

**Atlanta Shakespeare Company, Inc.**

**Financial Statements**

**For the Years Ended  
June 30, 2016 and 2015**

**Atlanta Shakespeare Company, Inc.**

**Table of Contents**

---

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements	
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4
Statements of Cash Flows	6
Notes to Financial Statements	7



Magoon, Freeman,  
Spain & Jones, LLC  
*Certified Public Accountants*

**Members**

Carl B. Magoon, CPA, PC  
Sammy V. Freeman, PC  
Joe Spain, Jr. CPA, PC  
Claire E. Jones, CPA, PC  
Karen J. Bates, PC

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of Atlanta Shakespeare Company, Inc.

We have audited the accompanying financial statements of Atlanta Shakespeare Company, Inc. (a Georgia nonprofit organization) which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years 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 the 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 audits. We have 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 audits to obtain reasonable assurance about whether the financial statements are free of 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 Atlanta Shakespeare Company, Inc. as of June 30, 2016 and 2015, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

**Magoon, Freeman, Spain & Jones, LLC**

Alpharetta, Georgia  
November 16, 2016

**Atlanta Shakespeare Company, Inc.**  
**Statements of Financial Position**  
**As of June 30, 2016 and 2015**

	2016	2015
<b>Assets</b>		
Current Assets		
Cash	\$ 117,020	\$ 128,629
Contributions and accounts receivable	13,077	26,258
Grant receivable	10,000	-
Employee advances	1,660	1,067
Inventory	20,608	21,256
Prepaid expenses	18,911	19,199
Total Current Assets	181,276	196,409
Noncurrent Assets		
Cash - restricted	40,000	40,000
Investments	18,787	16,978
Property and equipment, net	1,905,332	1,818,381
Security deposits	2,500	2,500
Total Noncurrent Assets	1,966,619	1,877,859
Total Assets	\$ 2,147,895	\$ 2,074,268
<b>Liabilities and Net Assets</b>		
Current Liabilities		
Line of credit	\$ -	\$ 60,000
Credit cards payable	9,173	7,864
Accrued expenses	36,570	29,492
Total Current Liabilities	45,743	97,356
Net Assets		
Unrestricted	1,886,110	1,936,912
Temporarily restricted	176,042	-
Permanently restricted	40,000	40,000
Total Net Assets	2,102,152	1,976,912
Total Liabilities and Net Assets	\$ 2,147,895	\$ 2,074,268

See Independent Auditor's Report. The accompanying notes are an integral part of these financial statements.

**Atlanta Shakespeare Company, Inc.**  
**Statements of Activities**

**For the Years Ended June 30, 2016 and 2015**

	For the Year Ended June 30, 2016			For the Year Ended June 30, 2015		
	Unrestricted	Temporarily	Permanently	Unrestricted	Temporarily	Permanently
		Restricted	Restricted		Restricted	Restricted
			Totals			Totals
<b>SUPPORT AND REVENUES</b>						
Ticket sales	\$ 593,694	\$ -	\$ 593,694	\$ 581,583	\$ -	\$ 581,583
Education ticket sales	319,866	-	319,866	279,419	-	279,419
Education contract services	67,757	-	67,757	92,510	-	92,510
Other earned income	225,943	-	225,943	208,231	-	208,231
Interest and dividend income	1,301	-	1,301	2,186	-	2,186
Contributions from business	21,007	-	21,007	31,761	-	31,761
Contributions from foundations	160,349	-	160,349	129,117	-	129,117
Contributions from individuals	366,721	177,500	544,221	383,843	-	383,843
Grants from government agencies	111,000	-	111,000	82,976	-	82,976
Net Assets Released from Restrictions						
Satisfaction of usage restrictions	1,458	(1,458)	-	50,000	(50,000)	-
Total Support and Revenues	<u>1,869,096</u>	<u>176,042</u>	<u>2,045,138</u>	<u>1,841,626</u>	<u>(50,000)</u>	<u>1,791,626</u>
<b>FUNCTIONAL EXPENSES</b>						
Program services	1,660,945	-	1,660,945	1,519,477	-	1,519,477
Fundraising	11,660	-	11,660	8,571	-	8,571
Supporting services	247,293	-	247,293	226,742	-	226,742
Total Functional Expenses	<u>1,919,898</u>	<u>-</u>	<u>1,919,898</u>	<u>1,754,790</u>	<u>-</u>	<u>1,754,790</u>
Increase (Decrease) in Net Assets	(50,802)	176,042	125,240	86,836	(50,000)	36,836
Net Assets, Beginning of year	1,936,912	-	1,976,912	1,850,076	50,000	1,940,076
Net Assets, End of year	<u>\$ 1,886,110</u>	<u>\$ 176,042</u>	<u>\$ 2,102,152</u>	<u>\$ 1,936,912</u>	<u>\$ 40,000</u>	<u>\$ 1,976,912</u>

