

**Fairfield Theatre Company, Inc.**

**Financial Statements**

**June 30, 2018**



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**Fairfield Theatre Company, Inc.**

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## **REPORT OF INDEPENDENT AUDITOR**

To the Board of Directors of  
Fairfield Theatre Company, Inc.

We have audited the accompanying financial statements of Fairfield Theatre Company, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows and functional expenses 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 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 Fairfield Theatre Company, Inc. as of June 30, 2018 and 2017, 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.

***Knight Rolleri Sheppard CPAS, LLP***

Knight Rolleri Sheppard CPAS, LLP  
Fairfield, Connecticut  
November 19, 2018

**Fairfield Theatre Company, Inc.**  
**Statements of Financial Position**  
**June 30, 2018 and 2017**

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
<b>Current assets:</b>		
Cash and cash equivalents	\$ 342,539	\$ 469,971
Accounts and grants receivable	195,412	15,396
Prepays and other current assets	43,534	69,637
Total current assets	581,485	555,004
<b>Noncurrent assets:</b>		
Property and equipment, net	2,318,369	2,065,319
Restricted cash	220,459	263,799
Loan origination costs, net of accumulated amortization of \$6,544 and \$4,363 for 2018 and 2017, respectively	4,363	6,544
Total noncurrent assets	2,543,191	2,335,662
Total assets	\$ 3,124,676	\$ 2,890,666

**LIABILITIES AND NET ASSETS**

<b>Current liabilities:</b>		
Current portion of notes payable	\$ 76,811	\$ 75,907
Accounts payable	133,580	46,109
Deferred revenues	701,196	748,138
Other accrued liabilities	80,536	85,940
Total current liabilities	992,123	956,094
<b>Other liabilities</b>		
Notes payable	443,881	520,693
Total liabilities	1,436,004	1,476,787
<b>Net assets:</b>		
<b>Without donor restrictions</b>		
Undesignated	1,468,213	1,150,080
Total net assets without donor restrictions	1,468,213	1,150,080
<b>With donor restrictions</b>		
Purpose restrictions	220,459	263,799
Total net assets with donor restrictions	220,459	263,799
Total net assets	1,688,672	1,413,879
Total liabilities and net assets	\$ 3,124,676	\$ 2,890,666

See report of independent auditor and notes to financial statements.

**Fairfield Theatre Company, Inc.**  
**Statements of Activities**  
**For the Years Ended June 30, 2018 and 2017**

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and support:</b>						
Production and event						
Box office	\$ 1,932,343	\$ -	\$ 1,932,343	\$ 1,924,523	\$ -	\$ 1,924,523
Concessions income, net of expenses of \$351,316 and \$367,597 in 2018 and 2017, respectively	440,288	-	440,288	422,724	-	422,724
Public support and grants						
Contributions	78,003	69,541	147,544	46,019	207,482	253,501
Sponsorships	260,565	10,300	270,865	248,254	10,000	258,254
Government grants	31,024	173,727	204,751	21,301	-	21,301
Memberships	245,011	-	245,011	220,603	-	220,603
Other						
Workshops	71,775	-	71,775	35,100	-	35,100
Theatre rental	324,204	-	324,204	405,912	-	405,912
Special events	247,715	57,350	305,065	238,617	61,200	299,817
Miscellaneous	7,683	-	7,683	8,547	-	8,547
Total revenue and support	3,638,611	310,918	3,949,529	3,571,600	278,682	3,850,282
<b>Net assets released from restriction:</b>						
Total revenue and support after release of restrictions	354,258	(354,258)	-	35,981	(35,981)	-
	3,992,869	(43,340)	3,949,529	3,607,581	242,701	3,850,282
<b>Expenses:</b>						
Program	3,132,125	-	3,132,125	3,144,274	-	3,144,274
Management and general	310,426	-	310,426	252,527	-	252,527
Fundraising activities	232,185	-	232,185	191,404	-	191,404
Total expenses	3,674,736	-	3,674,736	3,588,205	-	3,588,205
<b>Change in net assets from operations</b>	318,133	(43,340)	274,793	19,376	242,701	262,077
<b>Net assets, beginning of year</b>	1,150,080	263,799	1,413,879	1,130,704	21,098	1,151,802
<b>Net assets, end of year</b>	\$ 1,468,213	\$ 220,459	\$ 1,688,672	\$ 1,150,080	\$ 263,799	\$ 1,413,879

See report of independent auditor and notes to financial statements.

