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## **INDEPENDENT AUDITOR'S REPORT**

**To the Board of Directors of  
Manassas Ballet Theatre  
9004 Mathis Avenue  
Manassas, Virginia 20110**

We have audited the accompanying statement of financial position of Manassas Ballet Theatre (a non-profit organization) as of July 31, 2012, and the related statements of activities, functional expenses and cash flows for the fiscal year then ended. These financial statements are the responsibility of the Manassas Ballet Theatre's management. Our responsibility is to express opinions 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and liabilities of Manassas Ballet Theatre as of July 31, 2012, and its support, revenue and expenses for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

**Moran & Company, P.C.**  
Manassas, Virginia  
November 30, 2012

**MANASSAS BALLET THEATRE  
STATEMENT OF FINANCIAL POSITION  
AT JULY 31, 2012**

**ASSETS**

Cash and Cash Equivalents	\$	6,096
Grants Receivable - Less than 1 year		57,750
Prepaid Expenses		2,792
Investment Fund - restricted to pay for guest artists		9,635
Property and Equipment (net)		16,226
<b>TOTAL ASSETS</b>	<b>\$</b>	<b>92,499</b>

**LIABILITIES AND NET ASSETS**

Payroll Tax Liabilites	\$	2,061
Accounts Payable		8,103
Deferred Revenues		33,461
<b>TOTAL LIABILITIES</b>		<b>43,625</b>

**NET ASSETS**

Unrestricted	39,239
Temporarily Restricted	9,635
<b>TOTAL NET ASSETS</b>	<b>48,874</b>

<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$</b>	<b>92,499</b>
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**MANASSAS BALLET THEATRE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JULY 31, 2012**

UNRESTRICTED NET ASSETS

Contributions	\$ 70,037
Grants	93,645
Ballet Academy	164,021
Performances: ticket and concession sales	158,897
Performance Fees	17,750
Fundraising/Special Events	35,624
In-kind Contributions: fundraising/special events	36,942
Donated Services	90,000
Advertising Sales	19,890
Other Income	<u>119</u>

TOTAL UNRESTRICTED REVENUES & GAINS 686,925

Net assets released from restrictions 1,055

TOTAL UNRESTRICTED REVENUES, GAINS & OTHER SUPPORT 687,980

EXPENSES

Program Services	529,122
Fund-raising	55,228
General and Administrative	<u>107,819</u>

TOTAL EXPENSES 692,169

CHANGE IN UNRESTRICTED NET ASSETS (4,189)

TEMPORARILY RESTRICTED NET ASSETS

Realized Gain / (Loss)	402
Holding Gain / (Loss)	451
Net assets released from restrictions	<u>(1,055)</u>

INCREASE IN TEMPORARILY RESTRICTED NET ASSETS (202)

CHANGE IN NET ASSETS (4,391)

NET ASSETS AT BEGINNING OF YEAR 50,242

Plus: Prior Period Adjustments 3,023

RESTATED NET ASSETS AT BEGINNING OF YEAR 53,265

NET ASSETS AT END OF YEAR \$ 48,874

**MANASSAS BALLET THEATRE  
SCHEDULE OF FUNTIONAL EXPENSES  
FOR THE YEAR ENDED JULY 31, 2012**

	<b>Total</b>	<b>Program</b>	<b>General &amp; Administrative</b>	<b>Fund Raising</b>
Accounting	\$ 7,538	\$ -	\$ 7,538	\$ -
Actors	350	350	-	-
Advertising	30,214	30,214	-	-
Bank Charges/Merchant CC Fees	5,461	-	5,461	-
Concessions	8,119	8,119	-	-
Contracted Services	3,631	3,631	-	-
Costumes & Stage Expenses	23,355	23,355	-	-
Depreciation	4,145	-	4,145	-
Donated Services	90,000	72,000	13,500	4,500
Dues & Subscriptions	100	100	-	-
Equipment	517	517	-	-
Fundraising	13,785	-	-	13,785
Gifts	361	-	361	-
In-Kind Contributions	36,942	-	-	36,942
Insurance	1,848	1,848	-	-
Licenses and Fees	787	-	787	-
Miscellaneous	5,965	-	5,965	-
Music/Musicians	58,600	58,600	-	-
Payroll	258,385	210,351	48,034	-
Payroll Taxes	27,451	22,348	5,103	-
Property Taxes	9,790	7,970	1,820	-
Photography	45	45	-	-
Postage	6,618	6,618	-	-
Programs	4,802	4,802	-	-
Rent	31,056	25,283	5,773	-
Repairs/Plumbing	3,920	-	3,920	-
Supplies	3,353	-	3,353	-
Telephone	2,244	1,827	417	-
Utilities	8,828	7,187	1,641	-
Venue Rental	37,663	37,663	-	-
Video Taping	6,296	6,296	-	-
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 692,169</b>	<b>\$ 529,122</b>	<b>\$ 107,819</b>	<b>\$ 55,228</b>

