THE CHILDREN'S THEATRE
of CINCINNATI

AUDIT REPORT

May 31, 2014 and 2013

Hennekes
CPA
Services

With

Independent CPA's Report
on Financial Statements

THE CHILDREN'S THEATRE OF CINCINNATI

AUDIT REPORT – May 31, 2014 and 2013

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Independent CPA's Report
on Financial Statements

Board of Directors
The Children's Theatre of Cincinnati
Cincinnati, Ohio

We have audited the accompanying financial statements of The Children's Theatre of Cincinnati ("the Theatre"), a nonprofit organization, which comprise the statements of financial position as of May 31, 2014 and 2013, and the related statements of activities, functional expenses and cash flows 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 United States generally accepted accounting principles ("U.S. GAAP"); 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 United States generally accepted auditing standards ("U.S. GAAS"). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 Theatre'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 Theatre'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 Children's Theatre of Cincinnati as of May 31, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in accordance with U.S. GAAP.

Hennekes CPA Services

July 31, 2014

THE CHILDREN'S THEATRE OF CINCINNATI

STATEMENTS OF FINANCIAL POSITION

May 31, 2014 and 2013

	2014	2013
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 695,404	$ 397,933
Cash and cash equivalents - endowment related	135,011	96,714
Certificates of deposit	-	591,800
Pledges, grants and other receivables	123,655	122,376
Accrued investment income	6,973	8,252
Prepaid expenses and other assets	82,765	96,678
Total current assets	**1,043,808**	**1,313,753**
Investments	6,975,175	6,248,075
Property and equipment, net	99,016	98,320
Deposits and other assets	2,500	4,777
Intangible assets	8,000	8,000
Total assets	**$ 8,128,499**	**$ 7,672,925**
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expenses	$ 110,153	$ 130,805
Deferred revenue	203,703	298,087
Total liabilities	**313,856**	**428,892**
Net Assets:		
Unrestricted	5,884,171	5,478,421
Temporarily restricted	612,796	473,986
Permanently restricted	1,317,676	1,291,626
Total net assets	**7,814,643**	**7,244,033**
Total liabilities and net assets	**$ 8,128,499**	**$ 7,672,925**

The accompanying notes are an integral part of these financial statements

THE CHILDREN'S THEATRE OF CINCINNATI

STATEMENTS OF ACTIVITIES

Years Ended May 31, 2014 and 2013

	2014				2013			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
REVENUES								
Performance income	$ 900,520	$ -	$ -	$ 900,520	$ 840,424	$ -	$ -	$ 840,424
Vocal, dance and drama classes	106,918	-	-	106,918	107,220	-	-	107,220
Contributions, grants and sponsorships	709,097	128,326	26,050	863,473	663,081	128,627	103,225	894,933
Event income, net of expenses	75,656	-	-	75,656	62,627	-	-	62,627
Investment earnings (losses), net	587,193	213,349	-	800,542	702,837	230,202	-	933,039
Other revenues	26,136	-	-	26,136	12,741	-	-	12,741
In-kind contributions	421,887	-	-	421,887	622,215	-	-	622,215
Net assets released from restrictions	202,865	(202,865)	-	-	151,369	(151,369)	-	-
Total revenues	**3,030,272**	**138,810**	**26,050**	**3,195,132**	**3,162,514**	**207,460**	**103,225**	**3,473,199**
OPERATING EXPENSES								
Program	2,045,844	-	-	2,045,844	2,164,435	-	-	2,164,435
General and administrative	288,290	-	-	288,290	278,918	-	-	278,918
Fundraising	290,388	-	-	290,388	287,384	-	-	287,384
Total operating expenses	**2,624,522**	**-**	**-**	**2,624,522**	**2,730,737**	**-**	**-**	**2,730,737**
Increase in net assets	**405,750**	**138,810**	**26,050**	**570,610**	**431,777**	**207,460**	**103,225**	**742,462**
Net assets:								
Beginning of year	5,478,421	473,986	1,291,626	7,244,033	5,046,644	266,526	1,188,401	6,501,571
End of year	**$ 5,884,171**	**$ 612,796**	**$ 1,317,676**	**$ 7,814,643**	**$ 5,478,421**	**$ 473,986**	**$ 1,291,626**	**$ 7,244,033**

The accompanying notes are an integral part of these financial statements

THE CHILDREN’S THEATRE OF CINCINNATI

STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended May 31, 2014 and 2013

