

HALE CENTRE THEATRE
(A Non-Profit Organization)

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017, 2016, and 2015

C O N T E N T S

	Page
INDEPENDENT AUDITORS' REPORT	3
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION.....	5
CONSOLIDATED STATEMENTS OF ACTIVITIES.....	6
CONSOLIDATED STATEMENTS OF CASH FLOWS	7
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.....	8



CERTIFIED PUBLIC
ACCOUNTANTS AND
BUSINESS ADVISORS

INDEPENDENT AUDITORS' REPORT

**To the Board of Trustees
Hale Centre Theatre
West Valley City, Utah**

We have audited the accompanying consolidated financial statements of Hale Centre Theatre (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2017, 2016, and 2015, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Hale Centre Theatre as of December 31, 2017, 2016, and 2015, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

WSRP, LLC
Salt Lake City, Utah
April 12, 2018

HALE CENTRE THEATRE
(A Non-Profit Organization)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2017, 2016, and 2015

	<u>2017</u>	<u>2016</u>	<u>2015</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 5,849,517	\$ 4,985,377	\$ 2,781,699
Endowment	77,241	60,363	55,594
Investments	-	-	2,699,103
Grants receivable	232,479	257,511	224,659
Prepaid expenses	<u>212,664</u>	<u>211,583</u>	<u>290,816</u>
TOTAL CURRENT ASSETS	6,371,901	5,514,834	6,051,871
 PROPERTY AND EQUIPMENT	 28,195,163	 17,684,333	 7,319,718
 OTHER ASSETS			
Debt service reserve	1,923,462	1,450,000	1,450,000
Deferred compensation funds	<u>1,208,831</u>	<u>915,484</u>	<u>803,347</u>
TOTAL ASSETS	<u>\$ 37,699,357</u>	<u>\$ 25,564,651</u>	<u>\$ 15,624,936</u>
 LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	\$ 142,537	\$ 173,471	\$ 151,603
Accrued expenses	477,116	393,353	355,507
Deferred revenue	8,346,249	6,291,189	4,228,085
Current portion of long-term note payable	<u>46,568</u>	<u>53,800</u>	<u>52,095</u>
TOTAL CURRENT LIABILITIES	9,012,470	6,911,813	4,787,290
 LONG-TERM NOTE PAYABLE	 699,917	 779,317	 867,638
DEFERRED COMPENSATION PAYABLE	<u>1,208,831</u>	<u>915,484</u>	<u>803,347</u>
TOTAL LIABILITIES	10,921,218	8,606,614	6,458,275
 NET ASSETS			
Unrestricted	<u>26,778,139</u>	<u>16,958,037</u>	<u>9,166,661</u>
TOTAL NET ASSETS	<u>26,778,139</u>	<u>16,958,037</u>	<u>9,166,661</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 37,699,357</u>	<u>\$ 25,564,651</u>	<u>\$ 15,624,936</u>

The accompanying notes are an integral part of the consolidated financial statements.

HALE CENTRE THEATRE
(A Non-Profit Organization)
CONSOLIDATED STATEMENTS OF ACTIVITIES
Years ended December 31, 2017, 2016, and 2015

	<u>2017</u>	<u>2016</u>	<u>2015</u>
UNRESTRICTED NET ASSETS			
Unrestricted revenues and support			
Admissions and processing fees	\$ 10,662,166	\$ 7,289,587	\$ 6,223,721
Contributions	11,060,975	8,796,566	7,584,516
In-kind donations	850,564	292,961	315,039
Concession and gift sales	350,897	323,356	261,139
Rental income	6,878	55,980	117,604
Acting class fees	100,879	87,723	88,836
Miscellaneous	47,785	31,586	40,020
Interest and investment income	59,945	7,630	28,149
TOTAL UNRESTRICTED REVENUES AND SUPPORT	23,140,089	16,885,389	14,659,024
Expenses			
Program services	5,276,335	4,697,744	4,111,979
Fundraising activities	1,064,033	483,856	395,570
Management and general	6,079,638	3,945,189	3,438,821
TOTAL EXPENSES	12,420,006	9,126,789	7,946,370
Other changes in unrestricted net assets			
Net unrealized investment gain (loss)	-	86,397	(83,612)
Net realized investment gain (loss)	-	(53,621)	181,434
Loss on disposal of property and equipment	(899,981)	-	-
INCREASE IN NET ASSETS	9,820,102	7,791,376	6,810,476
NET ASSETS			
Balance - beginning of year	<u>16,958,037</u>	<u>9,166,661</u>	<u>2,356,185</u>
Balance - end of year	<u>\$ 26,778,139</u>	<u>\$ 16,958,037</u>	<u>\$ 9,166,661</u>

The accompanying notes are an integral part of the consolidated financial statements.

