

Rapacki + Company PA CPAs
6800 France Ave. So. STE 120
Edina, MN 55435

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 statement of financial position as of December 31, 2014, and the related statements of activities and changes in unrestricted net assets, functional expenses 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.

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.

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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, 2014, 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.

Rapacki + Co CPAs

Edina, Minnesota
March 16, 2016

**WHITE HERON THEATRE COMPANY
NANTUCKET, MASSACHUSETTS**

**FINANCIAL STATEMENTS
DECEMBER ,**

WHITE HERON THEATRE COMPANY

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Edina, Minnesota
March 16, 2016

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WHITE HERON THEATRE COMPANY

STATEMENT OF FINANCIAL POSITION

December ,

ASSETS

Current Assets

Cash and cash equivalents	85,501
Investments (Note 2)	41,355
Prepaid expenses	<u>2,628</u>

Total Current Assets 12,548

Property and Equipment, net Note 111,355

TOTAL ASSETS 240,238

LIABILITIES AND UNRESTRICTED NET ASSETS

Current Liabilities

Due to director (Note 6)	8,302
Accounts payable	66,388
Accrued payroll and payroll taxes	<u>655</u>

Total Current Liabilities 154,655

Unrestricted Net Assets 86,228

TOTAL LIABILITIES AND NET ASSETS 240,238

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WHITE HERON THEATRE COMPANY

STATEMENT OF ACTIVITIES AND CHANGES IN UNRESTRICTED NET ASSETS

For the Year Ended December 31, 2018

Support	
Contributions	236,455
Revenues	
Box office	3,341
	<hr/>
Total Support and Revenues	300,796
Functional Expenses	
Program Services	124,600
General and administrative	21,000
Fundraising	4,000
	<hr/>
Total Functional Expenses	151,480
Increase in Unrestricted Net Assets Before Other Income	158,300
Other Income	
Unrealized gain on investments	32
Realized gain on investments	1
	<hr/>
Total Other Income	443
Increase in Unrestricted Net Assets	158,520
UNRESTRICTED NET ASSETS DEFICIT, BEGINNING OF YEAR	(2,524)
UNRESTRICTED NET ASSETS, END OF YEAR	86,228

See Notes to Financial Statements

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WHITE HERON THEATRE COMPANY

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2018

	Program Services	General and Administrative	Fundraising	Totals
Salaries and payroll taxes	44,136	5,133	2,566	,000
Production materials	24,088			,000
Accommodations	11,233	1,322	661	,000
Professional fees	260	,503	623	,000
Advertising	10,222			,000
Employee benefits	8,035	45	43	,000
Outside services	,303			,000
Depreciation	8,666			,000
Travel	5,626	625		,000
Office expenses	108	3,611	260	,000
Postage	1,566	16	16	,000
Insurance	1,155	13	6	,000
Bank fees	201	25	25	,000
TOTAL FUNCTIONAL EXPENSES	124,666	21,000	4,011	,000

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WHITE HERON THEATRE COMPANY

STATEMENT OF CASH FLOWS

For the Year Ended December ,

Cash Flows From Operating Activities

Increase in unrestricted net assets	,
Adjustments to reconcile change in unrestricted net assets to net cash from operations	
Depreciation	,
Noncash stock contributions	,
Unrealized (gain) on investments	
Realized (gain) on investments	
(Increase) decrease in	
Prepaid expenses	,
Increase (decrease) in	
Accounts payable	
Accrued payroll and payroll taxes	
	<hr/>
Net Cash Provided By Operating Activities	<hr/>

Cash Flows From Investing Activities

Proceeds from sale of investments	,
Purchase of property and equipment	<hr/>
	<hr/>
Net Cash (Used In) Investing Activities	<hr/>

Net Increase in Cash and Cash Equivalents ,

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR

CASH AND CASH EQUIVALENTS, END OF YEAR

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WHITE HERON THEATRE COMPANY
NOTES TO FINANCIAL STATEMENTS

Description of Organization and Summary of Significant Accounting Policies

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.

Basis of Presentation

Financial statement presentation follows FASB ASC 58. Under FASB ASC 58, the Organization is required to report information regarding its financial position and activities according to three classes of net assets—unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. There were no temporarily or permanently restricted net assets as of December 31, 2014.

Basis of Accounting and Revenue Recognition

The Organization keeps its books on the accrual basis of accounting. 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.

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 unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

All other contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and or nature of any donor restrictions.

WHITE HERON THEATRE COMPANY

NOTES TO FINANCIAL STATEMENTS CONTINUED

Description of Organization and Summary of Significant Accounting Policies Continued

Contributions (Continued)

When a 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.

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 for 2012, 2013, and 2014 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 year ended December 31, 2014 was 10,222.

Fair Value of Financial Instruments

The carrying amount for cash and cash equivalents, prepaid expenses, due to director, accounts payable and accrued payroll and payroll taxes approximates fair value due to the immediate or short term maturity of these financial instruments. See Note 3 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

Description of Organization and Summary of Significant Accounting Policies Continued

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. As of December 31, 2014, there were no cash balances in excess of the federally insured limit.

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. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through January 15, 2016, the date the financial statements were available to be issued.

Investments

Investments as of December 31, 2014, consisted of the following

	<u>Cost</u>	<u>Market</u>
Common stock	40,83	<u>41,355</u>

Unrealized gains of \$32 were recognized in the financial statements related to investments for the year ended December 31, 2014.

WHITE HERON THEATRE COMPANY

NOTES TO FINANCIAL STATEMENTS CONTINUED

Property and Equipment

Property and equipment as of December 31, 2014 consisted of the following

Equipment	1,354
Less Accumulated depreciation	<u>(11,560)</u>
Equipment, net of depreciation	5,850
Construction in process	<u>105,500</u>
Property and equipment, net	<u><u>111,350</u></u>

Depreciation expense for the year ended December 31, 2014 was 8,600.

Fair Value Measurements

Accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets or liabilities in inactive markets
- Inputs other than quoted prices that are observable for the asset or liability
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has a specific (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

WHITE HERON THEATRE COMPANY

NOTES TO FINANCIAL STATEMENTS CONTINUED

Fair Value Measurements Continued

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2014 and 2013.

Common stocks Common stocks are reported at fair value based on the quoted market price of the stock, as reported by the Organization's brokerage firm.

The methods described above may produce fair values that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization 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.

The following table reflects the Organization's investments within the fair value hierarchy at December 31, 2014

Description	Investments at Fair Value as of December 31, 2014			
	Level 1	Level 2	Level 3	Total
Common stock	41,355			41,355

Multi Employer Retirement Plan

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 1,536 for the year ended December 31, 2014.

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	Surcharges	CBA Expiration Date
Equity League Pension Trust Fund	13 66 681 Plan 001	Green	None	1,536	None	6 4 201

WHITE HERON THEATRE COMPANY

NOTES TO FINANCIAL STATEMENTS CONTINUED

Multi Employer Retirement Plan Continued

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.

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.

Related Party Transactions

The Organization owes funds to one of their directors and founder. The note is non interest bearing and is due on demand.

Commitments

The Organization leases the land on which they currently are building a theater. The lease runs through December 31, 2034, 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.
