

Lyric Stage Company of Boston, Inc.

Financial Statements

Years Ended June 30, 2016 and 2015

with

Report of Independent 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, 2016 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 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, 2016 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 2015 financial statements, and our report dated September 15, 2015, 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, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.



October 20, 2016

The Lyric Stage Company of Boston, Inc.
Statement of Financial Position
June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets		
Current Assets:		
Cash	\$ 577,000	\$ 594,400
Certificates of deposit	239,000	237,500
Contributions receivable	10,000	123,500
Other current assets	48,100	30,600
Total Current Assets	874,100	986,000
Net Fixed Assets	150,200	97,700
Deposits	43,500	43,300
Total Assets	\$1,067,800	\$1,127,000
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 21,600	\$ 48,000
Accrued expenses	36,000	52,600
Deferred revenue	548,900	541,900
Total Current Liabilities	606,500	642,500
Net Assets:		
Undesignated	413,000	454,500
Temporarily restricted	48,300	30,000
Permanently restricted	- 0 -	- 0 -
Total Net Assets	461,300	484,500
Total Liabilities and Net Assets	\$1,067,800	\$1,127,000

The accompanying notes are an integral part of the financial statements

The Lyric Stage Company of Boston, Inc.
Statement of Activities
Year Ended June 30, 2016
(with comparative totals for 2015)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2016</u>	<u>Total 2015</u>
Revenue & Support:				
Production revenue	\$1,429,500		\$1,429,500	\$1,384,500
Other theater related	85,400		85,400	91,800
Contributions	511,000	\$ 18,300	529,300	555,100
Interest income	2,000		2,000	3,100
Net assets released from restrictions	- 0 -	- 0 -	- 0 -	- 0 -
Total Revenue & Support	<u>2,027,900</u>	<u>18,300</u>	<u>2,046,200</u>	<u>2,034,500</u>
Expenses:				
Production:				
Personnel	768,500		768,500	716,600
Occupancy	189,900		189,900	186,000
Depreciation	26,100		26,100	27,400
Royalties	137,700		137,700	119,400
Other	232,400		232,400	215,800
Total Program	<u>1,354,600</u>	<u>- 0 -</u>	<u>1,354,600</u>	<u>1,265,200</u>
Management & General:				
Marketing:				
Personnel	156,300		156,300	140,500
Other	223,200		223,200	210,100
Total Marketing	<u>379,500</u>	<u>- 0 -</u>	<u>379,500</u>	<u>350,600</u>
Administrative:				
Personnel	83,000		83,000	94,300
Other	138,600		138,600	139,200
Total Administrative	<u>221,600</u>	<u>- 0 -</u>	<u>221,600</u>	<u>233,500</u>
Total Management & Gen'l	<u>601,100</u>	<u>- 0 -</u>	<u>601,100</u>	<u>584,100</u>
Fund Raising:				
Personnel	75,900		75,900	68,000
Other	37,800		37,800	42,900
Total Fund Raising	<u>113,700</u>	<u>- 0 -</u>	<u>113,700</u>	<u>110,900</u>
Total Expenses	<u>2,069,400</u>	<u>- 0 -</u>	<u>2,069,400</u>	<u>1,960,200</u>
Change in Net Assets	(41,500)	18,300	(23,200)	74,300
Beginning Net Assets	454,500	30,000	484,500	410,200
Ending Net Assets	<u>\$ 413,000</u>	<u>\$ 48,300</u>	<u>\$ 461,300</u>	<u>\$ 484,500</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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	(\$ 23,200)	\$ 74,300
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	26,100	27,400
Decrease/(Increase) in Contributions Receivable	113,500	(108,400)
(Increase)/Decrease in other current assets	(17,500)	42,100
(Increase) in deposits	(200)	(100)
(Decrease) in accounts payable	(26,400)	(11,300)
(Decrease)/Increase in accrued expenses	(16,600)	11,500
Increase in deferred revenue	7,000	132,200
Net cash (used)/provided by operations	<u>62,700</u>	<u>167,700</u>
Cash flows from investing activities:		
Purchases of fixed assets	(78,600)	(2,200)
Net cash used by investing activities	<u>(78,600)</u>	<u>(2,200)</u>
Cash flows from financing activities:		
Purchases of certificates of deposit	(1,500)	(1,800)
Net cash from by financing activities	<u>(1,500)</u>	<u>(1,800)</u>
Net change in cash	<u>(17,400)</u>	<u>163,700</u>
Cash, beginning of year	594,400	430,700
Cash, end of year	<u><u>\$577,000</u></u>	<u><u>\$594,400</u></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, 2016 or 2015.

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, 2016 and 2015.

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, 2016 and 2015 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, 2016 and 2015 bank deposits exceed FDIC insurance limits by \$301,900 and \$298,500, respectively. Balances were insured by the Massachusetts Deposit Insurance Fund.

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>2016</u>	<u>2015</u>
Theatre equipment & systems	\$335,300	\$258,700
Office furniture & equipment	26,100	24,100
Accumulated depreciation	(211,200)	(185,100)
Net office equipment	<u>\$150,200</u>	<u>\$ 97,700</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, 2016 consisted of contributions designated for use in replacement of the heating, air conditioning and ventilation (HVAC) system less depreciation recorded. Temporarily restricted funds at June 30, 2015 was a grant for the HVAC system.

Permanently Restricted Net Assets

There were no permanently restricted net assets at June 30, 2016 and 2015.

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 \$9,400 and \$6,800 the years ended June 30, 2016 and 2015, respectively.

NOTE 6 -- Commitments:

Facility Lease

During 2016 the Lyric executed the second amendment of its lease dated September 1, 2005. The second amendment is for a period of ten years beginning on July 1, 2016. The lease provides for the

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

NOTE 6 - Commitments (continued):

Facility Lease (continued)

lease of the theater and office space. The lease calls for monthly payments in the amount of \$14,500 with scheduled annual increases.

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

The Lyric also leases its rehearsal from the same landlord on under a separate nine-year and ten-month lease beginning on September 1, 2016. The lease calls for monthly payments in the amount of \$2,400 with scheduled annual increases. The lease provides for one option to renew for a period of five-years.

There is no additional security deposit required under this lease.

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

Future minimum lease payments under the leases are as follows:

<u>Year</u>	<u>Amount</u>
2017	\$ 198,400
2018	208,000
2019	212,800
2020	217,500
2021	222,300
2022	228,000
2023	232,400
2024	237,200
2025	241,900
2026	246,700
Total	<u><u>\$2,245,200</u></u>

Rent expense recorded for the years ended June 30, 2016 and 2015 was \$194,500 and \$171,300, respectively.