	2014				2013			
	Program	General & Administrative	Fundraising	Total	Program	General & Administrative	Fundraising	Total
Salaries, wages and payroll taxes	$ 680,253	$ 148,342	$ 74,722	$ 903,317	$ 661,393	$ 185,377	$ 74,829	$ 921,599
Employee benefits	44,516	10,907	5,580	61,003	41,459	16,099	3,103	60,661
Total salaries and related	724,769	159,249	80,302	964,320	702,852	201,476	77,932	982,260
Union labor	111,328	-	-	111,328	93,104	-	-	93,004
Cast and other contract labor	133,927	-	-	133,927	120,348	150	473	120,971
Marketing and public relations	132,965	200	1,088	134,253	125,824	-	303	126,127
Lighting, sound, scenery and props	151,329	-	-	151,329	166,439	-	.	166,439
Consulting and professional fees	-	48,735	200,000	248,735	5,870	11,538	200,200	217,608
Facilities rents	150,501	4,885	4,134	159,520	168,974	4,103	3,831	177,008
Royalties and music	84,014	-	-	84,014	81,808	-	-	81,808
Travel, meals and entertainment	16,589	5,490	178	22,257	25,722	2,536	90	28,348
Costumes	47,236	-	-	47,236	46,870	-	-	46,870
Miscellaneous	22,962	6,188	811	29,961	11,387	6,740	629	18,756
Depreciation	13,777	32,383	-	46,160	14,811	13,539	-	28,350
Information technology	-	9,415	1,070	10,485	239	12,294	204	12,737
Utilities and telephone	26,041	1,774	968	28,783	20,273	2,385	1,866	24,524
Insurance	-	13,197	-	13,197	-	9,299	-	9,299
Supplies	2,611	3,391	719	6,721	6,024	5,726	1,484	13,234
Postage and express	6,288	3,330	118	9,736	5,328	4,357	372	10,057
Repairs and maintenance	620	53	-	673	756	486	-	1,242
Loss on disposal of assets	-	-	-	-	-	4,100	-	4,100
Donated services and equipment	420,887	-	1,000	421,887	567,806	189	-	567,995
Total operating expenses	**$ 2,045,844**	**$ 288,290**	**$ 290,388**	**$ 2,624,522**	**$ 2,164,435**	**$ 278,918**	**$ 287,384**	**$ 2,730,737**
Percent of total	77.9%	11.0%	11.1%	100.0%	79.2%	10.2%	10.5%	100.0%

The accompanying notes are an integral part of these financial statements

THE CHILDREN'S THEATRE OF CINCINNATI

STATEMENTS OF CASH FLOWS

Years Ended May 31, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	**$ 570,610**	**$ 742,462**
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	46,160	28,350
Loss on disposal of property and equipment	-	4,100
Donation of property and equipment	-	(53,845)
Net realized (gains) losses on investments	(147,222)	(178,130)
Net unrealized (gains) losses on investments	(532,735)	(632,163)
(Increase) decrease in:		
Pledges, grants and other receivables	(1,279)	(47,412)
Accrued investment income	1,279	(144)
Prepaid expenses and other assets	13,913	59,769
Deposits and other assets	2,277	(2,207)
Increase (decrease) in:		
Accounts payable and accrued expenses	(20,652)	39,654
Deferred revenue	(94,384)	77,262
Net cash provided by (used in) operating activities	**(162,033)**	**37,696**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(46,856)	(2,935)
(Purchases) redemptions of certificates of deposit	591,800	(291,507)
Proceeds from sale of investments	1,126,054	807,436
Purchases of investments	(1,173,197)	(961,453)
Net cash provided by (used in) investing activities	**497,801**	**(448,459)**
Net increase (decrease) in cash	**335,768**	**(410,763)**
Cash and cash equivalents:		
Beginning of year	494,647	905,410
End of year	**$ 830,415**	**$ 494,647**
Non-cash operating and investing activities:		
Acquisition of property and equipment via donation	$ -	$ 53,845

The accompanying notes are an integral part of these financial statements

THE CHILDREN'S THEATRE OF CINCINNATI

NOTES TO FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies

This summary of significant accounting policies is presented to assist the reader in understanding the financial statements and notes of The Children's Theatre of Cincinnati ("the Theatre"). The financial statements and notes are representations of the Theatre's management which is responsible for the integrity and objectivity of the financial statements. The accounting policies described in the notes conform to United States generally accepted accounting principles ("U.S. GAAP") and have been consistently applied in the preparation of the accompanying financial statements.