HALE CENTRE THEATRE
(A Non-Profit Organization)
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31, 2017, 2016, and 2015

	<u>2017</u>	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Increase in net assets	\$ 9,820,102	\$ 7,791,376	\$ 6,810,476
Adjustments to reconcile increase in net assets to net cash flows from operating activities:			
Depreciation	234,104	226,216	238,087
Net unrealized investment (gain) loss	-	(86,397)	83,612
Net realized investment (gain) loss	-	53,621	(181,434)
Loss on disposal of property and equipment	899,981	-	-
Realized interest from cash reserves	(44,675)	-	-
Investment income	(16,878)	(7,205)	(26,998)
Contribution of stock	-	(27,058)	(1,277,611)
(Increase) decrease in assets:			
Grants receivable	25,032	(32,852)	(5,515)
Prepaid expenses	(1,081)	79,233	(5,493)
Deferred compensation funds	(293,347)	(112,137)	(81,617)
Increase (decrease) in liabilities:			
Accounts payable	(30,934)	21,868	(8,655)
Accrued expenses	83,763	37,846	(24,926)
Deferred revenue	2,055,060	2,063,104	467,169
Deferred compensation payable	293,347	112,137	81,617
Net cash flows provided by operating activities	<u>13,024,474</u>	<u>10,119,752</u>	<u>6,068,712</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash paid for purchases of property and equipment	(11,644,915)	(10,590,831)	(4,601,382)
Cash received from sale and withdrawal of investments	-	2,761,373	3,161,333
Cash deposits into debt service reserve	(428,787)	-	(1,450,000)
Cash paid for purchase of investments	-	-	(1,655,257)
Net cash flows used in investing activities	<u>(12,073,702)</u>	<u>(7,829,458)</u>	<u>(4,545,306)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash paid to reduce long-term note payable	(86,632)	(86,616)	(74,621)
Net cash used in financing activities	<u>(86,632)</u>	<u>(86,616)</u>	<u>(74,621)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	864,140	2,203,678	1,448,785
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>4,985,377</u>	<u>2,781,699</u>	<u>1,332,914</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 5,849,517</u>	<u>\$ 4,985,377</u>	<u>\$ 2,781,699</u>

The accompanying notes are an integral part of the consolidated financial statements.

HALE CENTRE THEATRE
(A Non-Profit Organization)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017, 2016, and 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Hale Centre Theatre (HCT) conform to accounting principles generally accepted in the United States of America (U.S. GAAP). The following policies are considered to be significant:

Organization and Nature of Activities

HCT, a non-profit organization, operates a community theater presenting performances of family oriented comedies and musicals to the public in Sandy for the greater Salt Lake City area. In addition, HCT offers acting classes and instructional programs that teach the public about various aspects of community theater, such as lighting, sound, props, costuming, and acting. HCT also donates educational theater tours and performance tickets to various schools and other non-profit organizations. Its wholly-owned subsidiary, Playstuff Storage, LLC (PS), owns the warehouse where HCT stores sets and costumes.

Principles of Consolidation

The consolidated financial statements include the accounts of HCT and its 100% owned subsidiary PS. All inter-company accounts and transactions are eliminated upon consolidation.

Basis of Accounting and Presentation

The consolidated financial statements are prepared using the accrual basis of accounting in accordance with U.S. GAAP. HCT reports information regarding its financial position and activities according to two classes of net assets: unrestricted and temporarily restricted. HCT does not currently have any permanently restricted net assets.

Revenues and Support

Revenue from sales of tickets and other events is unrestricted to provide funding and services to support and foster an environment in which the arts can thrive. Ticket prices for performances, tuition for classes, and other fees are kept as low as possible to allow individuals and families of all income levels to participate. HCT has significant sales of tickets during the months of June through December when it sells season and individual tickets for its upcoming year of performances. The season and individual ticket sales are recorded as deferred revenue and recognized as revenue in the following year when the performances are given.

HALE CENTRE THEATRE
(A Non-Profit Organization)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017, 2016, and 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues and Support (continued)

HCT also receives support in the form of donations, including stock. Donated stock is valued at fair market value at the time of donation with net unrealized gains or losses reported in other changes in net assets in the consolidated statements of activities. During 2016 and 2015, HCT received several donations of stock valued at \$27,058 and \$1,277,611, respectively. Also, one government agency contributes over 10% of total revenue. The amount receivable from this government agency also comprises 100% of total grants receivable as of December 31, 2017, 2016, and 2015. For a summary of the composition of contributions received see Note 10.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. There were no temporarily restricted net assets as of December 31, 2017, 2016, and 2015.

Cash and Cash Equivalents

Cash equivalents are generally comprised of certain highly liquid investments with original maturities when purchased of three months or less.

Concentrations of Credit Risk

HCT's financial instruments that are exposed to concentrations of credit risk consist primarily of cash deposited in financial institutions.

HCT maintains its cash and cash equivalent balances at several financial institutions to minimize its risk of loss from failure of any one institution. At times such balances may exceed federally insured limits. HCT has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk on cash.

Endowment

HCT maintains two endowment accounts in an effort to provide stability to the annual financial position. Management and patrons have the option of designating contributions for the endowment accounts. Funds are invested in marketable securities and liquidated according to the guidelines of HCT's endowment fund investment policy. Management has not determined these funds to be restricted as they are available for use at management's discretion.

HALE CENTRE THEATRE
(A Non-Profit Organization)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017, 2016, and 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

HCT invests in marketable securities which are classified as current according to management's intent. The securities are carried at fair value with net unrealized gains or losses reported in other changes in unrestricted net assets in the consolidated statements of activities. Fair value is defined as the amount that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The following hierarchy prioritizes the inputs to valuation methodologies used to measure fair value:

- Level 1 inputs, which have the highest priority, are quoted prices for identical assets in active markets.
- Level 2 inputs are observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets in active markets or quoted prices for identical or similar assets in markets that are not active.
- Level 3 inputs, which have the lowest priority, are unobservable inputs that reflect HCT's own assumptions, consistent with reasonably available assumptions made by other market participants.

Property and Equipment

Property, equipment, and leasehold improvements with a cost of more than \$2,500 are capitalized at cost or, if donated, at the fair market value at the date of donation. Routine maintenance and repairs are charged to expense in the year incurred. Depreciation is provided using the straight-line method over the following estimated useful lives of the assets.

	Useful Lives <u>(Years)</u>
Autos & Trucks	5 to 6
Furniture and Fixtures	5 to 20
Leasehold Improvements	5 to 40
Buildings	45
Theater Equipment	5 to 20

Income Taxes

HCT is a non-profit organization that is exempt from federal income taxes in accordance with the provisions of Section 501(c)(3) of the Internal Revenue Code. Consequently, no provision for income taxes has been recorded in the accompanying consolidated financial statements. Management annually reviews its tax positions and has determined that there are no material uncertain tax positions that require recognition in the accompanying consolidated financial statements.

HALE CENTRE THEATRE
(A Non-Profit Organization)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017, 2016, and 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Services and Facilities

HCT receives a significant amount of donated services from unpaid volunteers who assist in fund-raising, program activities and special events. No amounts have been recognized in the consolidated statements of activities because the criteria for recognition have not been satisfied. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills and are provided by individuals possessing those skills that would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Advertising

All costs associated with advertising and promoting HCT's goods and services are expensed in the year incurred. See Note 11.

Use of Estimates in the Preparation of Financial Statements

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain prior year items have been reclassified to conform to the current year presentation.

Subsequent Events

Management of HCT has evaluated subsequent events through April 12, 2018, which is also the date the consolidated financial statements were available to be issued. No subsequent events were noted during this evaluation that require recognition or disclosure in these consolidated financial statements.

NOTE 2 - INVESTMENTS AND ENDOWMENT

Investments have been classified in the consolidated statements of financial position according to management's intent. All securities in the endowment funds and HCT's other investment portfolio fall under Level 1 within the fair value hierarchy as they are stocks and their fair values are readily determinable. The aggregate fair value and unrealized and realized gains and losses are as follows:

HALE CENTRE THEATRE
(A Non-Profit Organization)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017, 2016, and 2015

NOTE 2 - INVESTMENTS AND ENDOWMENT (CONTINUED)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Beginning market value	\$ -	\$ 2,699,103	\$ 2,800,764
Purchases, contributions, and sales (net)	-	(2,824,758)	(275,367)
Investment income	-	25,848	46,886
Gains (losses)			
Realized	-	181,434	(237)
Unrealized	-	(81,627)	127,057
Ending market value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,699,103</u>

