

BCT MANAGEMENT, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2015

CPAs / ADVISORS



BCT MANAGEMENT, INC.

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Blue & Co., LLC / 106 Community Drive / Seymour, IN 47274
main 812.522.8416 fax 812.523.8615 email blue@blueandco.com

blueandco.com

REPORT OF INDEPENDENT AUDITORS

Board of Directors
BCT Management, Inc.
Bloomington, IN

Report on the Financial Statements

We have audited the accompanying financial statements of BCT Management, Inc. (the "Organization") which comprise the statement of financial position as of December 31, 2015 and the related statements of activities and cash flows for the two-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 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2015, and the changes in its net assets and its cash flows for the two-years then ended in accordance with accounting principles generally accepted in the United States of America.

Correction of Error

As part of our audit of the 2015 financial statements, we also audited adjustments as described in Note 2 that were applied to restate unrestricted net assets as of January 1, 2014 to remove property and equipment not owned by the Organization. In our opinion, such adjustment is appropriate and has been properly applied. We were not engaged to audit, review, or apply any procedures to the 2013 financial statements of the Organization other than with respect to this adjustment and, accordingly, we do not express an opinion or any other form of assurance on the 2013 financial statements as a whole. Our opinion on the 2015 financial statements is not modified with respect to these matters.

Blue & Co., LLC

Seymour, Indiana

March 28, 2016

BCT MANAGEMENT, INC.

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015

ASSETS

Cash	\$	180,388
Accounts receivable		31,016
Prepaid expenses		2,913
Equipment, net		<u>117</u>
	\$	<u>214,434</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$	9,267
Payroll withholding and accrued expenses		7,439
Deferred revenue and customer deposits		<u>24,514</u>
Total liabilities		41,220
Net assets		
Unrestricted		169,414
Temporarily restricted		<u>3,800</u>
Total net assets		<u>173,214</u>
	\$	<u>214,434</u>

See accompanying notes to financial statements.

BCT MANAGEMENT, INC.STATEMENT OF ACTIVITIES
TWO-YEARS ENDED DECEMBER 31, 2015

	Unrestricted	Temporarily Restricted	Total
Revenues and support			
Performance revenue	\$ 295,538	\$ -0-	\$ 295,538
Rental income	369,192	-0-	369,192
Other customer charges	254,744	-0-	254,744
Contributions and grants	203,614	3,800	207,414
Support from City of Bloomington	50,000	-0-	50,000
Concession revenue	168,821	-0-	168,821
In-kind contributions	188,846	-0-	188,846
Other revenue	30,094	-0-	30,094
Interest income	202	-0-	202
Total revenues and support	<u>1,561,051</u>	<u>3,800</u>	<u>1,564,851</u>
Expenses			
Payroll and employee benefits	705,005	-0-	705,005
Payroll taxes	55,627	-0-	55,627
Program costs	352,656	-0-	352,656
Utilities	80,616	-0-	80,616
Concession expense	61,286	-0-	61,286
Repairs and maintenance	58,704	-0-	58,704
Office expenses	27,017	-0-	27,017
Public relations	12,126	-0-	12,126
Insurance	33,268	-0-	33,268
Depreciation	882	-0-	882
Professional fees	15,382	-0-	15,382
Bank charges and credit card fees	45,453	-0-	45,453
Other administrative costs	16,491	-0-	16,491
Total expenses	<u>1,464,513</u>	<u>-0-</u>	<u>1,464,513</u>
Change in net assets	<u>\$ 96,538</u>	<u>\$ 3,800</u>	<u>\$ 100,338</u>
Net assets, beginning of period			
As previously reported	\$ 184,050	\$ -0-	\$ 184,050
Prior period adjustment related to property and equipment	<u>(111,174)</u>	<u>-0-</u>	<u>(111,174)</u>
As restated	72,876	-0-	72,876
Change in net assets	<u>96,538</u>	<u>3,800</u>	<u>100,338</u>
Net assets, end of period	<u>\$ 169,414</u>	<u>\$ 3,800</u>	<u>\$ 173,214</u>

See accompanying notes to financial statements.

BCT MANAGEMENT, INC.

STATEMENT OF CASH FLOWS TWO-YEARS ENDED DECEMBER 31, 2015

Operating activities	
Change in net assets	\$ 100,338
Adjustments to reconcile change in net assets:	
Depreciation	882
Change in assets and liabilities:	
Accounts receivable	(12,001)
Pledge receivable	9,500
Prepaid and deferred expenses	578
Accounts payable	(3,279)
Payroll withholding and accrued expenses	717
Deferred revenue and customer deposits	<u>(32,154)</u>
Net cash flows from operating activities	<u>64,581</u>
Net change in cash	64,581
Cash, beginning of period	<u>115,807</u>
Cash, end of period	<u>\$ 180,388</u>
Supplemental disclosure of non-cash flow information	
Cash paid for interest	\$ 298

See accompanying notes to financial statements.

BCT MANAGEMENT, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015

1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

BCT Management, Inc. (the "Organization") is a not-for-profit entity which began operations in 2001. The Organization's purpose is to develop, manage, and promote the Buskirk-Chumley Theatre (the theater) in Bloomington, Indiana. This includes managing the theater in accordance with a contract with the City of Bloomington.

Management's Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities and the reported revenues, support and expenses. Actual results could vary from the estimates that were used.

