

**WHITE HERON THEATRE COMPANY  
NANTUCKET, MASSACHUSETTS**

**FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**WHITE HERON THEATRE COMPANY**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
**White Heron Theatre Company**  
Nantucket, Massachusetts

We have audited the accompanying financial statements of White Heron Theatre Company (a nonprofit organization), which comprise the statements of financial position as December 31, 2018 and 2017, and the related statements of activities and changes in net assets (deficit), 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

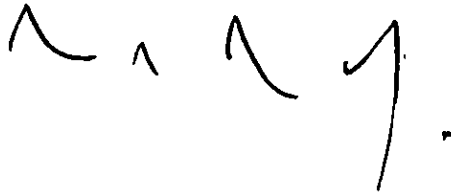
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Directors  
**White Heron Theatre Company**  
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**Opinion**

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the financial position of White Heron Theatre Company as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Edina, Minnesota  
April 26, 2019

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**WHITE HERON THEATRE COMPANY**

**STATEMENTS OF FINANCIAL POSITION**

December 31, 2018 and 2017

<b>ASSETS</b>	<b>2018</b>	<b>2017</b>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 33,151	\$ 99,011
Prepaid expenses	31,731	42,193
Total Current Assets	64,882	141,204
<b>Property and Equipment, net</b>	<b>5,871,740</b>	<b>6,108,718</b>
<b>TOTAL ASSETS</b>	<b>\$ 5,936,622</b>	<b>\$ 6,249,922</b>
<b>LIABILITIES AND NET ASSETS (DEFICIT)</b>		
<b>Current Liabilities</b>		
Obligation under line of credit agreement	\$ -	\$ -
Current portion of long-term debt	236,716	246,429
Due to related party	478,335	123,453
Accrued interest	3,017	-
Accrued payroll and payroll taxes	3,641	3,218
Total Current Liabilities	721,709	373,100
<b>Long-Term Debt, net</b>	<b>5,864,242</b>	<b>6,075,841</b>
Total Liabilities	<b>6,585,951</b>	<b>6,448,941</b>
<b>Net Assets (Deficit)</b>		
Without donor restrictions	(649,329)	(279,019)
With donor restrictions	-	80,000
Total Net Assets (Deficit)	<b>(649,329)</b>	<b>(199,019)</b>
<b>TOTAL LIABILITIES AND NET ASSETS (DEFICIT)</b>	<b>\$ 5,936,622</b>	<b>\$ 6,249,922</b>

See Notes to Financial Statements

**WHITE HERON THEATRE COMPANY**

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIT)**

**For the Year Ended December 31, 2018**

**With Comparative Totals for the Year Ended December 31, 2017**

	Without Donor Restrictions	With Donor Restrictions	<u>Totals</u>	
			2018	2017
<b>Support</b>				
Contributions	\$ 699,696	\$ -	\$ 699,696	\$ 560,943
Gala	113,400	-	113,400	-
<b>Total Support</b>	<b>813,096</b>	<b>-</b>	<b>813,096</b>	<b>560,943</b>
<b>Revenues</b>				
Box office	343,356	-	343,356	263,844
Rental income	7,980	-	7,980	-
Playbill advertising income	5,000	-	5,000	13,710
<b>Total Revenues</b>	<b>356,336</b>	<b>-</b>	<b>356,336</b>	<b>277,554</b>
<b>Net Assets Released From Restrictions</b>	<b>80,000</b>	<b>(80,000)</b>	<b>-</b>	<b>-</b>
<b>Total Support and Revenues</b>	<b>1,249,432</b>	<b>(80,000)</b>	<b>1,169,432</b>	<b>838,497</b>
<b>Functional Expenses</b>				
Program Services	872,772	-	872,772	780,058
General and administrative	431,917	-	431,917	200,280
Fundraising	87,649	-	87,649	93,985
<b>Total Functional Expenses</b>	<b>1,392,338</b>	<b>-</b>	<b>1,392,338</b>	<b>1,074,323</b>
<b>Change in Net Assets from Operating Activities</b>	<b>(142,906)</b>	<b>(80,000)</b>	<b>(222,906)</b>	<b>(235,826)</b>

