

Audited Financial Statements



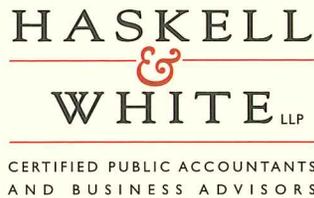
Fiscal Year Ended June 30, 2015
(With 2014 summarized financial information)

IRVINE BARCLAY THEATRE OPERATING COMPANY

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300 SPECTRUM CENTER DRIVE
SUITE 300 • IRVINE, CA 92618
949.450.6200 FAX 949.450.6201
www.hwcpcpa.com



9171 TOWNE CENTRE DRIVE
SUITE 190 • SAN DIEGO, CA 92122
858.249.7444 FAX 858.249.7445
www.hwcpcpa.com

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Irvine Barclay Theatre Operating Company

We have audited the accompanying financial statements of Irvine Barclay Theatre Operating Company (the "Company"), 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditors' 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 auditors consider 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.

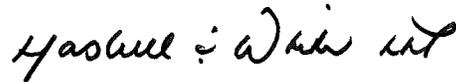
INDEPENDENT AUDITORS' REPORT (CONTINUED)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Irvine Barclay Theatre Operating Company as of June 30, 2015, and the changes in its net assets and its cash flows for the year 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 2014 financial statements of the Irvine Barclay Theatre Operating Company and our report dated October 14, 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.

A handwritten signature in cursive script that reads "Haskell & White LLP".

HASKELL & WHITE LLP

October 12, 2015
Irvine, California

IRVINE BARCLAY THEATRE OPERATING COMPANY

Statement of Financial Position

As of June 30, 2015

(With summarized financial information as of June 30, 2014)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2015</u>	<u>Total 2014</u>
Assets					
Cash and cash equivalents	\$ 227,638	\$ -	\$ 756,089	\$ 983,727	\$ 817,595
Investments	-	755	200,023	200,778	-
Accounts receivable	23,210	-	-	23,210	14,186
Receivable from charitable remainder trust (Note 4)	-	-	105,823	105,823	117,200
Prepaid expenses	23,080	-	-	23,080	38,458
Furnishings, fixtures and equipment, net (Note 2)	224,691	-	-	224,691	195,630
Total assets	<u>\$ 498,619</u>	<u>\$ 755</u>	<u>\$ 1,061,935</u>	<u>\$ 1,561,309</u>	<u>\$ 1,183,069</u>
Liabilities					
Accounts payable	\$ 26,040	\$ -	\$ -	\$ 26,040	\$ 21,207
Accrued and other liabilities	236,954	-	-	236,954	179,934
Deferred revenue	226,048	-	-	226,048	145,556
Total liabilities	<u>489,042</u>	<u>-</u>	<u>-</u>	<u>489,042</u>	<u>346,697</u>
Commitments and contingencies (Note 5)					
Net assets	<u>9,577</u>	<u>755</u>	<u>1,061,935</u>	<u>1,072,267</u>	<u>836,372</u>
Total liabilities and net assets	<u>\$ 498,619</u>	<u>\$ 755</u>	<u>\$ 1,061,935</u>	<u>\$ 1,561,309</u>	<u>\$ 1,183,069</u>

See accompanying notes to the financial statements and independent auditors' report.

IRVINE BARCLAY THEATRE OPERATING COMPANY

**Statement of Activities
For The Year Ended June 30, 2015**

(With summarized financial information for the Year Ended June 30, 2014)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2015</u>	<u>Total 2014</u>
Revenue and support					
Barclay presents and services	\$ 767,047	\$ -	\$ -	\$ 767,047	\$ 723,104
Facility usage	1,401,733	-	-	1,401,733	1,314,489
Contributions:					
City of Irvine	925,500	-	-	925,500	925,000
University of California, Irvine	350,000	-	-	350,000	350,000
Individuals, corporations and foundations	573,235	-	-	573,235	590,163
Investment income	1,409	755	-	2,164	1,280
Change in value of receivable from charitable remainder trust (Note 4)	-	-	(11,377)	(11,377)	(395)
Total revenue and support	4,018,924	755	(11,377)	4,008,302	3,903,641
Expenses					
Program services:					
Barclay presents, promotion and services	1,405,219	-	-	1,405,219	1,354,280
Facility usage and maintenance	1,605,137	-	-	1,605,137	1,559,051
Total program services	3,010,356	-	-	3,010,356	2,913,331
Supporting activities:					
General and administrative	584,299	-	-	584,299	505,487
Fundraising	177,752	-	-	177,752	267,353
Total supporting activities	762,051	-	-	762,051	772,840
Total expenses	3,772,407	-	-	3,772,407	3,686,171
Change in net assets	246,517	755	(11,377)	235,895	217,470
Net assets, beginning of year	(236,940)	-	1,073,312	836,372	618,902
Net assets, end of year	\$ 9,577	\$ 755	\$ 1,061,935	\$ 1,072,267	\$ 836,372

See accompanying notes to the financial statements and independent auditors' report.

IRVINE BARCLAY THEATRE OPERATING COMPANY

**Statement of Cash Flows
For The Year Ended June 30, 2015**

(With summarized financial information for the Year Ended June 30, 2014)

	2015	2014
Cash flows from operating activities		
Change in net assets	\$ 235,895	\$ 217,470
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	55,184	46,565
Change in value of receivable from charitable remainder trust	11,377	395
Interest income on permanently restricted investments	(755)	-
Change in operating assets and liabilities:		
Accounts receivable	(9,024)	1,333
Prepaid expenses	15,378	(1,725)
Accounts payable	4,833	(28,525)
Accrued and other liabilities	57,020	(26,422)
Deferred revenue	80,492	48,383
Net cash provided by operating activities	450,400	257,474
Cash flows from investing activities		
Purchase of investments	(200,023)	-
Acquisition of furnishings, fixtures and equipment	(84,245)	(79,836)
Net cash used in investing activities	(284,268)	(79,836)
Net increase in cash and cash equivalents	166,132	177,638
Cash and cash equivalents - beginning of year	817,595	639,957
Cash and cash equivalents - end of year	\$ 983,727	\$ 817,595
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest and income taxes	\$ -	\$ -
Disposition of fully-depreciated furnishings, fixtures and equipment	\$ 31,339	\$ 54,103

See accompanying notes to the financial statements and independent auditors' report.

IRVINE BARCLAY THEATRE OPERATING COMPANY

Notes to Financial Statements Year Ended June 30, 2015

1. Description of Organization and Purpose

Irvine Barclay Theatre Operating Company (the “Company”) is a nonprofit organization established in June 1985 for the purpose of managing, operating, maintaining, programming, and raising funds for the Irvine Barclay Theatre (the “Theatre”). The Theatre began operations in September 1990, is owned by the City of Irvine, and is located on the campus of the University of California, Irvine.

2. Summary of Significant Accounting Policies

Basis of Accounting and Use of Estimates

The Company’s financial statements have been prepared on the accrual basis of accounting. Accordingly, the Company recognizes revenues when earned, and contributions, including unconditional promises to give, when received. Expenses are recognized when the obligation is incurred.

The Company prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (“GAAP”), which 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Presentation

The Company reflects net assets and revenues, gains, expenses, and losses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Company and changes thereto, are classified and reported as unrestricted, temporarily restricted, and permanently restricted, as follows:

- Unrestricted net assets – Net assets that are not subject to donor-imposed restrictions and are available to support general operations. Board-designated amounts, if any, are included in unrestricted net assets.
- Temporarily restricted net assets – Net assets that are subject to donor-imposed restrictions that require the passage of time or the occurrence of a specific event. Additionally, net investment gains and income from permanently restricted endowments that have not been appropriated for expenditure are presented in temporarily restricted net assets. At June 30, 2015, the Company had \$755 of temporarily restricted net assets.

IRVINE BARCLAY THEATRE OPERATING COMPANY

Notes to Financial Statements (continued) Year Ended June 30, 2015

2. Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

- Permanently restricted net assets – Net assets that are subject to donor-imposed restrictions that the principal be maintained in perpetuity and invested for the purposes of producing present and future income for unrestricted use by the Company. At June 30, 2015, the Company's permanently restricted assets consisted of endowment and challenge grant funds and a receivable from a charitable remainder trust (Note 4).

Subsequent Events

Management has evaluated subsequent events that occurred through October 12, 2015, the date the financial statements were available to be issued.

Contributions and Contributions Receivable

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. Temporarily restricted contributions that are received and whose restrictions are satisfied in the same year as related funds are expended are reported as unrestricted contributions in the accompanying financial statements.

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until they become unconditional; that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value on the date of contribution. Contributions to be received after one year are recorded at the present value of their estimated future cash flows. The discount on these amounts is computed using risk adjusted market interest rates applicable to the years in which the promises are expected to be received. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

An allowance for uncollectible contributions receivable is established when needed based upon management's judgment including such factors as prior collection history, aging statistics of contributions, and the nature of the receivable.

IRVINE BARCLAY THEATRE OPERATING COMPANY

Notes to Financial Statements (continued) Year Ended June 30, 2015

2. Summary of Significant Accounting Policies (continued)

Concentration of Credit Risk

The Company deposits its funds with counterparties that are considered by management to be of high-credit quality. At times, balances in cash accounts may exceed issuance limits established by the Federal Deposit Insurance Corporation. Amounts deposited in the Local Agency Investment Fund (“LAIF”) are not insured.

