

The Lyric Stage Company of Boston, Inc

Financial Statements

Years Ended June 30, 2014 and 2013

with

Report of Independent Public Accountant

DAVID ASADOORIAN
Certified Public Accountant

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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Lyric Stage Company of Boston, Inc.
Boston, Massachusetts:

Report on the Financial Statements

We have audited the accompanying financial statements of The Lyric Stage Company of Boston, Inc. (the Lyric) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014 and the related statements of activities, 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 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 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 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 The Lyric Stage Company of Boston, Inc. as of June 30, 2014 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited The Lyric Stage Company of Boston, Inc.'s 2013 financial statements, and our report dated November 27, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Concord, Massachusetts
November 25, 2014

The Lyric Stage Company of Boston, Inc.
Statement of Financial Position
June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Assets		
Current Assets:		
Cash	\$430,700	\$590,500
Certificates of deposit	235,700	140,400
Other current assets	87,800	57,200
Total Current Assets	<u>754,200</u>	<u>788,100</u>
Net Fixed Assets	122,900	145,000
Deposits	43,200	43,000
Total Assets	<u>\$920,300</u>	<u>\$976,100</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 59,300	\$ 20,900
Accrued expenses	41,100	49,500
Deferred revenue	409,700	435,000
Total Current Liabilities	<u>510,100</u>	<u>505,400</u>
Net Assets:		
Undesignated	310,200	370,700
Temporarily restricted	100,000	100,000
Permanently restricted	- 0 -	- 0 -
Total Net Assets	<u>410,200</u>	<u>470,700</u>
Total Liabilities and Net Assets	<u>\$920,300</u>	<u>\$976,100</u>

The accompanying notes are an integral part of the financial statements

The Lyric Stage Company of Boston, Inc.
Statement of Activities
Years Ended June 30, 2014 and 2013

	<u>2014</u>		<u>2013</u>	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
Revenue & Support:				
Production revenue	\$1,470,600		\$1,470,600	\$1,327,500
Other theater related	73,300		73,300	62,800
Contributions	258,100	\$100,000	358,100	355,800
Interest income	2,100		2,100	2,900
Net assets released from restrictions	100,000	(100,000)	- 0 -	- 0 -
Total Revenue & Support	<u>1,904,100</u>	<u>- 0 -</u>	<u>1,904,100</u>	<u>1,749,000</u>
Expenses:				
Production:				
Personnel	748,800		748,800	644,400
Occupancy	195,000		195,000	154,000
Depreciation	27,700		27,700	25,100
Royalties	140,100		140,100	95,200
Other	183,900		183,900	184,400
Total Program	<u>1,295,500</u>	<u>- 0 -</u>	<u>1,295,500</u>	<u>1,103,100</u>
Management & General:				
Marketing:				
Personnel	160,400		160,400	147,500
Other	208,000		208,000	191,300
Total Marketing	<u>368,400</u>	<u>- 0 -</u>	<u>368,400</u>	<u>338,800</u>
Administrative:				
Personnel	82,500		82,500	82,200
Occupancy	12,600		12,600	20,700
Insurance	10,400		10,400	8,100
Professional fees	6,600		6,600	9,000
Other	104,600		104,600	94,000
Total Administrative	<u>216,700</u>	<u>- 0 -</u>	<u>216,700</u>	<u>214,000</u>
Total Management & Gen'l	<u>585,100</u>	<u>- 0 -</u>	<u>585,100</u>	<u>552,800</u>
Fund Raising:				
Personnel	56,200		56,200	54,000
Fund Raising	27,800		27,800	34,600
Total Fund Raising	<u>84,000</u>	<u>- 0 -</u>	<u>84,000</u>	<u>88,600</u>
Total Expenses	<u>1,964,600</u>	<u>- 0 -</u>	<u>1,964,600</u>	<u>1,744,500</u>
Change in Net Assets	<u>(60,500)</u>	<u>- 0 -</u>	<u>(60,500)</u>	<u>4,500</u>
Beginning Net Assets	370,700	100,000	470,700	466,200
Ending Net Assets	<u>\$ 310,200</u>	<u>\$100,000</u>	<u>\$ 410,200</u>	<u>\$ 470,700</u>

