at their estimated fair value. During the year ending June 30, 2018, contributed services and materials totaled \$198,373. \$145,000 of this related to in-kind advertising.

Management use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Egyptian Theatre

Notes to Financial Statements

Note 1: Nature of Business and Significant Accounting Policies (Continued)

Functional allocation of expenses

The costs of providing program services and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Income taxes

The Theatre qualifies for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code as an Theatre organized as not-for-profit.

The Theatre accounts for income taxes in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, Income Taxes.

The standard provides detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an enterprise's financial statements and requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. Management does not believe any uncertain tax positions exist at June 30, 2018. The Theatre's tax years that remain open and subject to possible examination by federal and state of Illinois jurisdictions include the tax years of 2015 through 2017.

Change in accounting policies

In 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958)*. This ASU provides for certain improvements in financial reporting for not-for-profit organizations and requires changes to net asset classification, enhancements to liquidity presentation and disclosures, presentation of an analysis of expenses by function and by nature, netting of investment expenses with return, among other changes. The guidance was adopted early effective July 1, 2017.

Accounting standards update

In 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU, as amended, provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services, guidance on accounting for certain contract costs, and new disclosures. The new standard supersedes current revenue recognition requirements in FASB Accounting Standards Codification (ASC) Topic 605, *Revenue Recognition*, and most industry specific guidance. When adopted, the amendments in the ASU must be applied using one of two retrospective methods. ASU No. 2014-09 is effective for nonpublic organizations for annual periods beginning after December 15, 2018. Management is evaluating what impact this new standard will have on its financial statements.

Egyptian Theatre

Notes to Financial Statements

Note 1: Nature of Business and Significant Accounting Policies (Continued)

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, which is intended to improve financial reporting on leasing transactions. ASU 2016-02 will require lessees to recognize right of use assets and lease obligations for operating and finance leases under terms greater than 12 months. ASU 2016-02 is effective for fiscal years beginning after December 15, 2019, with early adoption permitted. ASU 2016-02 must be applied modified retrospectively. Management is evaluating what impact this new standard will have on its financial statements.

Prior Period Adjustment

The statement of activities has been restated to correct the opening balances in net assets without donor restrictions for the beginning balances. An entry was made to book fixed asset activity that was not previously recorded on the Theatre's books. This correction resulted in a \$997,821 increase of net assets without donor restriction.

Note 2: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions or designations limiting their use, within twelve months of the statement of financial position date, comprise the following as of June 30, 2018:

Financial assets, at year-end*	\$ 284,662
Less those unavailable for general expenditures	
<u>Contractual or donor-imposed restrictions:</u>	
Beneficial interest in trust	(106,334)
<u>Unavailable assets released within one year:</u>	
Beneficial interest in trust	4,300
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Financial assets available to meet cash needs for general expenditures within one year	\$ 182,628

* Total assets, less nonfinancial assets

The Theatre's beneficial interest in assets held by Dekalb County Community Foundation totaling \$186,782 as of June 30, 2018. Of this balance, \$106,334 represents the Theatre's restricted investments. The Theatre shall receive an annual distribution as described further in note 3. Fiscal year 2018's distribution was approximately \$4,300. Prior years amount has been used in estimating the unavailable assets realised within one year.

The Theatre does not have a formal liquidity policy.

Egyptian Theatre

Notes to Financial Statements

Note 3: Beneficial Interest in Endowment

Egyptian Theatre is an income beneficiary of an endowment held by DeKalb County Community Foundation. Under the endowment agreement, Egyptian Theatre is to receive a distribution from the Foundation annually a sum equal to a percentage ("the Spending Rate") of the Average Fair Market Value of the Fund net of all expenses and costs (including fees). The Average Fair Market Value shall be the average of the monthly value of the Fund calculated toward the end of each calendar year following the inception of the Fund. The grant distribution (Payout) from the fund shall be based on a three-year (or since inception if less than three years old) trailing average of the Average Fair Market Value amounts. The Foundation may at any time, and from time to time, change either the Spending Rate or the manner in which the Average Fair Market Value is determined, or both; and may adopt a different plan of distribution. The interest income each year. The fair value of the principal of the endowment is accounted for as a with donor restriction net asset.

Note 4: Fair Value Measurements

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritized 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 fair value hierarchy under FASB ASC 820 are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Theatre has the ability to access.

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; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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. There have been no changes in the methodologies used at June 30, 2018.

Egyptian Theatre

Notes to Financial Statements

Fair Value Measurements (Continued)

Beneficial Interest in Trusts: Valued at the net asset value (NAV) of shares of the underlying investments held by the custodian at year-end.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Theatre believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Theatre's assets at fair value as of June 30, 2018:

Description	Fair Value June 30, 2018	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Beneficial interest	\$186,782	\$0	\$186,782	\$0

Note 5: Investment Income

Investment income consisted of the following for the year ended June 30, 2018:

Interest	\$ 3,017
Realized gains (losses), net	4,596
Unrealized gains (losses), net	5,718
Investment fees	(1,748)
Investment income (loss), net	\$ 11,583

Egyptian Theatre

Notes to Financial Statements

Note 6: Property and Equipment

Property and equipment consisted of the following for the year ended June 30, 2018:

Land	\$ 10,000
Building and improvements	1,252,569
Wurlitzer organ	75,000
Theatre seats	196,341
Furniture and office equipment	504,457
Total property and equipment	2,038,367
Less accumulated depreciation	1,029,520
Property and equipment, net	\$ 1,008,847

Depreciation expense for the year totaled \$108,573 for the year ending June 30, 2018.

Note 7: Accrued Expenses

Accrued expenses consisted of the following for the year ended June 30, 2018:

Payroll and related	\$ 15,534
Sales tax	459
Medical reimbursement	3,600
Total	\$ 19,593

Note 8: Deposits

The Theatre collects revenues for shows in advance. These revenues are held as deposits until the future performance is performed. After performance the deposits for a particular show are transferred to recognized revenues. As of June 30, 2018 the Theatre was currently holding \$26,243 as deposits for future performances.

Note 9: Deferred Revenue

The Theatre received \$75,000 from Northwestern Hospital. Northwestern Hospital committed \$25,000 over three years with \$25,000 being recognized in fiscal year 2018.

Egyptian Theatre

Notes to Financial Statements

Note 9: Deferred Revenue (Continued)

Deferred revenue consisted of the following for the year ended June 30, 2018:

2019	\$	25,000
2020		25,000
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Total	\$	50,000
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Note 10: Net Assets with Donor Restrictions

Net assets with donor restrictions as of June 30 consisted of the following:

Restricted contributions for specific purposes	\$	21,820
Beneficial interest in endowment		106,334
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Total net assets with donor restrictions	\$	128,154
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Note 11: Major Funding Source

The Theatre received approximately \$100,000 of support from the city of DeKalb in 2018. The Theatre received the monies through its TIF agreement with the city. Any future termination or failure of the TIF agreement to continue could result in a substantial loss of contributions.

Note 12: Subsequent Events

The Theatre has evaluated subsequent events through February 11, 2019, which is the date these financial statements were available to be issued. The Theatre received a donation of approximately \$250,000 for fixed asset upgrades during fiscal year 2019. All subsequent events requiring recognition as of June 30, 2018 have been incorporated herein.