**Fairfield Theatre Company, Inc.**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 274,793	\$ 262,077
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Depreciation and amortization	134,454	122,527
(Increase) decrease in accounts receivable	(180,016)	11,329
(Increase) decrease in prepaid expenses	26,103	(33,819)
(Increase) decrease in restricted cash	43,341	(242,701)
Increase (decrease) in accounts payable	87,471	(24,152)
Increase (decrease) in deferred revenue	(46,942)	37,459
Decrease in accrued liabilities	(5,404)	(18,100)
Restricted contributions	(310,918)	(278,682)
Total adjustments	<u>(251,911)</u>	<u>(426,139)</u>
Net cash provided (used) by operating activities	22,882	(164,062)
 <b>Cash flows from investing activities:</b>		
Purchase of property and equipment	<u>(385,325)</u>	<u>(79,249)</u>
Net cash used by investing activities	(385,325)	(79,249)
 <b>Cash flows from financing activities:</b>		
Principal payments on notes payable	(75,907)	(95,779)
Restricted contributions	<u>310,918</u>	<u>278,682</u>
Net cash provided by investing activities	235,011	182,903
 <b>Net decrease in cash and cash equivalents</b>	<u>(127,432)</u>	<u>(60,408)</u>
 <b>Cash and equivalents, beginning of year</b>	469,971	530,379
 <b>Cash and equivalents, end of year</b>	<u>\$ 342,539</u>	<u>\$ 469,971</u>
 <b>Interest Paid</b>	<u>\$ 19,240</u>	<u>\$ 22,210</u>

See report of independent auditor and notes to financial statements.

**Fairfield Theatre Company, Inc.**  
**Statements of Functional Expenses**  
**For the Years Ended June 30, 2018 and 2017**

	June 30, 2018			June 30, 2017				
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Production costs	\$ 1,408,191	\$ 2,281	\$ 1,402	\$ 1,411,874	\$ 1,326,965	\$ 849	\$ 542	\$ 1,328,356
Salaries and benefits	963,487	193,673	119,029	1,276,189	1,022,603	145,803	93,135	1,261,541
Occupancy and rent	223,749	1,876	1,435	227,060	241,037	2,025	1,548	244,610
Marketing and events costs	101,095	2,871	78,258	182,224	122,133	2,210	75,470	199,813
Office and administrative	141,655	17,219	8,318	167,192	161,926	18,074	7,291	187,291
Payroll taxes	86,100	13,628	8,375	108,103	96,085	10,284	6,569	112,938
Professional fees	-	66,850	-	66,850	-	65,560	-	65,560
Insurance	47,975	5,971	3,695	57,641	31,407	2,072	1,343	34,822
Miscellaneous	8,447	4,772	10,690	23,909	(484)	4,440	4,581	8,537
Interest	18,956	161	123	19,240	21,882	186	142	22,210
<b>Total expenses before depreciation and amortization</b>	<b>2,999,655</b>	<b>309,302</b>	<b>231,325</b>	<b>3,540,282</b>	<b>3,023,554</b>	<b>251,503</b>	<b>190,621</b>	<b>3,465,678</b>
Depreciation and amortization	132,470	1,124	860	134,454	120,720	1,024	783	122,527
<b>Total expenses</b>	<b>\$ 3,132,125</b>	<b>\$ 310,426</b>	<b>\$ 232,185</b>	<b>\$ 3,674,736</b>	<b>\$ 3,144,274</b>	<b>\$ 252,527</b>	<b>\$ 191,404</b>	<b>\$ 3,588,205</b>

See report of independent auditor and notes to financial statements.



