

*Audited Financial Statements*



*Fiscal Year Ended June 30, 2017*  
*(With 2016 summarized financial information)*

# IRVINE BARCLAY THEATRE OPERATING COMPANY

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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, which comprise the statement of financial position as of June 30, 2017, 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, 2017, 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.

### Other Matter - Report on Summarized Comparative Information

We have previously audited the Irvine Barclay Theatre Operating Company's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 22, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Haskell & White LLP*

HASKELL & WHITE LLP

Irvine, California  
October 3, 2017

**IRVINE BARCLAY THEATRE OPERATING COMPANY**

**Statement of Financial Position**

**As of June 30, 2017**

*(With summarized financial information as of June 30, 2016)*

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2017</u>	<u>Total 2016</u>
<b>Assets</b>					
Cash and cash equivalents	\$ 93,659	\$ 10,000	\$ 556,089	\$ <b>659,748</b>	\$ 917,692
Investments (Note 3)	26,272	-	400,023	<b>426,295</b>	299,072
Accounts receivable	34,868	-	-	<b>34,868</b>	27,791
Contributions receivable	-	75,000	-	<b>75,000</b>	-
Interest in charitable remainder trust (Note 4)	-	-	-	-	95,530
Prepaid expenses	25,045	-	-	<b>25,045</b>	24,179
Furnishings, fixtures and equipment, net (Note 2)	464,428	-	-	<b>464,428</b>	220,832
<b>Total assets</b>	<u>\$ 644,272</u>	<u>\$ 85,000</u>	<u>\$ 956,112</u>	<u>\$ <b>1,685,384</b></u>	<u>\$ 1,585,096</u>
<b>Liabilities</b>					
Accounts payable	\$ 31,417	\$ -	\$ -	\$ <b>31,417</b>	\$ 37,243
Accrued and other liabilities	156,805	-	-	<b>156,805</b>	160,804
Deferred revenue	251,992	-	-	<b>251,992</b>	301,205
<b>Total liabilities</b>	<u>440,214</u>	<u>-</u>	<u>-</u>	<u><b>440,214</b></u>	<u>499,252</u>
Commitments and contingencies (Note 5)					
<b>Net assets</b>	<u>204,058</u>	<u>85,000</u>	<u>956,112</u>	<u><b>1,245,170</b></u>	<u>1,085,844</u>
<b>Total liabilities and net assets</b>	<u>\$ 644,272</u>	<u>\$ 85,000</u>	<u>\$ 956,112</u>	<u>\$ <b>1,685,384</b></u>	<u>\$ 1,585,096</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, 2017

*(With summarized financial information for the Year Ended June 30, 2016)*

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2017</u>	<u>Total 2016</u>
<b>Revenue and support</b>					
Barclay presents and services	\$ 843,108	\$ -	\$ -	\$ 843,108	\$ 710,353
Facility usage	1,549,537	-	-	1,549,537	1,524,009
Contributions:					
City of Irvine	1,089,380	-	-	1,089,380	925,000
University of California, Irvine	470,000	-	-	470,000	350,000
Individuals, corporations and foundations	447,986	85,000	-	532,986	444,705
Investment income, net	30,296	-	-	30,296	491
Change in fair value of interest in charitable remainder trust (Note 4)	-	-	(95,530)	(95,530)	(10,293)
	<u>4,430,307</u>	<u>85,000</u>	<u>(95,530)</u>	<u>4,419,777</u>	<u>3,944,265</u>
Net assets released from restrictions	5,000	(5,000)	-	-	-
	<u>4,435,307</u>	<u>80,000</u>	<u>(95,530)</u>	<u>4,419,777</u>	<u>3,944,265</u>
<b>Expenses</b>					
Program services:					
Barclay presents, promotion and services	1,679,632	-	-	1,679,632	1,429,338
Facility usage and maintenance	1,797,064	-	-	1,797,064	1,617,720
	<u>3,476,696</u>	<u>-</u>	<u>-</u>	<u>3,476,696</u>	<u>3,047,058</u>
Supporting activities:					
General and administrative	484,072	-	-	484,072	663,646
Fundraising	299,683	-	-	299,683	219,984
	<u>783,755</u>	<u>-</u>	<u>-</u>	<u>783,755</u>	<u>883,630</u>
Total expenses	<u>4,260,451</u>	<u>-</u>	<u>-</u>	<u>4,260,451</u>	<u>3,930,688</u>
<b>Change in net assets</b>	174,856	80,000	(95,530)	159,326	13,577
<b>Net assets, beginning of year</b>	<u>29,202</u>	<u>5,000</u>	<u>1,051,642</u>	<u>1,085,844</u>	<u>1,072,267</u>
<b>Net assets, end of year</b>	<u>\$ 204,058</u>	<u>\$ 85,000</u>	<u>\$ 956,112</u>	<u>\$ 1,245,170</u>	<u>\$ 1,085,844</u>