**MANASSAS BALLET THEATRE  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JULY 31, 2012**

2012

Cash flows from operating activities	
Change in net assets	\$ (4,391)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Increase (decrease) in Deferred Revenues	7,843
Depreciation and amortization	4,145
(Increase) decrease in grants receivable	(4,702)
Increase (decrease) in accounts payable	3,238
(Increase) decrease in prepaid expenses	(315)
Increase (decrease) in accrued liabilities	(10,172)
Total adjustments	<u>37</u>
Net cash provided (used) by operating activities	<u>(4,354)</u>
Cash flow from capital cash flow activities:	
Realized and Holding (gain) / loss	(853)
Net cash provided (used) by capital cash flow activities	<u>(853)</u>
Cash flow from investing activities:	
Proceeds from the sale of investments	1,055
Net cash provided (used) by investing activities	<u>1,055</u>
Net increase (decrease) in cash and equivalents	<u>(5,005)</u>
Cash and equivalents, beginning of year	<u>11,101</u>
Cash and equivalents, end of year	<u><u>\$ 6,096</u></u>

Amount of interest paid for year ending July 31, 2012: \$0

Amount of income taxes paid for year ending July 31, 2012: \$0

**MANASSAS BALLET THEATRE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended July 31, 2012**

**NOTE A - THE ORGANIZATION**

The Manassas Ballet theatre was originally founded as the Manassas Dance Company in 1983, a 501(c)(3) nonprofit corporation. In 1997, the Organization began to upgrade into a fully professional, nationally recognized, regional dance company. In 2007, the Manassas Ballet Academy was merged into the Manassas Dance Academy to form the Manassas Ballet Theatre. Manassas Ballet Theatre is recognized as one of the three major professional performing arts organizations in the community. Performances feature world-class dancers performing classical ballet and modern dance. The company uses live music for accompaniment by symphony orchestras in the Northern Virginia area.

Main sources of revenue include tuition from the ballet academy, ticket sales from performances, special event fundraising, government grants, and contributions from individuals, foundations, and businesses.

The mission of Manassas Ballet Theatre is to improve the quality of life in the Prince William County community through the art of ballet. The Organization accomplishes this by providing accessible and affordable cultural arts performances and by offering free performances to school-children in the community.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

1. Basis of accounting

The accompanying financial statements have been prepared on the accrual basis and conform to accounting principles generally accepted in the United States of America and in accordance with the principles of not-for-profit accounting. The financial statements and notes are representations of the organization's management, who are responsible for their integrity and objectivity. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

2. Use of estimates and assumptions

The Organization 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

3. Cash and cash equivalents

The Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

4. Fair Value Measurements

The Organization held mutual funds at July 31, 2012. These assets are measured and recorded at fair market value on a recurring basis.

**MANASSAS BALLET THEATRE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended July 31, 2012**

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

5. Revenue Recognition

The Organization reports 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. Gifts and contributions received with donor stipulations that limit the use of the asset are reported as restricted assets. The Organization also imposes restrictions that require resources be used for specific purposes and/or in a later period or a specified date. Restricted net assets become unrestricted when the time restrictions expire or the funds are used for their restricted purpose and are reported in the statement of activities as "net assets released from restrictions."

6. Contributed services and in-kind contributions

The Organization recognizes as revenue the following donated services requiring specialized skills: IT services, stage crew, set construction, fundraising, and organization administration. The Organization also recognizes as revenue in-kind contributions received toward the Organization's programs and activities.

7. Functional Expenses

Expenses are charged to program, administrative, or fundraising based on a combination of specific identification and allocation by management.