**Fairfield Theatre Company, Inc.**  
**Notes to Financial Statements**  
**June 30, 2018**  
**(See Report of Independent Auditor)**

**NOTE 1 - ORGANIZATION**

Fairfield Theatre Company, Inc. (“FTC”) is a nonprofit center for the arts and culture located in the heart of downtown Fairfield, Connecticut. FTC brings together a community of musicians, actors, artists, writers, fans, and supporters who are dedicated to the simple premise that the broadest spectrum of live entertainment and cultural exchange is essential to the vitality of our society. FTC’s mission is to connect and enrich our community through the transforming power of the arts. Management of FTC believes that quality of life is richly influenced by opportunities to get out and come together in public places to enjoy art, music, theatre, film, arts education and all manner of creative and intellectual discourse, and to participate in these activities to the fullest. To that end, FTC works diligently to establish and sustain venues for the presentation of concerts, plays, films, visual arts, and arts education. FTC seeks to appeal to the most diverse audience possible, as often as possible. FTC endeavors to strengthen our community and nurture, enrich, and enlighten the lives of those we touch.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**New Accounting Standards Not Yet Adopted**

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, “Revenue from Contracts with Customers (Topic 606),” which provides new guidance on revenue recognition effective for periods beginning after December 15, 2018. Management does not expect the new standard to have a significant impact to its financial position, results of operations and related disclosures.

In February 2016, the FASB issued a new accounting pronouncement regarding lease accounting for reporting periods beginning after December 15, 2019. A lessee will be required to recognize on the statement of financial position, the assets and liabilities for leases with lease terms of more than 12 months. Management is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures.

**Basis of Accounting and Presentation**

The financial statements of FTC have been prepared in accordance with GAAP. Accordingly, the accounts of FTC are reported by net asset category. Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets 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.

*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 or other events specified by the donor. Other 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.

**Fairfield Theatre Company, Inc.**  
**Notes to Financial Statements**  
**June 30, 2018**  
**(See Report of Independent Auditor)**

**Contributions**

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

FTC reports gifts as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, FTC reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

**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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. These assumptions include depreciable lives of long-lived assets, allocation of functional expenses and estimates of allowances for uncollectable receivables to name a few. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, FTC considers all highly liquid debt instruments purchased with maturity of three months or less to be cash equivalents. FTC may at times hold cash in accounts at various financial institutions across the State of Connecticut that exceeds amounts that are guaranteed by the FDIC. As of June 30, 2018, the FTC had \$282,396 of uninsured cash balances. The organization has not incurred any losses and monitors the activity of FDIC accounts.

**Accounts Receivable**

Accounts receivables are recorded at cost. Allowances for uncollectable accounts are provided based upon historical write-offs using both the specific identification and allowance methods. As of June 30, 2018 and 2017 management has not provided any allowance since they believe all accounts receivable have been written down to net realizable value.

**Property, Equipment and Accumulated Depreciation**

Property and equipment are stated at cost or, in the case of contributed assets, at their fair market value at the date of receipt as determined by FTC. Depreciation is provided on the straight-line method over the estimated useful lives of the related assets of three to twenty-five years.

**Deferred Revenue**

Ticket sales are recorded as revenue on a specific performance basis. Advance ticket sales are deferred and recognized in the period earned.

**Fairfield Theatre Company, Inc.**  
**Notes to Financial Statements**  
**June 30, 2018**  
**(See Report of Independent Auditor)**

**Advertising**

FTC follows the policy of expensing advertising and marketing when incurred.

**Tax Exempt Status**

FTC is a not-for-profit corporation and has been recognized as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and accordingly does not record a provision for income taxes on its related earnings. FTC's information returns from June 30, 2016 through June 30, 2018 remain subject to examination by the appropriate taxing jurisdictions.

**Functional Expenses**

Payroll and related functional expenses have been allocated between program services and supporting services based primarily upon an analysis of personnel and their function and responsibility within FTC. Other costs are allocated based upon facility utilization.

**Description of Programs**

FTC presents over 250 concerts, plays, films, art shows, children's workshops, and other arts-related productions to over 60,000 patrons each year.

**NOTE 3 – LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor and other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	\$ 342,539
Accounts receivable	<u>195,412</u>
	<u>\$ 537,951</u>

The nature of the operations of FTC provides continuous cash flows from activities, albeit the consistency may not be present. Management of FTC has secured a bank line of credit should the need exist for periods of lower operating cash. FTC was not required to draw down on the operating cash during the years ended June 30, 2018 and 2017.

Management currently does not have a plan to invest cash in excess of daily requirements. The need for this did not exist in the past because FTC was in a renovation and growth mode and cash was being consumed currently.

**Fairfield Theatre Company, Inc.**  
**Notes to Financial Statements**  
**June 30, 2018**  
**(See Report of Independent Auditor)**

**NOTE 4 – PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at June 30, 2018 and 2017:

	<b><u>2018</u></b>	<b><u>2017</u></b>
Leasehold improvements	\$ 659,884	\$ 656,549
Production equipment	483,017	452,369
Ancilliary property and equipment	56,996	56,996
Warehouse	1,681,581	1,681,581
Loft construction in progress	353,043	1,702
Total property and equipment	<u>3,234,521</u>	<u>2,849,197</u>
Less: accumulated depreciation	<u>(916,152)</u>	<u>(783,878)</u>
	<u>\$ 2,318,369</u>	<u>\$ 2,065,319</u>

**NOTE 5 – BANK LINE OF CREDIT FACILITY**

FTC maintains a bank line of credit facility for \$250,000 at June 30, 2018. The line is not utilized at June 30, 2018. The line carries a variable rate set at prime which is currently at 5.00% and is secured by a blanket lien on assets of the organization.

**NOTE 6 - NOTES PAYABLE AND OTHER DEBT**

Notes payable and other debt as of June 30, 2018 and 2017 are as follows:

	<b><u>2018</u></b>	<b><u>2017</u></b>
Note payable - Bankwell due July 1, 2025 4.25% - Blanket lien on all assets	\$ 299,886	\$ 335,632
Note payable - DECD due April 1, 2025 2% - No collateral	208,707	237,347
Notes payables from Members of the Board Annual principal payments - 5% interest and No collateral - due December 31, 2018	12,099	23,621
Total	<u>520,692</u>	<u>596,600</u>
Current portion	<u>(76,811)</u>	<u>(75,907)</u>
Long-term portion	<u>\$ 443,881</u>	<u>\$ 520,693</u>

**Fairfield Theatre Company, Inc.**  
**Notes to Financial Statements**  
**June 30, 2018**  
**(See Report of Independent Auditor)**

Maturities of notes payable are as follows:

For the year ended June 30		
	2019	\$ 78,611
	2020	68,718
	2021	71,006
	2022	73,380
	2023	75,841
	Thereafter	153,136
	Total	<u>\$ 520,692</u>

FTC is required to meet a debt service ratio of 1 to 1 pursuant to its note payable agreement with Bankwell. For the year ended June 30, 2018 FTC did not meet the covenant as a result of significant capital expenditures related to facility renovation in 2018. FTC has obtained a waiver from Bankwell for the year ended June 30, 2018.

**NOTE 7 - NET ASSETS WITH DONOR RESTRICTION**

Net assets with donor restrictions are restricted for the following purpose or periods.

	<u>2018</u>	<u>2017</u>
Subject to expenditure for specified purpose:		
Loft renovation	\$ 209,860	\$ 257,665
Scholarships	10,599	6,134
Total net assets	<u>\$ 220,459</u>	<u>\$ 263,799</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Satisfaction of purpose restrictions		
Loft renovation	\$ 354,258	\$ 11,016
Equipment upgrade	-	15,000
Stage One rejuvenation	-	9,965
	<u>\$ 354,258</u>	<u>\$ 35,981</u>

**Fairfield Theatre Company, Inc.**  
**Notes to Financial Statements**  
**June 30, 2018**  
**(See Report of Independent Auditor)**

**NOTE 8 – RELATED PARTY NOTES PAYABLE**

In December 2013, FTC executed term notes payable with several members of the board of directors. The proceeds were used to liquidate existing debt. The notes carry an interest rate of 5% per annum and are uncollateralized. (See Note 6)

**NOTE 9 - RENT**

On September 1, 2002, FTC executed a lease with the Town of Fairfield for its facility. The terms of the lease call for an initial ten-year term with an option to extend the lease for another ten-year term, followed by successive five-year terms. The lease cost is variable in nature and is based upon the number of tickets sold at the venue for performances. For the years ended June 30, 2018 and 2017, FTC paid \$90,451 and \$84,241 in fees.

**NOTE 10 – DONATED SERVICES**

FTC receives a significant amount of donated services from unpaid volunteers who assist in special events and other services. Under Statement of Financial Accounting Standard Codification 958, none of these services meet the criteria for recording.

**NOTE 11 – SUBSEQUENT EVENTS**

In accordance with FASB Accounting Standards Codification 855, Subsequent Events, FTC has evaluated subsequent events to the Statement of Financial Position date of June 30, 2018 through November 19, 2018 which is the date the financial statements were available to be issued. Management has determined that there are no events requiring disclosure.