The accompanying notes are an integral part of the financial statements

The Lyric Stage Company of Boston, Inc.
Statement of Cash Flows
Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Change in net assets	(\$ 60,500)	\$ 4,500
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	27,700	25,100
(Increase) in other current assets	(30,600)	(30,300)
(Increase) in deposits	(200)	
Increase/(Decrease) in accounts payable	38,400	(11,200)
(Decrease)/Increase in accrued expenses	(8,400)	14,000
(Decrease)/Increase in deferred revenue	(25,300)	29,700
Net cash (used)/provided by operations	<u>(58,900)</u>	<u>31,800</u>
Cash flows from investing activities:		
Purchases of fixed assets	(5,600)	(25,200)
Net cash used by investing activities	<u>(5,600)</u>	<u>(25,200)</u>
Cash flows from financing activities:		
Redemption of certificates of deposit	104,900	50,400
Purchases of certificates of deposit	(200,200)	
Net cash from by financing activities	<u>(95,300)</u>	<u>50,400</u>
Net change in cash	<u>(159,800)</u>	<u>57,000</u>
Cash, beginning of year	590,500	533,500
Cash, end of year	<u>\$430,700</u>	<u>\$590,500</u>
Interest paid	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>
Income taxes paid	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>

The accompanying notes are an integral part of the financial statements

The Lyric Stage Company of Boston, Inc.
Notes to Financial Statements

NOTE 1 -- Organization and Purpose:

The Lyric Stage Company of Boston, Inc., (the Lyric) was incorporated as a not-for-profit organization in 1974 under the laws of the Commonwealth of Massachusetts. The principle activity of the Lyric is to provide theatrical performances for the general public.

The Lyric charges fees for its services as well as accepting contributions from supporters.

NOTE 2 -- Summary of Significant Accounting Policies:

Income Tax Exemption

The Lyric is exempt from Federal and State income taxes under the provisions of Section 501(a) of the Internal Revenue Code as an entity described in Section 501(c)(3). Therefore, no provision for income taxes has been made.

The Lyric has been determined to be other than a private foundation by the Internal Revenue Service.

The Lyric believes that all income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would be material. Accordingly, there are no provisions for related reserves as of June 30, 2014 or 2013.

Basis of Presentation

The financial statements of the Lyric have been prepared on the accrual basis of accounting.

Comparative Totals

Prior year information is presented in summary form for comparative purposes only and is not a complete presentation in conformity with accounting principles generally accepted in the United States.

Presentation of Net Assets by Class

Net assets are classified in each of the following three classes: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets. Net assets of the two restricted classes are created only by donor-imposed restrictions on their use. All other net assets, including board-designated or appropriated amounts, if any, are legally unrestricted, and are reported as part of the unrestricted class.

The Lyric Stage Company of Boston, Inc.
Notes to Financial Statements

NOTE 2 -- Summary of Significant Accounting Policies (continued):

Cash and Equivalents

For purposes of the Statement of Cash Flows, the Lyric considers all highly liquid investments purchased with an original maturity of three months or less to be cash and cash equivalents.

Accounts Receivable

Accounts receivable balances represent amounts due for services provided. Reserves for uncollectible accounts are established for accounts that become delinquent. Management expects that all accounts receivable recorded at year-end will be collected. Accordingly, there is no provision for uncollectible accounts.

There were no accounts receivable written off as uncollectible during the years ended December 31, 2014 and 2013.

Fixed Assets

Fixed assets are recorded at cost or, if donated, at fair market value. Expenditures for equipment in excess of \$1,000 are capitalized, lesser amounts are expensed. Depreciation is calculated on the straight-line basis over ten-years for theatre equipment and five-years for theatre systems, office equipment and furniture.

Expenditures for repairs and maintenance are charged to expense as incurred.

Deferred Revenue

Deferred revenue is recorded for payments received for subscriptions to the following season's performances.

Revenue

Contributions with no donor-imposed restrictions are recorded as unrestricted contributions. Contributions with donor-imposed restrictions are recorded as either temporarily restricted or permanently restricted resources based on the nature of the restriction.

Temporary restrictions arise from purpose-specific program restrictions and/or time restrictions. Upon the lapse of such restrictions, temporarily restricted support is reclassified to unrestricted support and reported in the statement of activities as net assets released from restrictions.

Restricted contributions whose restrictions are met in the same

The Lyric Stage Company of Boston, Inc.
Notes to Financial Statements

NOTE 2 -- Summary of Significant Accounting Policies (continued):

Revenue (continued)

reporting period in which the contribution is received are recorded as unrestricted.

Unconditional promises to give are recorded as support at their net realizable value. Conditional promises to give are not included as support until such time as the conditions are substantially met.

Revenue from ticket sales are recognized upon the presentation of the related performance.