Basis of Presentation

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

Unrestricted net assets – Net assets that are not subject to donor-imposed restrictions.

Temporarily restricted net assets – Net assets subject to donor-imposed restrictions relating to a stipulated purpose or a specified 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.

Accounts Receivable

Accounts receivable primarily arise from customer rentals. Accounts receivable are stated at the amount billed or net invoice amounts. Delinquent receivables are written off based on specific circumstances of the customer.

Management estimates an allowance for doubtful accounts receivable based on an evaluation of historical losses, current economic conditions, and other factors unique to the Organization's customer base. There was no allowance for doubtful accounts at December 31, 2015

BCT MANAGEMENT, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015

Equipment

Equipment, including expenditures that substantially increase the useful lives of existing assets, is recorded at cost except for donations, which are recorded at fair value at the date of donation. Costs of ordinary maintenance and repairs are expensed as incurred. Equipment is being depreciated over its estimated useful life of 5 years using the straight-line method.

Deferred Revenue and Customer Deposits

Deferred revenue and customer deposits relate to performance revenue and funds held on behalf of organizations and individuals as deposits held for future events that were received during the two-years ended December 31, 2015 for events to be held subsequent to December 31, 2015.

Revenue and Support Recognition

Contributions, which include unconditional promises to give (pledges receivable), are recognized as support in the period the contribution is received or the promise is made.

Revenue and support that is not restricted by the donor is reported as an increase in unrestricted net assets. All donor-restricted support is reported as an increase in temporarily restricted net assets depending of the nature of the restriction. If a restriction is fulfilled in the same reporting period in which the contribution is received, the contribution is reported as unrestricted. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. All other revenue is recognized when earned.

Rental Income

Rental income is recognized as revenue once the event has occurred.

In-Kind Contributions

The Organization receives in-kind contributions and contributed services from various donors. It is the policy of the Organization to record the estimated fair value of certain in-kind contributions as an expense in its financial statements, and similarly increase donations by a like amount. Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. For the two-years ended December 31, 2015, in-kind contributed services of \$115,045 consisted of trained staffing provided through a university work study program and performed by students in fields related to the functions performed. In-kind contributions also included food, beverages, supplies and promotional costs totaling \$73,801 for the two-years ended December 31, 2015.

BCT MANAGEMENT, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2015

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the notes to financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited. While the methods of allocation are considered appropriate, other methods could produce different results.

Income Taxes

The Organization is a not-for-profit corporation as described in Section 501(c)(3) of the United States Internal Revenue Code and is exempt from federal taxes on related income pursuant to Section 501(a) of the Code.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by the Organization, and has concluded that as of December 31, 2015, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

As such, the Organization is generally exempt from income taxes. However, the Organization is required to file Federal Form 990 – Return of Organization Exempt from Income Tax which is an informational return only.

Subsequent Events

The Organization has evaluated events or transactions occurring subsequent to the Statement of Financial Position date for recognition and disclosure in the accompanying financial statements through the date the financial statements are available to be issued, which is March 28, 2016.

2. RESTATEMENT

The Organization has restated its net assets as of January 1, 2014 to remove property and equipment owned by the City of Bloomington. The adjustment to unrestricted net assets at January 1, 2014 was \$111,174.

The change in net assets for the two-years ended December 31, 2013 increased by \$3,764 as a result of this restatement.

BCT MANAGEMENT, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

3. EQUIPMENT

Equipment consists of the following at December 31, 2015:

Equipment	\$	10,804
Less accumulated depreciation		<u>10,687</u>
	\$	<u>117</u>

4. LINE OF CREDIT

The Organization has a line of credit with a bank in the amount of \$50,000 which expires in June 2016. The line of credit carries a variable interest rate based on prime rate and is secured by substantially all assets. The Organization had no borrowings outstanding on the line of credit at December 31, 2015.

5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2015 are restricted for the following purposes:

History Hall renovation	\$	1,800
Future event		<u>2,000</u>
	\$	<u>3,800</u>

6. MANAGEMENT CONTRACT

The Organization manages the theater under the terms of an agreement with the City of Bloomington, which owns the theater. An agreement was executed in October 2011 which provided funding of \$50,000 for operations in the 2014 calendar year. A new contract was signed for the 2015 calendar year to provide up to \$74,000 for selected equipment replacement and unexpected and/or emergency building repairs.

BCT MANAGEMENT, INC.

NOTES TO FINANCIAL STATEMENTS
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7. FUNCTIONAL EXPENSES

The Organization operates the theater. Expenses related to providing this service for the two-years ended December 31, 2015 are classified as follows:

Program services	\$	1,181,783
Management and general		191,812
Fundraising		<u>90,918</u>
	\$	<u>1,464,513</u>

8. LABOR CONTRACT

Most employees of the Organization are compensated in accordance with a series of contracts between the Organization and Bloomington Local No. 618 of the International Alliance of Theatrical Stage Employee, Movie Picture Technicians, Artist and Allied Craft of the United States and Canada. The contracts require that covered positions be staffed by union members and sets terms for service, benefits, and compensation. The contracts are annually revised or renewed. The latest contract expires December 31, 2015. Total compensation expense under the contracts during the two-years ended December 31, 2015 was \$198,172.

9. CONCENTRATION OF CREDIT RISK

The Organization maintains its cash in bank deposit accounts insured by the Federal Deposit Insurance Corporation at its current coverage levels. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash.