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Lyric Stage Company of Boston, Inc.

Financial Statements

Years Ended June 30, 2015 and 2014

with

Report of Independent Public Accountant

DAVID ASADOORIAN
Certified Public Accountant

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Lyric Stage Company of Boston, Inc.
Boston, Massachusetts:

Report on the Financial Statements

We have audited the accompanying financial statements of Lyric Stage Company of Boston, Inc. (the Lyric) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015 and the related statements of activities 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

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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 Lyric Stage Company of Boston, Inc. as of June 30, 2015 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 Lyric Stage Company of Boston, Inc.'s 2014 financial statements, and our report dated November 25, 2014, 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, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.


September 15, 2015

The Lyric Stage Company of Boston, Inc.
Statement of Financial Position
June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Assets		
Current Assets:		
Cash	\$594,400	\$430,700
Certificates of deposit	237,500	235,700
Contributions receivable	123,500	15,100
Other current assets	30,600	72,700
Total Current Assets	986,000	754,200
Net Fixed Assets	97,700	122,900
Deposits	43,300	43,200
Total Assets	<u>\$1,127,000</u>	<u>\$920,300</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 48,000	\$ 59,300
Accrued expenses	52,600	41,100
Deferred revenue	541,900	409,700
Total Current Liabilities	642,500	510,100
Net Assets:		
Undesignated	454,500	310,200
Temporarily restricted	30,000	100,000
Permanently restricted	- 0 -	- 0 -
Total Net Assets	484,500	410,200
Total Liabilities and Net Assets	<u>\$1,127,000</u>	<u>\$920,300</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, 2015 and 2014

	<u>2015</u>		<u>2014</u>	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
Revenue & Support:				
Production revenue	\$1,384,500		\$1,384,500	\$1,470,600
Other theater related	91,800		91,800	73,300
Contributions	525,100	\$ 30,000	555,100	358,100
Interest income	3,100		3,100	2,100
Net assets released from restrictions	100,000	(100,000)	- 0 -	- 0 -
Total Revenue & Support	<u>2,104,500</u>	<u>(70,000)</u>	<u>2,034,500</u>	<u>1,904,100</u>
Expenses:				
Production:				
Personnel	716,600		716,600	748,800
Occupancy	186,000		186,000	195,000
Depreciation	27,400		27,400	27,700
Royalties	119,400		119,400	140,100
Other	215,800		215,800	183,900
Total Program	<u>1,265,200</u>	<u>- 0 -</u>	<u>1,265,200</u>	<u>1,295,500</u>
Management & General:				
Marketing:				
Personnel	140,500		140,500	160,400
Other	210,100		210,100	208,000
Total Marketing	<u>350,600</u>	<u>- 0 -</u>	<u>350,600</u>	<u>368,400</u>
Administrative:				
Personnel	94,300		94,300	82,500
Insurance	7,900		7,900	10,400
Professional fees	6,600		6,600	6,600
Other	124,700		124,700	117,200
Total Administrative	<u>233,500</u>	<u>- 0 -</u>	<u>233,500</u>	<u>216,700</u>
Total Management & Gen'l	<u>584,100</u>	<u>- 0 -</u>	<u>584,100</u>	<u>585,100</u>
Fund Raising:				
Personnel	68,000		68,000	56,200
Fund Raising	42,900		42,900	27,800
Total Fund Raising	<u>110,900</u>	<u>- 0 -</u>	<u>110,900</u>	<u>84,000</u>
Total Expenses	<u>1,960,200</u>	<u>- 0 -</u>	<u>1,960,200</u>	<u>1,964,600</u>
Change in Net Assets	<u>144,300</u>	<u>(70,000)</u>	<u>74,300</u>	<u>(60,500)</u>
Beginning Net Assets	310,200	100,000	410,200	470,700
Ending Net Assets	<u>\$ 454,500</u>	<u>\$ 30,000</u>	<u>\$ 484,500</u>	<u>\$ 410,200</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, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	\$ 74,300	(\$ 60,500)
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	27,400	27,700
Increase in Contributions Receivable	(108,400)	
Decrease/(Increase) in other current assets	42,100	(30,600)
(Increase) in deposits	(100)	(200)
(Decrease)/Increase in accounts payable	(11,300)	38,400
Increase/(Decrease) in accrued expenses	11,500	(8,400)
Increase/(Decrease) in deferred revenue	132,200	(25,300)
Net cash (used)/provided by operations	<u>167,700</u>	<u>(58,900)</u>
Cash flows from investing activities:		
Purchases of fixed assets	(2,200)	(5,600)
Net cash used by investing activities	<u>(2,200)</u>	<u>(5,600)</u>
Cash flows from financing activities:		
Redemption of certificates of deposit		104,900
Purchases of certificates of deposit	(1,800)	(200,200)
Net cash from by financing activities	<u>(1,800)</u>	<u>(95,300)</u>
Net change in cash	<u>163,700</u>	<u>(159,800)</u>
Cash, beginning of year	430,700	590,500
Cash, end of year	<u>\$594,400</u>	<u>\$430,700</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

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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, 2015 or 2014.

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.

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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, 2015 and 2014.

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

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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, 2015 and 2014 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.

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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, 2015 and 2014 bank deposits exceed FDIC insurance limits by \$298,500 and \$115,900, 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>2015</u>	<u>2014</u>
Theatre equipment & systems	\$258,700	\$258,600
Office furniture & equipment	24,100	22,000
Accumulated depreciation	(185,100)	(157,700)
Net office equipment	<u>\$ 97,700</u>	<u>\$122,900</u>

NOTE 4 -- Net Assets:

Unrestricted Net Assets

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

Temporarily Restricted Net Assets

Temporarily restricted funds as of June 30, 2015 consisted of contribution designated for use in replacement of the heating, air conditioning and ventilation system. Temporarily restricted funds at June 30, 2014 were comprised of two grants received for capacity building.

Permanently Restricted Net Assets

There were no permanently restricted net assets at June 30, 2015 and 2014.

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 \$6,800 and \$7,100 the years ended June 30, 2015 and 2014, respectively.

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

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

NOTE 6 - Commitments (continued):

Facility Lease (continued)

January 1, 2014 and increasing by 5% per year, for each year were approximately \$9,800 and \$9,400 for the year's ended June 30, 2015 and 2014, 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. Management expects that the lease will be extend for each of these two five-year periods.

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. Monthly payments were approximately \$3,800 and \$3,700 for the year's ended June 30, 2015 and 2014, respectively.

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. Management is uncertain as to whether or not the office lease will be extended.

Additionally, the Lyric leases additional storage space on a tenant-at-will basis for approximately \$600 per month.

Future minimum lease payments under the theatre and office leases, including extensions, are as follows:

<u>Year</u>	<u>Amount</u>
2016	\$ 171,200
2017	179,700
2018	188,700
2019	198,200
2020	208,100
2021	218,500
2022	229,400
2023	240,900
2024	252,900
2025	265,600
2026	278,900
Total	<u>\$2,432,100</u>

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

NOTE 6 - Commitments (continued):

Rent expense recorded for the years ended June 30, 2015 and 2014 was \$171,300 and \$165,600, respectively.