Nature of Operations

The Children's Theatre of Cincinnati is a NonProfit organization that began in 1924 with the Junior League players. It was incorporated in Ohio in 1947. The Theatre uses paid professional actors along with student actors. The Theatre produces and conducts theatrical performances for the young at heart through mainstage performances at the Taft Theatre and touring productions. The Theatre also provides vocal, dance and drama classes for children.

The Theatre is exempt from income taxes as an organization described in Section 501(c)(3) of the Internal Revenue Code. It is not considered a private foundation.

Financial Statement Presentation

The Theatre's financial statements are prepared using the accrual basis of accounting pursuant to accounting principles generally accepted in the United States of America ("U.S. GAAP"). Accordingly, support and revenue are recognized when earned and expenses are recognized when the obligation is incurred.

The Theatre operates on a fiscal year. As referenced in these notes, "2014" means the fiscal year ended May 31, 2014 and "2013" means the fiscal year ended May 31, 2013.

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Theatre and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations and may be utilized at the discretion of the Theatre.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Theatre satisfying the purpose or by the passage of time. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that the original donated principal be maintained intact in perpetuity and that only the income from the related investment may be expended either for the general operations of the Theatre or for purposes specified by the donor.

Recognition of Donated Assets

The Theatre reports gifts of cash and other assets at their estimated fair value as of the date of contribution. Such donations are recorded as unrestricted support 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 restricted support. Absent explicit donor stipulations about how long these long-lived assets must be maintained, the Theatre reports expirations of donor restrictions when the donated assets are placed in service.

Recognition of Donated Services

The Theatre records donated services as revenues in the period received only if the services received create or enhance non-financial assets or required specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased with cash if not provided by donation.

Functional Expenses

Expenses are charged to programs, administration, or fundraising. Salaries are allocated based on the type of duties of the Theatre's employees. Educational sales, box office and marketing salaries are generally allocated to program expenses. Other expenses are charged directly to an expense category whenever possible.

Cash and Cash Equivalents

The Theatre considers all highly liquid investments such as checking, certificates of deposit and savings accounts with an original maturity of three months or less to be cash equivalents. The Theatre maintains its cash in bank deposit accounts in a large regional financial institution. The balances at times exceed the general Federal insurance limit ($250,000); however, the Theatre has not experienced any losses from such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Pledges Receivable

Pledges receivable, if any, represent unconditional promises to give and are recorded net of an allowance for estimated uncollectible accounts. Additionally, pledges to be collected in excess of one year are recorded net of an interest discount (time value of money).

Accounts Receivable

Accounts receivable consist of trade and other receivables granted on open account. Accounts receivable are considered past-due after the passage of 30 days from invoice date.

The Theatre grants credit on open account to schools and various other patrons and corporations. The Theatre has not experienced significant losses on its receivables and management believes the Theatre is not exposed to significant adverse credit risk. An allowance for doubtful accounts is provided when significant risk exists that a receivable will not be collected. No such allowance was necessary as of May 31, 2014 and 2013.

Property and Equipment

Property and equipment are recorded at cost at the date of acquisition or at fair value at date of gift, if donated. Depreciation is provided on a straight-line basis over the estimated useful lives of the related assets. The Theatre follows the policy of expensing its costs of new sets and props. Although the sets possibly may be re-used, it is uncertain which will be re-used and when re-use will occur. Production equipment used in more than one theatrical production is capitalized. The Theatre has a capitalization limit of $250.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized as income or expense in the reporting period. The cost of maintenance and repairs is charged to expense as incurred. Significant improvements, betterments and major repairs are capitalized when they extend the related asset's useful life.

In accordance with Statement of Financial Accounting Standards Number 144 (ASC 360), *Accounting for the Impairment and Disposal of Long-lived Assets,* the Theatre assesses the recoverability of the carrying amount of property and equipment if certain events or changes occur, such as a significant decrease in market value of the assets or a significant change in operating conditions. An impairment assessment may be performed to assess future recoverability of asset net book values. No impairment losses were necessary in the accompanying financial statements.

Investments

U.S. GAAP requires that investments be reported at fair value utilizing the accounting rules governing *Fair Value Measurements and Disclosures*. Fair value is defined as the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants using "fair value hierarchy."

Fair value hierarchy:

- Level 1 – observable quoted prices in liquid active markets for the *identical* assets or liabilities
- Level 2 – observable quoted prices in liquid active markets for *similar* assets or liabilities; observable quoted prices in *non-active* markets; other observable market data corroboration
- Level 3 – unobservable data – little or no market activity

Deferred Revenue and Prepaid Expenses

Deferred revenue represents ticket subscriptions and performance deposits collected in advance of the upcoming season as well as current year receipts for production sponsorships occurring in the subsequent fiscal year. The revenue is recognized in the reporting period when the related theatrical performances occur and the revenue is earned.

Certain production expenditures for the upcoming season are also deferred as prepaid expenses in the accompanying Statements of Financial Position. The expenses are recognized in the subsequent period when the related theatrical performances occur.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires the Theatre's management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. Management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

Reclassifications

Certain 2013 amounts have been reclassified to conform to the 2014 presentation.

(2) Event Income

Net event income reported in the accompanying Statements of Activities is comprised of:

	2014	2013
Gross event income	$ 114,925	$ 107,371
Event expenses	(39,269)	(44,744)
Net event income	$ 75,656	$ 62,627

(3) Pledges, Grants and Other Receivables

Pledges, grants and other receivables are all current assets (due within one year) and are comprised of the following as of May 31, 2014 and 2013:

	2014	2013
ArtsWave grant	$ 35,250	$ 35,400
Ohio Arts Council grant	47,172	42,085
Tickets, subscriptions and other	41,233	44,891
Total pledges, grants and other receivables	$ 123,655	$ 122,376

(4) Investments

The Theatre's investments consist of a variety of equity and bond instruments. All of the investments are valued based on Level 1 pricing.

Morgan Stanley Smith Barney is the custodian of the Theatre's investments and also functions as the portfolio manager by providing investment advice to the Theatre. The portfolio is broadly diversified. Management believes the Theatre is not subject to adverse credit risk on its investments.

Included in total investments as of May 31, 2014 and 2013 are $1,874,180 and $1,697,680, respectively, which relate to the permanently restricted net assets described in Note 7.

Investments – at fair value – are summarized as follows as of May 31, 2014 and 2013:

	2014		2013	
	Market	Cost	Market	Cost
Equity securities	$ 2,282,149	$ 1,624,688	$ 1,959,300	$ 1,541,394
Mutual funds	1,542,445	1,429,101	1,245,491	1,214,212
U.S. and other Government bonds	541,574	531,177	730,876	707,952
Corporate fixed income securities	534,052	513,248	493,254	478,186
Exchange traded mutual funds & Closed end mutual funds	2,074,955	1,401,713	1,819,154	1,359,810
Total investments	$ 6,975,175	$ 5,499,927	$ 6,248,075	$ 5,301,554

Investment earnings are reported net of investment expenses and consist of the following:

	2014	2013
Interest and dividends	$ 169,508	$ 165,291
Realized gains (losses), net	147,222	178,130
Change in unrealized gains (losses), net	532,735	632,163
Gross investment earnings (losses)	849,465	975,584
Investment expenses	(48,923)	(42,545)
Investment earnings (losses), net	$ 800,542	$ 933,039

(5) Property and Equipment

Property and equipment consists of the following:

	2014	2013
Office furniture and equipment	$ 21,247	$ 21,247
Computer hardware and software	97,577	96,156
Theatre production equipment	75,821	30,386
Leasehold improvements	18,674	18,674
Total, at cost	213,319	166,463
Less: accumulated depreciation	(114,303)	(68,143)
Property and equipment, net	$ 99,016	$ 98,320

(6) Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

	2014	2013
Net appreciation in permanently restricted net assets - board designated (less spending)	$ 556,504	$ 406,054
Ticket underwriting	35,539	30,626
ArtReach Tour underwriting	10,625	-
Capital purchases	3,428	28,119
Feasibility study	5,700	5,700
Other	1,000	3,487
Total temporarily restricted net assets	$ 612,796	$ 473,986

(7) Permanently Restricted Net Assets

The Theatre's permanently restricted net assets are comprised of:

	2014	2013
Arts education bequest	$ 1,112,401	$ 1,112,401
Jay Depenbrock Scenic Design Chair	130,275	104,225
Lottie Crane Choreography Chair	75,000	75,000
Total permanently restricted net assets	$ 1,317,676	$ 1,291,626

Arts Education Bequest

The Theatre received a bequest for arts education of $1,112,401 several years ago. The principal donated was received from a trust fund to be held in perpetuity. The underlying gift agreement permits the Theatre to use the related investment earnings. As such, the Theatre utilized $62,900 and $51,800 of the related investment earnings for arts education program expenditures during 2014 and 2013, respectively.

The associated gift agreement provides for an outside committee to periodically review the Theatre's operations and, if not satisfied, request changes to the operations, which, if uncorrected, could potentially lead to a request for return of funds. The Theatre has submitted quarterly reports to the committee and management has received no indications of dissatisfaction to date. Therefore, the bequest continues to be included above at its full donated value as management believes the risk of a contingent liability is remote as of May 31, 2014 and 2013.

Lottie Crane Choreography Chair

Donations made to fund the Lottie Crane Choreography Chair endowment are to subsidize the cost of a staff choreographer. The Theatre may spend up to 5% of the balance annually. No funds were spent during 2014 and 2013.

Jay Depenbrock Scenic Design Chair

Donations made to fund the Jay Depenbrock Scenic Design Chair endowment are to subsidize the cost of a staff scenic designer. The Theatre may spend up to 5% of the balance annually. No funds were spent during 2014 and 2013.

(8) In-kind Donations

In-kind donations are as follows:

	2014	2013
Advertising, airtime and promotion	$ 303,790	$ 457,386
Printing, paper and supplies	2,204	77,832
Rentals and other	115,893	86,997
Total in-kind donations	$ 421,887	$ 622,215

(9) Operating Leases

The Theatre maintains its administrative offices via a 5-year operating lease, expiring August 3, 2014 and having an initial monthly rent of $2,765 (with annual increases). The landlord is a company owned, in part, by a board member. Recently, the Theatre and the landlord agreed to extend the lease for an additional six month period during which time the Theatre will be evaluating its long-term facility requirements.

In 2011, the Theatre entered into an agreement to lease warehouse and storage space. This operating lease is for 5 years. The initial monthly rent is $2,500, increasing annually.

Future minimum lease payments for the next five years under all operating leases having an initial non-cancelable term in excess of one year are:

Fiscal year	Obligation
2015	$ 61,645
2016	25,362
Total future lease obligations	$ 87,007

In addition to the above noted long-term leases, the Theatre also rents its performance hall based on actual usage for approximately $90,000 annually.

Total rent expense under all operating leases was approximately $162,000 each year during 2014 and 2013.

(10) Retirement Plan

The Theatre has a 403(b) retirement plan that covers substantially all full-time employees. Plan participants may make voluntary tax-deferred contributions. Employees that elect to be in the Plan are also eligible for discretionary employer profit-sharing contributions after one year of service. The Theatre's Board of Trustees approved a contribution equal to 2% for 2014 and 2013. Expense related to the Plan was $10,436 and $13,394 for the years ending May 31, 2014 and 2013, respectively.

(11) Business Concentrations

The Theatre receives a substantial amount of its unrestricted support from one donor, which totaled approximately 9% and 8% during 2014 and 2013, respectively. The loss of this funding could adversely impact the Theatre. Management continually considers ways to diversify its donor base and the Theatre has access to substantial investment balances should supplementary operating funds be required. Therefore, management believes the risk associated with this concentration is sufficiently mitigated in the near term.

(12) Related Party Transactions

Related parties are employees, former employees, Board Members, direct family members of those groups, or companies that are owned at least 35% by members of any of these groups in the aggregate.

In 2014 and 2013, the Theatre received revenues of $74,747 and $60,017, respectively from related parties in the form of donations, sponsorships and expense underwriting. The Theatre also paid a total of $272,802 and $287,001 in expenses during 2014 and 2013, respectively, to related parties or companies significantly owned by related parties. Included in these payments was $200,000 and $200,000 for 2014 and 2013, respectively, in combined payments to the former Artistic and Executive Directors as part of a consulting agreement as described next.

Consulting Agreement

The Theatre has a fundraising consulting agreement with two individuals – the former Artistic and Executive Directors – for a three-year term that ended on May 31, 2014. Base service payments were a combined $200,000 annually, earned ratably as services are rendered to the Theatre.

The two consultants were also entitled to additional service payments equal to a minimum of 2% of the cumulative amount raised exceeding $6,000,000 over the agreement's three-year duration. Less than $6,000,000 was raised by the consultants, so no additional service payments are due for the now expired agreement.

(13) Uncertain Tax Positions

Financial Accounting Standards Board ("FASB") Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* ("FIN 48") (ASC 740) clarifies the accounting and reporting under U.S. GAAP related to uncertain tax positions. In general terms, all entities are required to evaluate uncertain tax positions, if any, related to income taxes and provide certain FIN 48 disclosures. The Theatre's applicable disclosures are as follows:

	2014	2013
Uncertain tax positions	None	None
Interest expense related to tax filings	$ -	$ -
Penalties related to tax filings	$ -	$ -
Open tax return years subject to examination	2011, 2012, 2013, 2014	2010, 2011, 2012, 2013

(14) Subsequent Events

The Theatre evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through July 31, 2014, the date on which the financial statements were available to be issued.