See Independent Auditor's Report. The accompanying notes are an integral part of these financial statements.

**Atlanta Shakespeare Company, Inc.**  
**Statements of Functional Expenses**  
**For the Year Ended June 30, 2016**

	Program Services	Fundraising	Support Services	Totals
Salaries and employee benefits	\$ 1,121,732	\$ -	\$ 184,731	\$ 1,306,463
Outside fees and services	46,460	-	17,250	63,710
Space rental	14,169	-	-	14,169
Travel	12,632	-	-	12,632
Marketing	59,369	-	-	59,369
Equipment - repairs and maintenance	21,041	-	-	21,041
Supplies	150,786	8,608	11,761	171,155
Utilities	50,971	-	5,663	56,634
Bank charges	51,144	-	2,692	53,836
Interest and finance charges	2,146	-	-	2,146
Business insurance	50,362	-	5,596	55,958
Other expenses	40,785	-	9,762	50,547
Fundraising and development	-	3,052	-	3,052
Total Expenses Before Depreciation	1,621,597	11,660	237,455	1,870,712
Depreciation	39,348	-	9,838	49,186
Total Functional Expenses	<u>\$ 1,660,945</u>	<u>\$ 11,660</u>	<u>\$ 247,293</u>	<u>\$ 1,919,898</u>

See Independent Auditor's Report. The accompanying notes are an integral part of these financial statements.

**Atlanta Shakespeare Company, Inc.**  
**Statements of Functional Expenses**  
**For the Year Ended June 30, 2015**

	Program Services	Fundraising	Support Services	Totals
Salaries and employee benefits	\$ 1,033,553	\$ -	\$ 163,033	\$ 1,196,586
Outside fees and services	33,539	-	22,647	56,186
Space rental	13,601	-	-	13,601
Travel	13,823	-	-	13,823
Marketing	68,429	-	-	68,429
Equipment - repairs and maintenance	16,920	-	-	16,920
Supplies	123,560	6,318	12,114	141,992
Utilities	48,515	-	5,391	53,906
Bank charges	46,634	-	2,454	49,088
Interest and finance charges	5,189	-	-	5,189
Business insurance	40,515	-	4,502	45,017
Other expenses	37,714	-	7,228	44,942
Fundraising and development	-	2,253	-	2,253
Total Expenses Before Depreciation	1,481,992	8,571	217,369	1,707,932
Depreciation	37,485	-	9,373	46,858
Total Functional Expenses	<u>\$ 1,519,477</u>	<u>\$ 8,571</u>	<u>\$ 226,742</u>	<u>\$ 1,754,790</u>

See Independent Auditor's Report. The accompanying notes are an integral part of these financial statements.

**Atlanta Shakespeare Company, Inc.**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2016 and 2015**

	2016	2015
Cash Flows from Operating Activities		
Increase in Net Assets	\$ 125,240	\$ 36,836
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	49,186	46,858
Earnings on investments and change in restricted cash	(1,809)	(1,646)
Contribution of investments	-	(7,899)
Changes in Assets: (Increase) Decrease		
Contributions and accounts receivable	13,181	(13,624)
Grant receivable	(10,000)	-
Employee advances	(593)	929
Inventory	648	(6,502)
Prepaid expenses	288	(14,078)
Changes in Liabilities: Increase (Decrease)		
Credit cards payable	1,309	(18,837)
Accrued expenses	7,078	4,254
Net Cash Provided by Operating Activities	<u>184,528</u>	<u>26,291</u>
Cash Flows from Investing Activities		
Purchase of property and equipment	<u>(136,137)</u>	<u>(13,066)</u>
Net Cash Used In Investing Activities	<u>(136,137)</u>	<u>(13,066)</u>
Cash Flows from Financing Activities		
Net proceeds from line of credit	(60,000)	48,997
Principal payments on notes payable	<u>-</u>	<u>(8,234)</u>
Net Cash Provided by (Used in) Financing Activities	<u>(60,000)</u>	<u>40,763</u>
Net Increase (Decrease) in Cash	(11,609)	53,988
Cash, Beginning of Year	<u>128,629</u>	<u>74,641</u>
Cash End of Year	<u>\$ 117,020</u>	<u>\$ 128,629</u>
Supplemental Disclosure of Cash Flow Information		
Interest paid	<u>\$ 2,146</u>	<u>\$ 5,189</u>

See Independent Auditor's Report. The accompanying notes are an integral part of these financial statements.

**Atlanta Shakespeare Company, Inc.**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**

---

**Note A – Organization Overview**

Atlanta Shakespeare Company, Inc. (the Organization) was organized in December 1979 in the State of Georgia. The Organization is a nonprofit entity that provides theater to the Atlanta metropolitan area. A substantial portion of the Organization's income is derived from ticket sales, concessions, and souvenir sales to the general public. Contributions from corporations, foundations and individuals, and government grants supplement ticket sales revenues.

Atlanta Shakespeare Academy LLC, a Georgia limited liability company (LLC) wholly owned by the Organization was formed in August 2016. In September 2016, this LLC purchased property at 497 Peachtree Street adjacent to the Organization's current location.

**Note B – Summary of Significant Accounting Policies**

1. Financial Statement Presentation

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

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

The costs of providing the Organization's various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Certain reclassifications have been made to the prior year's financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported results of operations or retained earnings.

Management has evaluated subsequent events through November 16, 2016, the date on which the financial statements were available to be issued, and with the exception of the events disclosed in Notes D and E, is not aware of significant events that occurred subsequent to the balance sheet date but prior to the issuance of this report that would have a material effect on the financial statements.

2. Cash and Cash Equivalents

The Organization considers all short-term securities purchased with an original maturity of three months or less to be cash equivalents. The Organization had no cash equivalents as of June 30, 2016 and 2015.

3. Contributions and Accounts Receivable

Contributions, including unconditional promises to give, are recorded when received. All contributions are available for unrestricted use unless specifically restricted by the donor. As of June 30, 2016 and 2015, there were no unconditional promises to give. There is no allowance for uncollectible accounts included in these financial statements as management believes all receivables are fully collectible.

4. Inventory

Inventory is stated at the lower of cost or market. Cost is determined using the first-in, first out (FIFO) method. Market is determined based on net realizable value. Inventory is comprised of souvenirs, and alcohol to be sold at concessions.

**Atlanta Shakespeare Company, Inc.**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**

---

**Note B – Summary of Significant Accounting Policies (continued)**

5. Investments

The Organization's investments consist of marketable securities that have a readily determinable fair market value. The investments consist of debt and equity securities which are held by a financial institution and are carried at fair market value. The fair value of marketable securities are based on quoted prices in active markets, sometimes referred to as a Level 1 measurement. All investment income, including both realized and unrealized gains and losses on investments, are included in the statement of activities.

6. Property and Equipment

Property and equipment are recorded at cost. Expenditures for property and equipment exceeding total cost of \$500 are capitalized, and minor replacements, maintenance and repairs are charged to expense as incurred. When property and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the results of operations for the respective period. Depreciation is provided over the estimated useful lives of the related assets using the straight-line method. The estimated useful lives for significant property and equipment categories are as follows:

Building and improvements	50 years
Equipment, furniture and fixtures	7 - 20 years

7. Income Taxes

The Organization is a tax-exempt organization under the provisions of Internal Revenue Code Section 501(c)(3).

Accounting principles generally accepted in the United States of America recognize that the ultimate allowability of positions taken or expected to be taken on tax returns is often uncertain. The accounting principles provide guidance on when tax positions claimed by an entity can be recognized and guidance on the dollar amount at which those positions are recorded. In order to recognize the benefits associated with a tax position taken, the entity must conclude the ultimate allowability is more likely than not, and if not make the appropriate adjustments or disclosures. As of June 30, 2016, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the Organization's financial statements.

8. Net Assets

The Organization's net assets and changes therein are classified and reported as follows:

- Unrestricted – Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.
- Temporarily restricted - Net assets whose use by the Organization is subject to donor-imposed restrictions that can be fulfilled by actions of the Organization pursuant to those restrictions or that expire by the passage of time.
- Permanently restricted - Net assets subject to donor-imposed restrictions that are to be maintained permanently by the Organization.

**Atlanta Shakespeare Company, Inc.**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**

---

**Note B – Summary of Significant Accounting Policies (continued)**

9. Ticket Sales

Sales are recorded when tickets are purchased.

10. Grant Revenue

In addition to normal fundraising activities, the Organization receives funding from several government financial assistance programs. The awards under these programs are recognized as revenue when awarded or received, depending on when contractual obligations are satisfied.

11. Contributed Services

The value of contributed services, meeting the requirements for recognition in the financial statements for the years ended June 30, 2016 and 2015, were not material and have not been recorded. Additionally, many individuals volunteer a significant amount of their time to the Organization that is not reflected in the financial statements as the services provided do not meet the required criteria for recognition of revenue.

12. Advertising Costs

Advertising and sales promotion costs are expensed as incurred. Advertising expense for the years ended June 30, 2016 and 2015 totaled \$22,540 and \$24,186, respectively.

**Note C – Concentration of Risk**

The Organization maintains its cash balances at local financial institutions. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times during the year the Organization may have amounts on deposit in excess of FDIC insured limits. The Organization had no uninsured cash balances as of June 30, 2016.

Giving can vary from year-to-year and approximately 40% and 35% of the Organization's revenue came from giving for the years ended June 30, 2016 and 2015, respectively.

**Note D – Property and Equipment**

Property and equipment is comprised of the following as of June 30, 2016 and 2015:

	2016	2015
Furniture and equipment	\$ 226,775	\$ 187,473
Land and building	860,288	828,174
Leasehold improvements	1,476,155	1,411,434
Total Property and Equipment	2,563,218	2,427,081
Accumulated Depreciation	(657,886)	(608,700)
Net Property and Equipment	\$ 1,905,332	\$ 1,818,381

Depreciation expense for the years ended June 30, 2016 and 2015 totaled \$49,186 and \$46,858, respectively.

On September 15, 2016, Atlanta Shakespeare Academy LLC purchased property adjacent to the Organization's current location for \$625,000.

See Independent Auditor's Report. The accompanying notes are an integral part of these financial statements.