8. Accounting for uncertainty in income taxes

The Organization adopted the provisions of FASB ASC 740-10 (formerly FIN 48) "Accounting for Uncertainty in Income Taxes" as of August 1, 2009. The provisions are a consideration when there is uncertainty about whether a particular type of tax is applicable to an entity at all or in the case of uncertain tax positions of nonprofit organizations associated with tax on unrelated business income (UBI), under IRC Sec. 511. See note K for additional information.

9. Property and equipment

The Organization's policy is to capitalize property and equipment purchases at historical cost with an estimated useful life of greater than one year and a cost greater than \$500. Depreciation is computed using the straight-line method over the estimated useful lives as follows:

Computers and office equipment	5 years
Furniture and fixtures	7 years
Stage Scenery/Backdrops	10 years

10. Advertising costs

The Organization expenses advertising costs as incurred.

**MANASSAS BALLET THEATRE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended July 31, 2012**

**NOTE C - CONCENTRATION OF RISK**

Contributions and grants comprised 35% of the Organization's revenue for the year ended July 31, 2012.

**NOTE D - DEFERRED REVENUES**

At July 31, 2012, deferred revenues consist of the following revenues received in fiscal year 2012 that are for fiscal year 2013:

Program <u>Income</u>	\$14,546
Academy tuitions/fees	12,015
Golf tournament	<u>6,900</u>
Total	\$33,461

**NOTE E - RESTRICTED ASSETS**

Investments in Note F below make up 100% of the Temporarily Restricted Net Assets; its restricted use is to help pay for guest artists that perform with Manassas Ballet Theatre.

At July 31, 2012, there were \$9,635 in temporarily restricted assets and no permanently restricted assets.

**NOTE F - INVESTMENTS**

The Organization's investments consist of 545.606 "available-for-sale" shares of mutual funds (symbol: AMECX) held at Scott and Stringfellow, an investment firm in Manassas, Virginia. The shares are stated at fair value based on quoted market price at fiscal year-end and are all considered "Level 1 Inputs." The fund is managed by three trustees. At July 31, 2012, the carrying value is \$9,635 and the cost is \$9,232.

**NOTE G - RELATED PARTY TRANSACTIONS**

During the year, the Organization paid a \$36,000 salary to the Artistic Director. The Artistic Director is the spouse of the Executive Director and is also a member of the Board of Directors.

**NOTE H - RENT EXPENSE**

The current month-to-month lease is \$2,588 a month. The Organization incurred \$31,056 for rent expense as of July 31, 2012.

**NOTE I - ADVERTISING COSTS**

For the fiscal year ended July 31, 2012, the Organization incurred \$30,214 of advertising expense.



**MANASSAS BALLET THEATRE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended July 31, 2012**

**NOTE J - PROPERTY AND EQUIPMENT**

Balances of major classes of property and equipment are as follows:

Class	Cost	Less: Accumulated Depreciation	Net Book Value
Computers	\$ 3,745	\$ 3,745	\$ 0
Fixtures & Equipment	14,700	13,510	1,190
Stage Scenery	<u>18,000</u>	<u>2,964</u>	<u>15,036</u>
Total	<u>\$ 36,445</u>	<u>\$ 20,219</u>	<u>\$ 16,226</u>

Depreciation expense for fiscal year ended July 31, 2012 was \$4,145.

**NOTE K - INCOME TAXES**

Manassas Ballet Theatre is a not-for-profit organization that is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified as an organization that is not a private foundation. There is no known event within the next twelve months that will change this status.

No provisions have been made for income taxes. The Organization does not believe that the outcome of any future examinations of open tax years will have a material impact on the Organization's results of operations. The fiscal tax years that remain subject to examination by the IRS are 2010 through 2012, generally for three years after they are filed.

**NOTE L – PRIOR PERIOD ADJUSTMENTS**

An adjustment of \$3,023 was made to account for adjusting entries not made for years 2008 to 2011.

**NOTE M – DATE OF MANAGEMENT'S REVIEW**

In preparing the financial statements, the Organization has evaluated events and transactions for possible recognition or disclosure through November 30, 2012, the date that the financial statements were available to be issued.

**NOTE N – SUBSEQUENT EVENTS**

As of the date of the audit report, November 30, 2012, there were no known subsequent events.