**See Notes to Financial Statements**

<i>Continued</i>	Without Donor Restrictions	With Donor Restrictions	<u>Totals</u>	
			2018	2017
<b>Non-Operating Activities</b>				
Net investment return	2,799	-	2,799	3,148
Interest expense	(230,203)	-	(230,203)	(115,423)
Total Non-Operating Activities	(227,404)	-	(227,404)	(112,275)
<b>Change in Net Assets</b>	(370,310)	(80,000)	(450,310)	(348,101)
<b>NET ASSETS (DEFICIT), BEGINNING OF YEAR</b>	(279,019)	80,000	(199,019)	149,082
<b>NET (DEFICIT), END OF YEAR</b>	\$ (649,329)	\$ -	\$ (649,329)	\$ (199,019)

**WHITE HERON THEATRE COMPANY**

**STATEMENTS OF FUNCTIONAL EXPENSES**

**For the Year Ended December 31, 2018**

**With Comparative Totals for the Year Ended December 31, 2017**

	<u>Program Services</u>		<u>Total Program Services</u>	<u>General &amp; Administrative</u>	<u>Fundraising</u>	<u>Totals</u>	
	<u>Productions</u>	<u>Education</u>				<u>2018</u>	<u>2017</u>
Payroll and payroll taxes	\$ 154,931	\$ 74,258	\$ 229,189	\$ 183,490	\$ 42,123	\$ 454,802	\$ 328,766
Depreciation	142,187	47,396	189,583	47,395	-	236,978	229,855
Accommodations	113,579	9,100	122,679	4,122	-	126,801	95,648
Outside services	80,287	10,796	91,083	-	-	91,083	84,163
Production materials	84,822	2,008	86,830	-	-	86,830	64,189
Professional fees	-	-	-	72,389	-	72,389	22,650
Travel	30,858	-	30,858	20,484	-	51,342	32,928
Employee benefits	38,413	1,618	40,031	-	-	40,031	40,315
Insurance	-	-	-	37,576	-	37,576	32,825
Advertising	-	-	-	35,231	-	35,231	28,852
Box office expenses	24,626	3,346	27,972	2,271	4,980	35,223	31,522
Gala expenses	-	731	731	-	31,912	32,643	-
Office expenses	804	842	1,646	18,002	8,634	28,282	12,878
Repairs and maintenance	15,569	5,190	20,759	5,412	-	26,171	22,712
Utilities	13,982	4,660	18,642	4,660	-	23,302	23,356
Bank fees	11,350	1,419	12,769	885	-	13,654	12,838
Miscellaneous	-	-	-	-	-	-	10,826
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 711,408</b>	<b>\$ 161,364</b>	<b>\$ 872,772</b>	<b>\$ 431,917</b>	<b>\$ 87,649</b>	<b>\$ 1,392,338</b>	<b>\$ 1,074,323</b>

See Notes to Financial Statements



**WHITE HERON THEATRE COMPANY**

**STATEMENTS OF CASH FLOWS**

**For the Years Ended December 31, 2018 and 2017**

	2018	2017
<b>Cash Flows From Operating Activities</b>		
(Decrease) in net assets	\$ (450,310)	\$ (348,101)
Adjustments to reconcile change in net assets to net cash from operations:		
Depreciation	236,978	229,855
Noncash stock contributions	(162,723)	-
Net investment return	(2,696)	(2,810)
Amortization of deferred financing costs charged to interest expense	13,076	6,538
Interest paid with long term debt refinance	-	10,863
(Increase) decrease in:		
Prepaid expenses	10,462	(13,175)
Increase (decrease) in:		
Accrued interest	3,017	-
Accrued payroll and payroll taxes	423	869
Net Cash (Used In) Operating Activities	<u>(351,773)</u>	<u>(115,961)</u>
<b>Cash Flows From Investing Activities</b>		
Proceeds from sale of investments	165,419	33,417
Purchase of property and equipment	-	(99,729)
Net Cash Provided By (Used In) Investing Activities	<u>165,419</u>	<u>(66,312)</u>

**See Notes to Financial Statements**

	2018	2017
<b>Continued</b>		
<b>Cash Flows From Financing Activities</b>		
Proceeds from long term debt	326,627	36,151
Financing costs paid	-	(5,000)
Principal payments on long term debt	(206,133)	(118,887)
Net Cash Provided By (Used In) Investing Activities	120,494	(87,736)
<b>Net (Decrease) in Cash and Cash Equivalents</b>	<b>(65,860)</b>	<b>(270,009)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>99,011</b>	<b>369,020</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 33,151</b>	<b>\$ 99,011</b>

**SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION**

Cash paid during the year for:

Interest	\$ 98,022	\$ 192,641
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# WHITE HERON THEATRE COMPANY

## NOTES TO FINANCIAL STATEMENTS

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### 1. Description of Organization and Summary of Significant Accounting Policies

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#### Description of Organization

White Heron Theatre Company (the Organization) is a nonprofit organization whose mission is to bring meaningful art to Nantucket through a unique process of collaboration and building a tight professional, acting ensemble and to produce theatrical work that engages the audience in a transformative experience.