**Atlanta Shakespeare Company, Inc.**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**

---

**Note E – Debt**

*Line of Credit*

The Organization has entered into agreements with two banks for revolving lines of credit. One allows for advances up to \$100,000. Advances under the lines of credit are used for working capital and bear interest at the bank's prime rate plus 1% (effective rate of 5.25% as of June 30, 2016 and 2015). The line of credit is secured by substantially all assets of the Organization. Under the terms of the line of credit agreement, the Organization is required to maintain a certain a minimum net worth and other specific ratios for which the Organization was in compliance as of June 30, 2016. The line of credit matures in January 2017 and is expected to be renewed on an annual basis. The balance of the line of credit as of June 30, 2016 and 2015 totaled \$-0- and \$60,000, respectively.

The second agreement allows for advances up to \$35,000. Advances under this line of credit bear interest at the bank's prime rate plus 0.75% (effective rate of 4% as of June 30, 2016 and 2015). This line of credit is unsecured. It matures in July 2017 and is expected to be renewed on an annual basis. There was no balance on this line of credit as of June 30, 2016 and 2015.

Interest expense incurred for the years ended June 30, 2016 and 2015 totaled \$2,051 and \$2,148, respectively.

*Notes Payable*

On September 14, 2016, Atlanta Shakespeare Academy LLC borrowed funds for the purchase by the LLC of property located at 497 Peachtree Street pursuant to loan agreements totaling \$600,000 (\$300,000 each) with two board members of the Organization. The notes mature on December 31, 2017, and through said date, the notes bear no interest and require payments equal to amounts received from capital campaigns or from donations received that are specifically identified to reduce the principal balances of the notes. After December 31, 2017, any outstanding principal balance on the notes will convert to demand notes and bear interest at a rate equal to Prime Rate as published from time to time by the Wall Street Journal. The notes are secured by the acquired property and repayment is an obligation owed solely by the LLC and is not guaranteed by the Organization.

**Note F – Net Assets**

*Temporarily Restricted*

In May 2015, the Organization adopted a Strategic Plan which includes a campaign to raise funds used to finance the expansion of the educational programs, and enhancement of the theater and facilities. The funds raised from this campaign are recognized as temporarily restricted revenues and as net assets released from restrictions when expended either through purchases or depreciation on purchases that are capitalized. Temporarily restricted net assets for the years ended June 30, 2016 and 2015 totaled \$176,042 and \$-0-, respectively.

*Permanently Restricted*

In 2004, the Organization received a permanent endowment in the amount of \$40,000 with donor-imposed restrictions that the corpus of the endowment remains permanently restricted, and all proceeds from earnings of the corpus to be used for the purpose of funding future repairs and maintenance of the building. The earnings from the endowment are recognized as temporarily restricted revenues as earned and as net assets released from restrictions when expended.

**Atlanta Shakespeare Company, Inc.**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2016 and 2015**

---

**Note G –Commitments**

The Organization has an agreement with The Community Foundation for Greater Atlanta, Inc. (the Foundation) to lease the Organization's facility at 499 Peachtree Street for ninety-nine years at an annual lease rate of \$1 per year. The terms of the agreement with the Foundation do not allow any lien or encumbrance to be placed against the facility. Due to the nature of the lease, the Organization accounts for this property as if still owned.

**Note H –Retirement Plan**

The Organization participates in a retirement program sponsored by the Actor's Equity Association (AEA) for all employees that are members of the AEA. The Organization makes contributions to the plan based on 8% of total compensation paid to member employees. Total contributions made by the employer totaled \$13,400 and \$13,784 for the years ended June 30, 2016 and 2015, respectively.

**Note I –Related Party Transactions**

The Organization engages a firm, owned 100% by the Administrative Director and spouse of the Artistic Director, to provide tax and consulting services. For the years ended June 30, 2016 and 2015, the Organization paid tax and consulting fees to that firm of \$7,985 and \$5,500, respectively.

The Organization receives charitable contributions from various board members. For the years ended June 30, 2016 and 2015, the Organization received charitable contributions from board members totaling \$257,650 and \$80,180, respectively.

On September 14, 2016, Atlanta Shakespeare Academy LLC entered into two loan agreements totaling \$600,000 with two board members of the Organization, as disclosed in Note E.