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, 2017**

*(With summarized financial information for the Year Ended June 30, 2016)*

	2017	2016
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 159,326	\$ 13,577
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	65,919	65,255
Change in fair value of interest in charitable remainder trust	95,530	10,293
Net unrealized investment (income)/loss on permanently restricted funds	(27,223)	1,706
Loss on abandoned furnishings, fixtures and equipment	883	-
Change in operating assets and liabilities:		
Accounts receivable	(7,077)	(4,581)
Contributions receivable	(75,000)	-
Prepaid expenses	(866)	(1,099)
Accounts payable	(5,826)	11,203
Accrued and other liabilities	(3,999)	(76,150)
Deferred revenue	(49,213)	75,157
<b>Net cash provided by operating activities</b>	<b>152,454</b>	<b>95,361</b>
<b>Cash flows from investing activities</b>		
Purchases of investments	(100,000)	(100,000)
Acquisition of furnishings, fixtures and equipment	(310,398)	(61,396)
<b>Net cash used in investing activities</b>	<b>(410,398)</b>	<b>(161,396)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(257,944)</b>	<b>(66,035)</b>
<b>Cash and cash equivalents - beginning of year</b>	<b>917,692</b>	<b>983,727</b>
<b>Cash and cash equivalents - end of year</b>	<b>\$ 659,748</b>	<b>\$ 917,692</b>
 <b>Supplemental disclosures of cash flow information:</b>		
Disposition of fully-depreciated furnishings, fixtures and equipment	<b>\$ 42,396</b>	<b>\$ 13,278</b>

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

# IRVINE BARCLAY THEATRE OPERATING COMPANY

## Notes to Financial Statements Year Ended June 30, 2017

### 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. Any cumulative net investment income from permanently restricted net assets are available for expenditures, and as a result, any such amounts are also 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.

## IRVINE BARCLAY THEATRE OPERATING COMPANY

### Notes to Financial Statements (continued) Year Ended June 30, 2017

#### 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, 2017, the Company's permanently restricted assets consist of endowment and challenge grant funds.

##### *Comparative Financial Information*

The accompanying statements of financial position and activities 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, 2016 financial statements, from which the summarized information was derived.

##### *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, 2017

#### 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, 2017, 78% 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 35% of the Company’s total revenue and support during the year ended June 30, 2017.

##### *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, 2017 that met these criteria. Further, the Company did not receive contributed materials during the year ended June 30, 2017.

##### *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, 2017, cash and cash equivalents includes \$362,320 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, 2017**

**2. Summary of Significant Accounting Policies (continued)**

*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.

The fair values of the Company's investments are based on quoted prices in active markets and consisted of the following as of June 30, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 316,422	-	-	\$ 316,422
Exchange-traded funds	<u>10,896</u>	<u>-</u>	<u>-</u>	<u>10,896</u>
	<u>\$ 327,318</u>	<u>\$ -</u>	<u>\$ -</u>	327,318
Money market funds				<u>98,977</u>
				<u>\$ 426,295</u>

## IRVINE BARCLAY THEATRE OPERATING COMPANY

### Notes to Financial Statements (continued) Year Ended June 30, 2017

#### 2. Summary of Significant Accounting Policies (continued)

##### *Fair Value and Valuation (continued)*

The following is a description of the valuation methodologies used for assets measured at fair value:

**Mutual funds:** Such investments are valued at the daily closing price as reported by the respective fund. Mutual funds held by the Plan are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the Company are deemed to be actively traded.

**Exchanged-traded funds:** Such investments are valued at the closing price reported on the active market on which the individual securities are traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the valuation methodologies used during the year ended June 30, 2017.

Money market funds that are measured using the NAV per share practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the table above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

The Plan invests in various investment securities and such securities are exposed to various risks, such as interest rate, market, and credit risks. Because of the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statement of financial position.

As discussed above, at June 30, 2017, the Company has \$362,320 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.

