



3352 E Foothill Blvd
Pasadena, CA 91107
tel: 626.356.3100
fax: 626.356.3120
www.anoisewithin.org

September 24, 2015

To Whom It May Concern,

A Noise Within's completion of its three-year (2013-2015) strategic plan has positioned the company for a period of ambitious growth that is designed to match our resources to our vision and the community's demand for our mission. The 2014-15 fiscal year audit demonstrates the pace of our progress and the sound financial foundation upon which we have built our new strategic plan.

From the 2013-14 season to the 2014-15 season, expenses grew by 12% (before depreciation), which was principally due to increased spending on programming including paying our artists more and increasing our students served from 12,000 to 14,000. Spending on supporting services remained relatively flat. During the same time revenue grew by 21.5% indicating the popularity of our programming among our audience and the strengthening of support from our institutional and individual donors. ANW therefore ended the year with 12.5 weeks of working capital, which gives the company the flexibility to take strategic risks.

The balance of the company's outstanding construction loan was scheduled to come due as of October 2015, and so ANW decided to use a portion of its cash reserves to pay down additional principal and to refinance ahead of schedule. ANW was able to pay down a total of \$198,712 in loan principal with \$607,026 remaining as of June 30, 2015. The refinanced loan will come due in 2022 and is now secured with the facility – rather than pledges – as collateral. The Statement of Cash Flows reveals that, though the company generated an annual operating surplus, ANW used those funds to pay down loan principal and undertake needed capital improvements to the lighting system.

A Noise Within's annual budget was just over \$2 million in FY15, yet our facility (the company's most valuable physical asset) is valued at \$10 million. This differential between the annual budget of the company and the value of the property results in a depreciation expense that is beyond the means of the company to cover on an annual basis (approximately 15% of the budget). While much of this depreciation consists of steel and concrete, the organization has recognized the importance of planning for unexpected major repairs and equipment replacement. To recognize the importance of the depreciation of our property and equipment, the Board of Directors voted to approve the seeding of a restricted Plant Fund (\$30,000 in FY15) that will grow over time and provide security against major facilities issues.

The success of the 2014-15 season, both programmatically and financially, provides initial momentum to the ambitious strategic goals we will be pursuing over the next five years in service of our mission.

Sincerely,

Michael Bateman
Managing Director

A NOISE WITHIN

FINANCIAL STATEMENTS

JUNE 30, 2015

**A NOISE WITHIN
FINANCIAL STATEMENTS
JUNE 30, 2015**

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Independent Auditor's Report

To the Board of Directors
A Noise Within
Pasadena, California

We have audited the accompanying financial statements of A Noise Within, which comprise the statements of financial position as of June 30, 2015 and 2014 and the related statements of activities, 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 A Noise Within as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, appearing to be 'M. A.', is centered below the opinion text.

September 3, 2015

**A NOISE WITHIN
STATEMENT OF FINANCIAL POSITION**

ASSETS	JUNE 30,	
	2015	2014
CURRENT ASSETS		
Cash (Note 3)	\$ 797,821	\$ 833,756
Marketable securities	-	5,104
Unconditional promises to give - capital campaign, net of reserve for uncollectible promises to give of \$2,900 and \$13,000 (Note 4)	37,793	55,456
Unconditional promises to give - other	60,881	87,950
Prepaid expenses and other current assets	80,465	69,583
Total current assets	976,960	1,051,849
UNCONDITIONAL PROMISES TO GIVE		
Capital campaign (Note 4)	2,710	24,411
PROPERTY AND EQUIPMENT, at cost less accumulated depreciation (Note 2)		
	11,712,948	11,881,831
LOAN FEES, less accumulated amortization of \$0 and \$31,926		
	3,035	13,305
TOTAL ASSETS	\$ 12,695,653	\$ 12,971,396
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current maturities of long-term debt (Note 5)	\$ 13,658	\$ 100,000
Revenues received in advance	338,641	402,202
Accrued expenses and other current liabilities	109,016	51,995
Total current liabilities	461,315	554,197
LONG-TERM DEBT, net of current maturities (Note 5)		
	593,368	705,738
NET ASSETS		
Unrestricted	11,541,679	11,391,047
Temporarily restricted (Note 4)	99,291	320,414
Total net assets	11,640,970	11,711,461
TOTAL LIABILITIES AND NET ASSETS	\$ 12,695,653	\$ 12,971,396