The reconciliation of the beginning and ending endowment fund balances is as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Beginning market value	\$ 60,363	\$ 55,594	\$ 57,578
Purchases and sales (net)	10,899	5,604	(11,273)
Investment income	1,209	1,150	1,150
Current year unrealized gain (loss)	4,770	(1,985)	8,139
Ending market value	<u>\$ 77,241</u>	<u>\$ 60,363</u>	<u>\$ 55,594</u>

NOTE 3 - DEFERRED COMPENSATION PLAN

HCT has a non-qualifying deferred compensation plan for certain key members of management. HCT contributed \$163,579, \$149,610, and \$97,600 to the plan in 2017, 2016, and 2015, respectively. The liability is shown on the consolidated statements of financial position as a long-term liability and is offset by the deferred compensation fund long-term asset.

The plan is structured such that employees will receive their share of the balance upon retirement or severance from HCT. The funds are kept in a separate account from HCT and are recognized as an asset as the plan is funded. All securities in the deferred compensation plan fall under Level 1 within the fair value hierarchy as they are mutual funds and their fair values are readily determinable.

HALE CENTRE THEATRE
(A Non-Profit Organization)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017, 2016, and 2015

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment are as follows as of December 31:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Land	\$ 295,333	\$ 295,333	\$ 295,333
Autos and trucks	176,571	176,571	176,571
Buildings and improvements	1,386,349	1,386,349	1,386,349
Theatre equipment	6,365	2,389,862	2,389,862
Furniture and fixtures	22,081	828,233	828,233
Leasehold improvements	26,837,168	4,217,095	4,217,095
Construction in progress	-	11,060,815	469,984
	<u>28,723,867</u>	<u>20,354,258</u>	<u>9,763,427</u>
Less accumulated depreciation	<u>(528,704)</u>	<u>(2,669,925)</u>	<u>(2,443,709)</u>
Net book value	<u>\$ 28,195,163</u>	<u>\$ 17,684,333</u>	<u>\$ 7,319,718</u>

NOTE 5 - LONG-TERM NOTE PAYABLE

The long-term note payable is as follows as of December 31:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Variable rate promissory note to a bank, based on TCM index (4.307% at December 31, 2017), collateralized by building, due in monthly installments of \$6,882, including interest, matures June 8, 2032	\$ 746,485	\$ 833,117	\$ 919,733
Less current portion of long-term note payable	<u>(46,568)</u>	<u>(53,800)</u>	<u>(52,095)</u>
Long-term note payable excluding current portion	<u>\$ 699,917</u>	<u>\$ 779,317</u>	<u>\$ 867,638</u>

HALE CENTRE THEATRE
(A Non-Profit Organization)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017, 2016, and 2015

NOTE 5 - LONG-TERM NOTE PAYABLE (CONTINUED)

Annual maturities of the long-term note payable are as follows as of December 31, 2017:

2018	\$	46,568
2019		48,253
2020		49,999
2021		51,808
2022		53,682
Thereafter		496,175
	\$	746,485

NOTE 6 - OPERATING LEASES

During August 2015, HCT entered into a lease agreement (the Agreement) with Sandy City, Utah (Sandy) to rent real property and tangible property (the Property), which is the location of the primary activities of HCT. Upon execution of the Agreement, HCT made a contractual payment to Sandy totaling \$4,100,000 which was used to pay for leasehold improvements. The Agreement also requires that HCT fund and maintain, at specified amounts and intervals, both a debt service reserve and a capital reserve (the Reserve Accounts) of approximately \$2,855,000 and \$1,500,000, respectively, until a future date when it is contractually released by Sandy. Amounts held in the Reserve Accounts are restricted for use only in paying obligations to Sandy and for which perfected security interests have been granted by HCT. To ensure that the Reserve Accounts are funded timely, effective September 1, 2017 (Opening Day), HCT is obligated to pay Sandy \$1.50 per ticket sold for performances following the effective date, until the date when the Reserve Accounts are fully funded. As of December 31, 2017, HCT had \$1,923,462 in the debt service reserve and \$0 in capital reserve.

Minimum contractual rental payments under the Agreement commenced in July 2017 and are made semi-annually through January 2042, subject to renewal options extending to 2067. The Agreement also provides HCT the option to purchase the Property, at adjusted fair value, from Sandy by giving written notice and through performance of certain provisions of the Agreement. As of December 31, 2017, HCT had not given written notice to exercise its option to purchase the Property.