## IRVINE BARCLAY THEATRE OPERATING COMPANY

### Notes to Financial Statements (continued) Year Ended June 30, 2017

#### 2. Summary of Significant Accounting Policies (continued)

##### *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, 2017, related capital expenditures aggregating \$1,718,220 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 \$1,253,792. Depreciation expense was \$65,919 for the year ended June 30, 2017.

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 (2017-2018 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. Deferred revenue is recognized as revenue upon completion of the scheduled performance.

##### *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.

##### *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. 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, 2017, years open for examination by Federal tax authorities are 2014-2016.

## IRVINE BARCLAY THEATRE OPERATING COMPANY

### Notes to Financial Statements (continued) Year Ended June 30, 2017

#### 2. Summary of Significant Accounting Policies (continued)

##### *Recent Accounting Pronouncements*

In August 2016, the Financial Accounting Standards Board issued Accounting Standard Update (“ASU”) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. The new standard will be effective for the Company for its fiscal year ending June 30, 2019 and early application is permitted. Management is currently evaluating the impact of the adoption of this standard.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. This update changes the accounting for leases, requiring lessees to recognize the assets and liabilities that arise from all leases on their balance sheets. The new lease standard requires a modified retrospective transition approach for all leases existing at, or entered into after, the date of initial application, with an option to use certain transition relief. The new standard will be effective for reporting periods beginning after December 15, 2019, with early application permitted. Management is currently evaluating the impact of the adoption of this standard.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes existing revenue recognition requirements and most industry specific guidance. This ASU is a comprehensive new revenue recognition model that requires an entity to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. This new guidance is effective for annual reporting periods beginning after December 15, 2018 and entities may use either a full retrospective or a modified retrospective approach to adopt this new guidance. Management is currently evaluating which transition approach to use and the impact of this new guidance on the Company’s financial statements.

## IRVINE BARCLAY THEATRE OPERATING COMPANY

### Notes to Financial Statements (continued) Year Ended June 30, 2017

#### 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 and board-designated endowment funds subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (“UPMIFA”). The State of California adopted UPMIFA, effective January 1, 2009, and the Company adopted ASC 958 for the year ended June 30, 2009.

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 following factors are considered 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

## IRVINE BARCLAY THEATRE OPERATING COMPANY

### Notes to Financial Statements (continued) Year Ended June 30, 2017

#### 3. Endowment Disclosures (continued)

##### *Return Objectives, Strategies and Spending Policies*

As of June 30, 2017, the Company's permanently restricted net assets total \$956,112 and the Company's endowment is comprised of the following investments:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gains</u>
Money market funds	\$ 98,977	\$ 98,977	\$ -
Mutual funds	291,227	316,422	25,195
Exchange traded funds	<u>9,819</u>	<u>10,896</u>	<u>1,077</u>
	<u>\$ 400,023</u>	<u>\$ 426,295</u>	<u>\$ 26,272</u>

To satisfy its long-term rate-of-return objectives, the Company relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Company targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints. The Company does not have an endowment spending policy.

#### 4. Receivables

Accounts and contributions receivable at June 30, 2017 aggregated \$109,868 and all are due within one year. No allowance has been made for any accounts receivable, as management believes receivables are fully collectable.

In addition, 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. During the year ended June 30, 2017, the Company was notified that the surviving trustors passed away and the trust terminated. The Company has not received any related funds as of June 30, 2017, and based on uncertainties surrounding the beneficiary and distribution provisions of the related trust agreement, management has reduced the estimated fair value of the Company's interest in the split-interest agreement to \$0.

# IRVINE BARCLAY THEATRE OPERATING COMPANY

## Notes to Financial Statements (continued) Year Ended June 30, 2017

### 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 incurred related employer matching expenses of \$24,240 to the 401(k) Plan during the year ended June 30, 2017.

#### *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. On June 30, 2015, the Company entered into a new five-year lease agreement with the same landlord. During the year ended June 30, 2017, rent expense related to the lease totaled \$56,174.

Minimum future lease payments under these lease agreements are as follows for each of the years ending June 30 and thereafter:

2018	\$ 58,768
2019	60,825
2020	<u>62,954</u>
	<u>\$ 182,546</u>

### 6. Subsequent Events

Management has evaluated subsequent events that occurred through October 3, 2017, the date the financial statements were available to be issued, and determined that no subsequent events required disclosure or accrual in the accompanying financial statements.