The Organization produces contemporary and classical plays under agreement with Actors Equity Association, the union of professional actors and stage managers in the United States. The Organization produces a summer season of three or four productions, a holiday production at year's end, and readings, workshops and developmental productions of new works.

The Organization has a theater education program that integrates with the mainstage productions, casts and companies. The education program consists of two sections, acting and musical theater, and each section performs a production during the mainstage season.

#### Basis of Presentation and Changes in Accounting Principles

During 2018, the Organization adopted FASB Accounting Standards Update (ASU) No. 2016-14, Not-For-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-For-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented. Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities, based on the existence or absence of donor imposed restrictions as either:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor restrictions.

*Net Assets With Donor Restrictions* – Net assets subject to donor imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization reports contributions restricted by donors as increase in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

WHITE HERON THEATRE COMPANY

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### 1. Description of Organization and Summary of Significant Accounting Policies (Continued)

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#### Basis of Accounting and Revenue Recognition

The Organization keeps its books on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP). All income and expenses are recorded as they are earned or incurred.

#### Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

#### Property and Equipment

Property and equipment are stated at cost and are being depreciated on the straight-line method over the estimated useful life of the asset of two years. The Organization's policy is to capitalize and depreciate property and equipment purchased or obtained which has a cost in excess of \$5,000 and a useful life of at least one year.

#### Investments

The Organization records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

#### Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

All other contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions.

When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

## WHITE HERON THEATRE COMPANY

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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#### 1. Description of Organization and Summary of Significant Accounting Policies (Continued)

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##### Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. As a result, the Organization doesn't pay federal income tax. Therefore, no provision or liability for federal income taxes has been included in the financial statements.

Management has determined that the Organization does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures.

The Organization's federal informational returns are subject to examination by the IRS, generally for three years after they were filed.

##### Advertising Costs

The Organization expenses advertising costs as they are incurred. Advertising expense for the years ended December 31, 2018 and 2017 was \$35,231 and \$28,852, respectively.

##### Fair Value of Financial Instruments

The carrying amount for substantially all assets and liabilities approximates fair value due to the immediate or short-term maturity of these financial instruments. The fair value of long-term debt approximates carrying value because the terms are equivalent to borrowing rates currently available to the Organization for debt with similar terms and maturities. See Note 4 for discussion of fair value regarding the Organization's investments.

##### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

# WHITE HERON THEATRE COMPANY

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### 1. Description of Organization and Summary of Significant Accounting Policies (Continued)

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#### Concentration of Credit Risks

The Organization's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents and investments. The Organization keeps its cash with high quality financial institutions. At times, balances maintained at these financial institutions may exceed the federally insured limit. The Organization had no cash balances in excess of the federally insured limit as of December 31, 2018. As of December 31, 2017, cash balances in excess of the federally insured limit totaled approximately \$101,000.

#### Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

#### Reclassifications

Certain reclassifications have been made to the 2017 financial statements to conform with the presentation in the 2018 financial statements. There were no changes to net assets or changes in net income as a result of the reclassifications for the years ended December 31, 2018 and 2017.

#### Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 26, 2019, the date the financial statements were available to be issued.

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### 2. Liquidity and Availability

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Financial assets as of December 31, 2018, available for general expenditure within one year of the statement of financial position date consisted of cash and cash equivalents of \$33,151.

As part of the Organization's liquidity management plan, financial assets are structured to be available as its general expenditures, liabilities and other obligations come due. None of the financial assets are subject to contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date.

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**WHITE HERON THEATRE COMPANY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**3. Property and Equipment**

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Property and equipment as of December 31, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
Property and equipment	\$ 6,449,941	\$ 6,449,941
Less: Accumulated depreciation	<u>(578,201)</u>	<u>(341,223)</u>
Property and equipment, net	<u>\$ 5,871,740</u>	<u>\$ 6,108,718</u>

Depreciation expense for the years ended December 31, 2018 and 2017 was \$236,978 and \$229,855, respectively.

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**4. Multi-Employer Retirement Plan**

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The Organization contributes to a union-sponsored multi-employer pension plan in accordance with the negotiated union contract. The plan generally provides retirement benefits to participants based on their service to contributing employers. Assets contributed to multi-employer pension plans are used to provide benefits to employees of the participating employers. The Organization does not administer the multiemployer plan.

The plan covers all union employees, which represents approximately 53% of the Organization's employees. Contributions, based on 8% for the payroll earned by the covered employees, totaled \$8,139 and \$6,578 for the years ended December 31, 2018 and 2017, respectively.

The Organization's participation in the plan is outlined below:

Pension Fund	EIN/Pension Plan Number	Pension Protection Act Zone Status		FIP/RP Status	Contributions		CBA Expiration Date	
		2018	2017		2018	2017		Surcharges
Equity-League Pension Trust Fund	13-6696817 Plan 001	Green	Green	None	<u>\$ 8,139</u>	<u>\$ 6,578</u>	None	6/2/2019

The Pension Protection Act Zone Status is based on information that the Organization received from the plan and is certified by the plan's actuary. The most recent plan year zone status is not yet available; the most recent available plan information is presented. Among other factors, plans in a red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded.

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**WHITE HERON THEATRE COMPANY**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**4. Multi-Employer Retirement Plan (Continued)**

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The "FIP/RP Status" column indicates plans for which a financial improvement plan (FIP) or rehabilitation plan (RP) is either pending or has been implemented. The last column lists the expiration date of the collective-bargaining agreements (CBA) to which the plans are subject.

Government regulations significantly increase pension responsibilities for participating employers. Under these regulations, if a plan terminates or the employer withdraws, the Organization could be subject to a substantial withdrawal liability. The Organization does not anticipate withdrawal from the plans, nor is the Organization aware of any unexpected plan terminations.

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**5. Long-Term Debt**

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Long-term debt at December 31, 2018 and 2017 consisted of the following:

	<u>2017</u>	<u>2016</u>
Variable interest installment note, (3.75% as of December 31, 2018, due in monthly principal and interest payments currently of \$38,598 through June 30, 2022 at which time a final principal payment is due, guaranteed by a limited liability company partially owned by a director of the Organization and secured by substantially all of the Organization's assets	\$ 6,146,725	\$6,381,113
Less: Unamortized deferred financing costs	45,767	58,843
Less: Current portion	<u>236,716</u>	<u>246,429</u>
Long-Term Debt, net	<u>\$ 5,864,242</u>	<u>\$6,075,841</u>

Maturities as of December 31, 2018 on long-term debt were as follows:

<u>For the Years Ended December 31,</u>	<u>Totals</u>
2019	\$ 236,716
2020	245,747
2021	255,123
2022	<u>5,409,139</u>
Total	<u>\$6,146,725</u>

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## WHITE HERON THEATRE COMPANY

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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#### 7. Temporarily Restricted Net Assets

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Temporarily restricted net assets consisted of \$80,000 restricted for educational programs as of December 31, 2017, and were released during the year ended December 31, 2018.

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#### 8. Related Party Transactions

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##### Due to Related Party

The Organization owed \$87,302 to one of their directors and founder as of December 31, 2018 and 2017. The note is non-interest bearing and is due on demand.

The Organization owed \$36,151 to one of their directors and founder as of December 31, 2018 and 2017. The note bears interest at 1.5% and is due on demand. Interest expense for the year ended and accrued interest as of December 31, 2018 was \$542.

The Organization owed \$354,882 to one of their directors and founder as of December 31, 2018. The note bears interest at 1.5% and is due on demand. Interest expense for the year ended and accrued interest as of December 31, 2018 was \$2,475.

##### Commitments

The Organization leases the land on which their theater is built from a limited liability company, whose partial owner is also a director. The lease runs through December 31, 2033, with two renewal options for five additional years each. The lease agreement requires annual rent payments of \$1. If the Organization ceases to use the land as a non-profit theater for the performing arts, the lease will terminate.

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#### 9. Major Donor

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The Organization had donations from one donor totaling approximately \$173,000 during the year ended December 31, 2018. The amount represents approximately 21% of total support revenue in 2018.

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