See Notes to Financial Statements

**A NOISE WITHIN
STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30,

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUES, SUPPORT AND RECLASSIFICATIONS						
REVENUES						
Box Office	\$ 1,085,918	\$ -	\$ 1,085,918	\$ 883,051	\$ -	\$ 883,051
Education Programs	147,315	-	147,315	58,664	-	58,664
Other	105,275	-	105,275	50,373	-	50,373
	<u>1,338,508</u>	<u>-</u>	<u>1,338,508</u>	<u>992,088</u>	<u>-</u>	<u>992,088</u>
SUPPORT						
Donations and grants	971,050	-	971,050	884,549	-	884,549
Capital campaign donations and grants	-	14,747	14,747	-	56,979	56,979
Special event income	65,694	-	65,694	31,967	-	31,967
Interest and investment income	134	-	134	1,402	-	1,402
	<u>1,036,878</u>	<u>14,747</u>	<u>1,051,625</u>	<u>917,918</u>	<u>56,979</u>	<u>974,897</u>
NET ASSETS RELEASED FROM RESTRICTIONS						
Restrictions satisfied by payment	<u>235,870</u>	<u>(235,870)</u>	<u>-</u>	<u>96,064</u>	<u>(96,064)</u>	<u>-</u>
TOTAL REVENUES AND SUPPORT	<u>2,611,256</u>	<u>(221,123)</u>	<u>2,390,133</u>	<u>2,006,070</u>	<u>(39,085)</u>	<u>1,966,985</u>
EXPENSES						
PROGRAM EXPENSES						
Theatre productions	1,552,289	-	1,552,289	1,353,021	-	1,353,021
Education programs	165,497	-	165,497	140,018	-	140,018
	<u>1,717,786</u>	<u>-</u>	<u>1,717,786</u>	<u>1,493,039</u>	<u>-</u>	<u>1,493,039</u>
SUPPORTING SERVICES						
General and administrative expenses	191,774	-	191,774	189,232	-	189,232
Fundraising and development costs	186,839	-	186,839	157,785	-	157,785
Capital campaign expenses	-	-	-	27,559	-	27,559
	<u>378,613</u>	<u>-</u>	<u>378,613</u>	<u>374,576</u>	<u>-</u>	<u>374,576</u>
TOTAL EXPENSES	<u>2,096,399</u>	<u>-</u>	<u>2,096,399</u>	<u>1,867,615</u>	<u>-</u>	<u>1,867,615</u>
INCREASE (DECREASE) IN NET ASSETS BEFORE INTEREST, DEPRECIATION AND AMORTIZATION	514,857	(221,123)	293,734	138,455	(39,085)	99,370
INTEREST EXPENSE	37,345	-	37,345	39,302	-	39,302
DEPRECIATION AND AMORTIZATION	<u>326,880</u>	<u>-</u>	<u>326,880</u>	<u>312,058</u>	<u>-</u>	<u>312,058</u>
INCREASE (DECREASE) IN NET ASSETS	150,632	(221,123)	(70,491)	(212,905)	(39,085)	(251,990)
NET ASSETS AT BEGINNING OF YEAR	11,391,047	320,414	11,711,461	11,603,952	359,499	11,963,451
NET ASSETS AT END OF YEAR	<u>\$ 11,541,679</u>	<u>\$ 99,291</u>	<u>\$ 11,640,970</u>	<u>\$ 11,391,047</u>	<u>\$ 320,414</u>	<u>\$ 11,711,461</u>

See Notes to Financial Statements

**A NOISE WITHIN
STATEMENT OF CASH FLOWS**

	YEARS ENDED JUNE 30,	
	2015	2014
CASH FLOW FROM OPERATING ACTIVITIES		
Cash received from box office and programs	\$ 1,274,947	\$ 1,142,534
Cash received from grants and donations	1,036,381	925,921
Interest income received	134	45
Cash paid to employees and suppliers	(2,085,103)	(1,884,252)
	226,359	184,248
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of marketable securities	62,444	2,550
Acquisition of property and equipment	(144,692)	(43,590)
	(82,248)	(41,040)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital campaign pledges collected	21,701	41,705
Loan fees	(3,035)	-
Loan principal payments	(198,712)	(113,113)
	(180,046)	(71,408)
NET INCREASE IN CASH	(35,935)	71,800
CASH, beginning	833,756	761,956
CASH, ending	\$ 797,821	\$ 833,756

**RECONCILIATION OF CHANGE IN NET ASSETS TO
CASH FLOW FROM OPERATING ACTIVITIES**

DECREASE IN NET ASSETS	\$ (70,491)	\$ (251,990)
Adjustments to reconcile change in net assets to net cash flow from operating activities		
<i>Items not requiring an outlay of cash</i>		
Depreciation and amortization	326,880	312,058
Donated marketable securities	(59,842)	(6,297)
(Gain) loss on sale of marketable securities	2,502	(1,357)
Decrease (increase) in:		
Unconditional promises to give - capital campaign	17,663	(3,427)
Unconditional promises to give - other	27,069	(37,850)
Prepaid expenses	(10,882)	(3,558)
Increase (Decrease) in:		
Revenues received in advance	(63,561)	155,386
Accrued expenses and other current liabilities	57,021	21,283
CASH FLOW FROM OPERATING ACTIVITIES	\$ 226,359	\$ 184,248