The Agreement includes certain negative and affirmative requirements that management believes it was, in all material respects, in compliance with as of December 31, 2017.

Rent expense totaled \$1,487,374, \$634,190 and \$624,719 for the years ended December 31, 2017, 2016, and 2015, respectively.

HALE CENTRE THEATRE
(A Non-Profit Organization)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017, 2016, and 2015

NOTE 6 - OPERATING LEASES (CONTINUED)

Based on the renegotiated terms of the leases, future minimum lease payments to be paid to Sandy are as follows:

2018		\$ 2,833,013
2019		2,836,613
2020		2,828,113
2021		2,828,013
2022		2,825,763
Thereafter		<u>56,242,894</u>
		<u>\$ 70,394,409</u>

NOTE 7 - DEFERRED REVENUE

Deferred revenue consists of ticket sales and gift certificates and vouchers. Ticket sale revenue collected but which relates to the following year is deferred and recognized in the year in which the performances are given. Gift certificate and voucher revenue collected but not redeemed prior to year-end is deferred. Deferred revenue at December 31, 2017, 2016, and 2015 totaled \$8,346,249, \$6,291,189, and \$4,228,085, respectively.

NOTE 8 - EMPLOYEE BENEFITS

HCT has a 401(k) retirement plan. Employees who have one year of full-time service and have attained age 21 are eligible to participate in the plan. Employees become fully vested in the plan after five years of service. HCT is required to contribute 3% of employees' compensation (less forfeitures). Retirement plan expense was \$76,000, \$67,934, and \$65,488, in 2017, 2016, and 2015, respectively. In addition, a discretionary contribution can be made each year by HCT. No discretionary contributions were made in 2017, 2016, or 2015.

NOTE 9 - DONATED PERFORMANCE TICKETS

As discussed in Note 1, HCT's Community Outreach Program donates performance tickets to various schools and other non-profit organizations. HCT donated approximately 12,925, 9,907, and 10,978 tickets valued at approximately \$452,375, \$297,210, and \$351,296, respectively, during 2017, 2016, and 2015.

HALE CENTRE THEATRE
(A Non-Profit Organization)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017, 2016, and 2015

NOTE 10 - CONTRIBUTIONS

Contributions are as follows for the years ended December 31:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Unrestricted:			
Individuals	\$ 977,313	\$ 1,601,214	\$ 545,692
Corporations	4,830,409	2,338,284	2,897,473
Foundations	3,210,100	3,759,820	3,098,051
Government	<u>2,043,153</u>	<u>1,097,248</u>	<u>1,043,300</u>
 Total contributions	 <u>\$ 11,060,975</u>	 <u>\$ 8,796,566</u>	 <u>\$ 7,584,516</u>

During 2016, HCT received, and used, \$3,135,000 in restricted contributions for the construction of a new theatre in Sandy, Utah. These contributions were utilized for their restricted purposes in the same year they were received. In accordance with its revenue and support recognition policy, HCT reported these contributions as an increase in unrestricted net assets. During 2017, HCT did not receive any restricted contributions.

NOTE 11 - ADVERTISING

Advertising expense is as follows for the years ended December 31:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
In-kind contributions	\$ 45,000	\$ 30,000	\$ 29,000
Paid or accrued by HCT	<u>433,378</u>	<u>324,515</u>	<u>184,916</u>
 Total advertising	 <u>\$ 478,378</u>	 <u>\$ 354,515</u>	 <u>\$ 213,916</u>

Advertising expense is included in management and general expenses in the consolidated statements of activities.

HALE CENTRE THEATRE
(A Non-Profit Organization)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017, 2016, and 2015

NOTE 12 - CONTINGENCIES

As opportunity permits, HCT issues trade vouchers with various vendors for the purpose of exchanging tickets for services needed by HCT. The obligation for the trade vouchers issued during 2017, 2016, and 2015 is included in the consolidated statements of financial position in deferred revenue. However, the amount of trade vouchers issued in prior years is not known and is not estimable. HCT has tracked all redeemed trade vouchers in prior years. Additionally, HCT issues complimentary tickets as an audience development mechanism. HCT does not consider a liability necessary for the complimentary tickets outstanding as HCT does not have an obligation to redeem the complimentary tickets and they cannot be exchanged for cash.