Concentration of Support

During the year ended June 30, 2015, 69% of the Company’s unrestricted contributions were made by the City of Irvine and the University of California, Irvine. Contributions from these two parties represented 32% of the Company’s total revenue and support during the year ended June 30, 2015.

Contributed Services and Materials

Contributed services are recognized if the services (a) create or enhance long-lived assets, or (b) require specialized skills, are provided by qualified individuals, and would typically need to be purchased, if not provided by donation. The Company did not receive contributed services during the year ended June 30, 2015 that met these criteria. Further, the Company did not receive contributed materials during the year ended June 30, 2015.

Cash and Cash Equivalents

The Company considers cash equivalents to be highly liquid investments with maturities of three months or less when acquired.

At June 30, 2015, cash and cash equivalents includes \$587,726 on deposit with the State of California LAIF. LAIF is a California Treasury special fund through which local agencies may pool investments. LAIF deposits are highly liquid and can be converted to cash by the Company within 24 hours. Investment types that are authorized by the California Government Code and the State Treasurer’s Office investment policy for its pooled investment program include U.S. Treasury Securities, Federal Agency and Supranational Securities, Certificates of Deposit, Bankers Acceptances, Commercial Paper, Corporate Bonds/Notes, Repurchase Agreements and Reverse Repurchase Agreements. The Pooled Money Investment Board provides oversight of the State Treasurer’s pooled investment program and administers the program consistent with the goals of safety, liquidity and yield.

IRVINE BARCLAY THEATRE OPERATING COMPANY

**Notes to Financial Statements (continued)
Year Ended June 30, 2015**

2. Summary of Significant Accounting Policies (continued)

Investments

As of June 30, 2015, investments include \$200,778 of money market funds (Note 3).

Fair Value and Valuation

GAAP defines fair value as the price that the Company would receive to sell an asset, or pay to transfer a liability, in an orderly transaction between market participants at the measurement date. GAAP also establishes a framework for measuring fair value and a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability.

Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available under the circumstances. The Company's investments are assigned a level based upon the observability of the inputs which are significant to the overall valuation. The three-tier hierarchy of inputs is summarized below.

Level 1 - inputs are quoted prices in active markets.

Level 2 - inputs are observable, directly or indirectly.

Level 3 - inputs are unobservable and reflect assumptions of the reporting entity.

As of June 30, 2015, the Company is a beneficiary of a trust agreement as explained in Note 4 and the underlying trust's assets consisted of the following whose values were based on quoted prices in active markets:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ -	\$ -	\$ -	\$ -
Equity securities	51,493	-	-	51,493
Debt securities	31,366	-	-	31,366
Other securities	<u>22,964</u>	<u>-</u>	<u>-</u>	<u>22,964</u>
	<u><u>\$ 105,823</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 105,823</u></u>

IRVINE BARCLAY THEATRE OPERATING COMPANY

Notes to Financial Statements (continued) Year Ended June 30, 2015

2. Summary of Significant Accounting Policies (continued)

Fair Value and Valuation (continued)

As described above, at June 30, 2015, the Company has \$587,726 on deposit with the State of California LAIF, a California Treasury special fund through which local agencies may pool investments. The value of the deposits in the LAIF is equal to the dollars deposited into the program. While the fair value of the position in the program may be greater or less than the value of the deposits, there are no share value adjustments to reflect changes in value. The Company's deposits can be converted to cash by the Company within 24 hours.

The fair value of the Company's investment in money market funds was determined using Level 1 inputs as these assets are valued using quoted prices in active markets for identical assets.

Furnishings, Fixtures and Equipment

Furnishings, fixtures and equipment are recorded at cost (or estimated fair value, if donated) and depreciated over estimated useful lives of five to ten years using the straight-line method. At June 30, 2015, related capital expenditures aggregating \$1,402,983 primarily consisted of stage, theatre and office furnishings, fixtures, improvements and equipment and such amounts are presented in the accompanying financial statements net of accumulated depreciation of \$1,178,292. Depreciation expense was \$55,184 for the year ended June 30, 2015.

Expenditures for repairs and maintenance are expensed as incurred, unless related expenditures extend estimated useful lives or result in significant betterments.

Deferred Revenue

Advance admission ticket sales for productions scheduled for the following fiscal year (2015-2016 season) for which payments are received prior to the current fiscal year-end are reported as deferred revenue. In the event that any of the scheduled productions for the season are not presented, the advance ticket collections for that production will be available for refund to the ticket holder.

Allocated Expenses

Production and operational costs are primarily allocated among program services and supporting activities on the basis of estimated usage as determined by management.