See Notes to Financial Statements

**A NOISE WITHIN
STATEMENT OF FUNCTIONAL EXPENSES**

YEAR ENDED JUNE 30,

	2015					2014					
	Program Services		General and Administrative	Fundraising and Development	Total	Program Services			Fundraising		Total
	Theatre Productions	Education Programs				Theatre Productions	Education Programs	General and Administrative	Fundraising and Development	Capital Campaign	
Salaries	\$ 512,160	\$ 91,031	\$ 90,757	\$ 128,743	\$ 822,691	\$ 469,708	\$ 64,960	\$ 61,849	\$ 80,110	\$ -	\$ 676,627
Bonuses	-	-	600	-	600	-	-	-	-	-	-
Payroll taxes	51,810	9,210	8,914	13,025	82,959	49,577	6,657	6,394	8,422	-	71,050
Employee benefits	151,325	-	2,569	-	153,894	100,089	-	29,972	-	-	130,061
Non-salaried actors and technicians	182,722	-	-	-	182,722	155,209	-	-	-	-	155,209
Professional fees	-	-	22,342	-	22,342	-	-	23,662	-	2,500	26,162
Marketing	165,463	5,488	-	-	170,951	124,092	2,980	-	1,891	-	128,963
Materials and supplies	96,239	21	6,052	237	102,549	98,116	3,319	11,371	-	50	112,856
Utilities	38,384	30,707	7,677	-	76,768	35,300	28,240	7,060	-	-	70,600
Credit card fees	21,902	-	-	-	21,902	23,247	-	-	-	-	23,247
Printing	56,638	995	73	7,169	64,875	52,576	504	1,549	8,703	-	63,332
Postage	32,968	443	531	3,409	37,351	35,402	1,532	319	5,197	-	42,450
Royalties and fees	41,308	-	-	-	41,308	42,531	-	-	-	-	42,531
Insurance	70,229	-	-	-	70,229	83,210	-	-	-	-	83,210
Telephone	10,071	-	3,357	-	13,428	8,013	-	2,671	-	-	10,684
Repairs and maintenance	68,849	-	7,650	-	76,499	44,666	-	4,963	-	-	49,629
Teachers	-	8,633	-	-	8,633	-	17,366	-	-	-	17,366
Accounting	-	-	26,446	-	26,446	-	-	14,738	-	-	14,738
Refreshments and concessions	12,891	-	-	-	12,891	15,733	-	-	-	-	15,733
Production expenses	8,040	4,836	-	-	12,876	6,822	2,043	-	-	-	8,865
Computer and technology	1,779	1,097	4,696	3,013	10,585	1,035	-	9,069	2,772	-	12,876
Special event	4,337	38	-	20,950	25,325	874	1,443	-	20,933	-	23,250
Copier lease	4,069	2,034	2,034	2,034	10,171	6,149	3,075	3,075	3,075	-	15,374
Taxes and licenses	7,452	930	930	-	9,312	(3,816)	-	150	-	-	(3,666)
Dues and subscriptions	6,324	-	-	-	6,324	3,719	-	-	-	-	3,719
Photography and video	-	2,830	-	468	3,298	-	-	-	-	-	-
Transportation	-	4,895	-	-	4,895	-	7,735	-	-	-	7,735
Grant writing support	-	-	-	3,945	3,945	-	-	-	24,458	-	24,458
Conferences and seminars	2,666	956	905	390	4,917	-	75	8,320	100	-	8,495
Bad debts	-	-	-	-	-	-	-	-	-	25,000	25,000
Employee search	-	-	245	1,980	2,225	769	-	-	1,731	-	2,500
Loan closing costs	4,663	583	583	-	5,829	-	-	-	-	-	-
Bank charges	-	-	1,877	-	1,877	-	-	2,003	-	-	2,003
Net loss on sales of securities	-	-	2,502	-	2,502	-	-	-	-	-	-
Miscellaneous	-	770	1,034	1,476	3,280	-	89	2,067	393	9	2,558
	<u>\$ 1,552,289</u>	<u>\$ 165,497</u>	<u>\$ 191,774</u>	<u>\$ 186,839</u>	<u>\$ 2,096,399</u>	<u>\$ 1,353,021</u>	<u>\$ 140,018</u>	<u>\$ 189,232</u>	<u>\$ 157,785</u>	<u>\$ 27,559</u>	<u>\$ 1,867,615</u>

See Notes to Financial Statements

A NOISE WITHIN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

A Noise Within (The Organization) is a California public benefit corporation organized in 1992 which operates a classical theatre company in Pasadena, California. The Organization's operations include theatrical performances in its own facilities and educational programs.

Use of Estimates

Generally accepted accounting principles require management to make estimates and assumptions that affect certain report amounts and disclosures. Accordingly, actual results could differ from those estimates.

Net Assets

The financial statements account for changes in net assets into unrestricted, temporarily restricted and permanently restricted based on donor imposed restrictions. Temporarily restricted funds are treated as unrestricted if the donor imposed restrictions lapse in the same fiscal year that the donation is recognized.

Money Market Funds and Marketable Securities

Money market funds and marketable securities are valued using level 1 inputs which are quoted market prices.

Property, Equipment and Depreciation

Property and equipment are carried either at cost when purchased or fair market value on the date donated. Depreciation is provided using straight-line methods over the estimated useful lives of the respective assets. When assets are retired, or otherwise disposed of, the cost and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income for the period. The cost of repairs and maintenance is charged to operations as incurred; significant improvements and betterments are capitalized.

Estimated useful lives are five years for office furniture, equipment and computers, ten years for production equipment and forty years for the building.

Revenue Recognition

Box office revenues are deferred and recognized as the performances are presented. Revenues for the educational programs are deferred and recognized as the services are provided

Grants and donations are recognized at net realizable value at the time the right to the donation becomes unconditional.

A NOISE WITHIN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

1 SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (Continued)

Income Taxes

The Organization has been granted tax exempt status as provided under Section 501 (c)(3) of the Internal Revenue Code. The Organization has also received a ruling that it is not a private foundation.