Advertising Costs

Marketing costs associated with direct-response advertising related to the following year's ticket sales are expensed upon first use of the materials.

Functional Allocation of Expenses

The costs of providing programs and the administration of the Lyric have been summarized on a functional basis in the Statement of Activity. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

In-Kind Support

A number of unpaid volunteers, including members of the Board of Directors and members of the community have made significant contributions of their time and services to the Lyric. When the value of the time contributed is subject to objective measurement it is reflected in the financial statements as in-kind support and expense.

For the years ended June 30, 2014 and 2013 there was no in-kind support recorded in the financial statements.

Use of Estimates

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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Lyric Stage Company of Boston, Inc.
Notes to Financial Statements

NOTE 2 -- Summary of Significant Accounting Policies (continued):

Fair Value

The Lyric has adopted the criteria for Fair Value Measurements. These criteria define fair value, establish a framework for measuring fair value and expand disclosures about fair value measurements. These criteria establish a fair value hierarchy that prioritizes the inputs and assumptions used to measure fair value. The three levels of the fair value framework are as follows:

Level I: Inputs that reflect unadjusted quoted prices in active markets for identical assets and liabilities at the measurement date.

Level II: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.

Level III: Inputs that are unobservable.

A qualifying asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

The Lyric's assets and liabilities have been historically valued at fair market values using Level I inputs.

Concentration of Credit Risk

The Lyric's significant concentrations of credit risk consist primarily of cash. The Lyric maintains its cash deposits at major banks. As of June 30, 2014 and 2013 bank deposits exceed FDIC insurance limits by \$134,100 and \$108,000, respectively.

Subsequent Events

Subsequent events have been evaluated through the date of the audit opinion, which is the date the financial statements were available to be issued.

The Lyric Stage Company of Boston, Inc.
Notes to Financial Statements

NOTE 3 -- Fixed Assets:

Fixed assets are is comprised of the following:

	<u>2014</u>	<u>2013</u>
Theatre equipment & systems	\$258,600	\$256,500
Office furniture & equipment	22,000	18,500
Accumulated depreciation	(157,700)	(130,000)
Net office equipment	<u>\$122,900</u>	<u>\$145,000</u>

NOTE 4 -- Net Assets:

Unrestricted Net Assets

Unrestricted net assets are comprised of net assets without donor restrictions.

Temporarily Restricted Net Assets

There were no temporarily restricted funds as of June 30, 2014. Temporarily restricted funds at June 30, 2013 were comprised of two grants received for capacity building.

Permanently Restricted Net Assets

There were no permanently restricted net assets at June 30, 2014 and 2013.

NOTE 5 -- Retirement Plan:

The Lyric participates in a defined contribution, individual account, money purchase, retirement plan. This plan is for the benefit of all eligible employees who qualify under the participation requirements.

Total contributions charged to expense were \$7,100 for both years ended June 30, 2014 and 2013.

NOTE 6 -- Commitments:

Facility Lease

The Lyric leases its theater space under a ten and one-half year non-cancelable lease expiring on June 30, 2016. The theatre lease calls for monthly rent payments of \$7,000 beginning on January 1, 2013 and increasing by 5% per year, for each year

The Lyric Stage Company of Boston, Inc.
Notes to Financial Statements

NOTE 6 - Commitments (continued):

Facility Lease (continued)

beginning with the third year of the lease. Monthly payments were approximately \$9,400 and \$8,900 for the year's ended June 30, 2014 and 2013, respectively.

The Lyric has the option to extend the lease for two, five-year periods. Rent payments during the term of each extension shall be either, renegotiated three months prior to the beginning of each extension period, or shall remain at 5% increase per year.

The lease requires a \$20,000 security deposit.

The Lyric also leases its office space from the same landlord under a five-year non-cancelable lease expiring on June 30, 2016. The office lease calls for monthly rent payments of \$3,500 increasing by approximately 3% per year, for each year.

The Lyric has the option to extend the office lease for two, five-year periods. Rent payments during the term of the first extension shall continue to increase at the rate of approximately 4% per year. Rent payments during the term of the second extension shall be either, renegotiated three months prior to the beginning of the extension period, or shall be a 5% increase per year.

Future minimum lease amounts under the lease are as follows:

<u>Year</u>	<u>Amount</u>
2015	163,900
2016	171,200
Total	<u>\$335,100</u>

Rent expense recorded for the years ended June 30, 2014 and 2013 was \$164,100 and \$157,000, respectively.