IRVINE BARCLAY THEATRE OPERATING COMPANY

Notes to Financial Statements (continued) Year Ended June 30, 2015

2. Summary of Significant Accounting Policies (continued)

Income Taxes

The Company qualifies as a not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code, and Section 23701(d) of the California Revenue and Taxation Code and, therefore, is not subject to income tax. Accordingly, no provision for income taxes is included in the accompanying financial statements. In addition, management evaluates potential tax exposures that may result from unrelated business income tax and activities that may jeopardize the Company's tax exempt status. As a result of management's evaluation, no tax provision was recorded. As of June 30, 2015, years open for examination by Federal tax authorities are 2012-2014.

Comparative Financial Information

The accompanying statements of financial position, activities and cash flows include prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Company's June 30, 2014 financial statements, from which the summarized information was derived.

3. Endowment Disclosures

Background

The Company follows Accounting Standards Codification 958, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to and Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for all Endowment Funds* ("ASC 958"), with respect to the net asset classification of donor-restricted endowment funds subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA"). ASC 958 also improves disclosures about endowment funds (both donor restricted endowment funds and board designated endowment funds) whether or not the organization is subject to UPMIFA. The State of California adopted UPMIFA, effective January 1, 2009, and the Company adopted ASC 958 for the year ended June 30, 2009.

IRVINE BARCLAY THEATRE OPERATING COMPANY

Notes to Financial Statements (continued)

Year Ended June 30, 2015

3. Endowment Disclosures (continued)

Background (continued)

The Company's endowment funds are invested in the State of California LAIF, a California Treasury special fund through which local agencies may pool investments, and a segregated money market account.

The Company classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Company in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Company considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purpose of the organization and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the organization
- 7) The investment policy of the organization

Net Asset Deficiencies

The fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Company to retain as a fund of perpetual duration. No deficiencies of this nature are reported in unrestricted net assets as of June 30, 2015, compared to \$138,517 as of June 30, 2014. The prior year deficiencies resulted from operational shortfalls during previous years. During the year ended June 30, 2015, existing endowment fund deficiencies were fully restored.

IRVINE BARCLAY THEATRE OPERATING COMPANY

Notes to Financial Statements (continued) Year Ended June 30, 2015

3. Endowment Disclosures (continued)

Return Objectives, Strategies and Spending Policies

As endowment funds are maintained in the LAIF and money market funds as of June 30, 2015, the Company does not anticipate any significant investment return above inflation until such funds are actively invested. The Company has not adopted a formal endowment fund spending policy.

4. Receivables

Accounts receivable at June 30, 2015 aggregated \$23,210 and all are due within one year. No allowance has been made for any accounts receivable.

The Company is a beneficiary of a trust agreement considered to be a “split-interest” agreement, as it has been named as a third-party beneficiary in a charitable remainder unitrust agreement for which the Company is not the trustee. The trust shall terminate upon the death of the surviving trustor, at which time the Company will receive the trust assets, which have been permanently restricted by the donor. At June 30, 2015, the trust assets consisted primarily of investment securities and the estimated fair value of the amount expected to be received from the trust is \$105,823.

5. Commitments and Contingencies

Employee Benefit Plan

Effective July 1, 2000, the Company instituted a qualified profit-sharing plan under the provisions of Section 401(k) of the Internal Revenue Code (the “401(k) Plan”). Under the terms of the 401(k) Plan, participants are able to reduce their taxable compensation pursuant to federally mandated calculations to contribute to the 401(k) Plan. All employees are eligible to participate in the 401(k) Plan if they meet certain pre-established requirements. The Company’s contributions to the 401(k) Plan are discretionary, and the Company made contributions of \$22,919 to the 401(k) Plan during the year ended June 30, 2015.

IRVINE BARCLAY THEATRE OPERATING COMPANY

**Notes to Financial Statements (continued)
Year Ended June 30, 2015**

5. Commitments and Contingencies (continued)

Office Lease Agreement

In April 2011, the Company executed an operating lease agreement for office space in Irvine, California starting July 1, 2011, and originally expiring on June 30, 2015, which date was later extended to September 30, 2015. During the year ended June 30, 2015, rent expense related to the lease totaled \$45,472.

On June 30, 2015, the Company entered into a new five-year lease agreement with the same landlord. Minimum future lease payments under these lease agreements are as follows for each of the years ending June 30 and thereafter:

2016	\$ 41,983
2017	56,304
2018	58,269
2019	60,312
2020	62,421
Thereafter	<u>15,738</u>
	<u>\$ 295,027</u>

Separation Agreement

The Company is a party to a separation agreement that requires aggregate payments of \$83,000, most of which was paid in August 2015. As of June 30, 2015, the Company accrued \$46,000 for its obligations under this arrangement and such amount is included in accrued and other liabilities in the accompanying statement of financial position. The separation agreement also required the payment of accrued and unused vacation in August 2015. Concurrent with the separation agreement, the Company executed a six month consulting arrangement that requires payments of \$54,000 during the year ending June 30, 2016.