Donated Property and Services

The Organization records donated property and equipment at estimated fair market value on the date donated. Services donated by volunteers are recorded as revenues and expenses if the services require specialized skills and would otherwise be purchased by the Organization. No donated services were recorded in the fiscal year ended June 30, 2015. The Organization received \$4,940 in donated service in the fiscal year ended June 30, 2014.

During 2015 and 2014, approximately 400 volunteers provided 1,150 and 1,128 hours, respectively, of services that are essential to the operation of the organization but which are not recognizable under generally accepted accounting principles.

2 PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2015		
	Cost	Accumulated Depreciation	Net
Land	\$ 2,013,000	\$ -	\$ 2,013,000
Building	10,308,127	902,155	9,405,972
Building improvements	68,103	9,161	58,942
Production equipment	254,316	65,724	188,592
Office furniture, equipment and computers	114,724	68,282	46,442
	<u>\$ 12,758,270</u>	<u>\$ 1,045,322</u>	<u>\$ 11,712,948</u>
	2014		
	Cost	Accumulated Depreciation	Net
Land	\$ 2,013,000	\$ -	\$ 2,013,000
Building	10,316,205	644,360	9,671,845
Building improvements	23,506	2,350	21,156
Production equipment	157,225	39,121	118,104
Office furniture, equipment and computers	103,642	45,916	57,726
	<u>12,613,578</u>	<u>\$ 731,747</u>	<u>\$ 11,881,831</u>

A NOISE WITHIN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

3 CASH AND CONCENTRATION OF RISK

Cash includes money market mutual funds of \$337,000 and \$410,000 as of June 30, 2015 and 2014, respectively.

Funds totaling \$13,600 were held as collateral against the long-term debt as of June 30, 2014. No funds are held as collateral as of June 30, 2015.

Funds on deposit at financial institutions in excess of the available federal insurance were \$532,000 and \$631,000 at June 30, 2015 and 2014, respectively.

Included in cash is \$30,000 designated by the Board of Directors as a Plant Fund for future major repairs and maintenance.

4 CAPITAL CAMPAIGN AND TEMPORARILY RESTRICTED NET ASSETS

The Organization built a theatre facility which opened in Fall of 2011. The Organization has run a capital campaign in support of the new facility. Donations received for the capital campaign are temporarily restricted. As of June 30, 2015, the campaign continues to collect on promises to give for building costs and to pay down the bank loan. Temporarily restricted net assets is comprised of pledges and received donations with imposed restrictions that have not yet been met.

The Organization recognized \$14,747 and \$56,979 in unconditional pledges for the capital campaign for fiscal year ending June 30, 2015 and 2014, respectively.

Capital campaign receivables due within one year, net of a reserve for uncollectible promises to give are included in the statement of financial position under the current asset caption "Unconditional promises to give".

Long-term capital campaign receivables due in two to five years after the fiscal year end are present value discounted 10% per year, as follows:

	<u>2015</u>	<u>2014</u>
Total unconditional promises to give	\$ 3,150	\$ 30,426
Discount	(440)	(6,015)
Reserve for uncollectible promises to give	-	-
Net unconditional promises to give	<u>\$ 2,710</u>	<u>\$ 24,411</u>

Imputed interest is included in donation income.

A NOISE WITHIN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

5 LONG-TERM DEBT

In June, 2015, the Organization refinanced its bank loan. The loan is secured by a first trust deed secured by the land and building and furniture, fixtures and equipment. The loan is payable in monthly installments of principal and interest of \$3,570 (20 year amortization) with an interest rate of 5%, and a balloon payment of all remaining principal and interest due June 1, 2022.

A Noise Within is required to maintain its primary operating bank account with the lender. Minimum maturities by year are as follows:

2016	\$	13,658
2017		13,475
2018		14,165
2019		14,889
2020		15,651
thereafter		<u>535,188</u>
	\$	<u><u>607,026</u></u>

Interest expense totaled \$37,345 and \$39,302 for the years ending June 30, 2015 and 2014, respectively.

6 EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through September 3, 2015, the date which the financial statements were available to be issued, and has included in these financial statements any information available at this date that is relevant and material to these financial statements.