Singer Lewak LLP

Accountants & Consultants

GEFFEN PLAYHOUSE, INC.

(A NONPROFIT ORGANIZATION)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
AUGUST 31, 2014
(WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2013)

GEFFEN PLAYHOUSE, INC.
(A NONPROFIT ORGANIZATION)
TABLE OF CONTENTS
August 31, 2014

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Woodland Hills
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Geffen Playhouse, Inc.
Los Angeles, California

Report on the Financial Statements

We have audited the accompanying financial statements of Geffen Playhouse, Inc. (the "Organization"), which comprise the statement of financial position as of August 31, 2014, the related statements of activities 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Geffen Playhouse, Inc. as of August 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.

Other Matter

As discussed in Note 14 to the financial statements, the 2014 financial statements have been restated to correct classification errors. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Organization's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 22, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

SingerLewak LLP

SingerLewak LLP

Los Angeles, California
December 11, 2014 except Note 14 as to which the date is April 22, 2015

GEFFEN PLAYHOUSE, INC.
(A NON-PROFIT ORGANIZATION)
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2014
(with Comparative Totals at August 31, 2013)

ASSETS

	2014	2013
Current assets		
Cash and cash equivalents	$ 1,364,175	$ 1,216,618
Funds held by UCLA Foundation	3,460,294	2,808,298
Short-term investments	64,633	64,257
Current portion of pledges receivable	577,850	402,850
Other receivables	97,504	144,596
Prepaid expenses and other assets	1,132,256	1,310,470
Total current assets	6,696,712	5,947,089
Temporarily restricted leasehold interest in building, net	1,904,194	2,002,233
Property and equipment, net	14,041,413	14,491,749
Pledges receivable, net of current portion	1,860,168	566,897
Total assets	**$ 24,502,487**	**$ 23,007,968**

LIABILITIES AND NET ASSETS

	2014	2013
Current liabilities		
Accounts payable and accrued expenses	$ 390,354	$ 232,596
Deferred revenue	3,298,335	3,366,869
Total current liabilities	3,688,689	3,599,465
Total liabilities	3,688,689	3,599,465
Commitments and contingencies (Note 10)		
Net assets		
Unrestricted	16,196,653	16,401,522
Temporarily restricted	4,617,145	3,006,981
Total net assets (Note 14)	20,813,798	19,408,503
Total liabilities and net assets	**$ 24,502,487**	**$ 23,007,968**

The accompanying notes are an integral part of these financial statements.

GEFFEN PLAYHOUSE, INC.
(A NON-PROFIT ORGANIZATION)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2014
(with Comparative Totals for the Year Ended August 31, 2013)

	Unrestricted	Temporarily Restricted	Total 2014	Total 2013
Revenue and support				
Ticket sales	$ 9,020,316	$ -	$ 9,020,316	$6,727,050
Contributions	1,827,679	2,091,053	3,918,732	3,159,524
Special events	1,932,820	-	1,932,820	1,696,807
UCLA reimbursed maintenance	379,960	-	379,960	383,294
Other income	199,759	-	199,759	135,092
Contributed services and in-kind donations	69,087	-	69,087	16,193
Interest and investment income, net	47,948	-	47,948	41,961
Net assets released from restrictions:				
Restricted cash	30,000	(30,000)	-	-
Collection of pledges receivable	352,850	(352,850)	-	-
Amortization of leasehold interest in building	98,039	(98,039)	-	-
Total revenues and support	13,958,458	1,610,164	15,568,622	12,159,921
Expenses				
Program services				
Production and education	6,588,875	-	6,588,875	5,210,205
Ticket service and front house	1,646,179	-	1,646,179	939,600
Program promotion	1,817,399	-	1,817,399	2,226,413
Facilities	1,111,041	-	1,111,041	1,133,684
Fundraising services				
Development	1,189,973	-	1,189,973	868,333
Special events	708,121	-	708,121	648,629
Supporting services				
General and administrative	1,101,739	-	1,101,739	1,007,672
Total expenses	14,163,327	-	14,163,327	12,034,536
Changes in net assets	(204,869)	1,610,164	1,405,295	125,385
Net assets, beginning of year	16,401,522	3,006,981	19,408,503	19,283,118
Net assets, end of year (Note 14)	**$ 16,196,653**	**$ 4,617,145**	**$ 20,813,798**	**$ 19,408,503**

The accompanying notes are an integral part of these financial statements.

GEFFEN PLAYHOUSE, INC.
(A NON-PROFIT ORGANIZATION)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2014
(with Comparative Totals for the Year Ended August 31, 2013)

	2014	2013
Cash flows from operating activities		
Changes in net assets	$ 1,405,295	$ 125,385
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Change in discount of pledges receivable	6,629	8,203
Depreciation and amortization	562,846	583,306
Amortization of leasehold interest in building	98,039	98,039
Donation to funds held by the UCLA Foundation	(5,000)	-
Changes in operating assets and liabilities		
Pledges receivables	(1,474,900)	(674,525)
Other receivables	47,092	(66,493)
Prepaid expenses and other assets	178,214	(136,050)
Accounts payable and accrued expenses	157,756	(2,524)
Deferred revenue	(68,534)	28,904
Net cash provided by (used in) operating activities	907,437	(35,755)
Cash flows from investing activities		
Proceeds from sales of short-term investments	-	6,344
Proceeds from sale of funds held by UCLA Foundation	1,250,000	2,600,000
Purchases of funds held by UCLA Foundation	(1,897,372)	(1,890,955)
Purchases of property and equipment	(112,508)	(118,878)
Net cash provided by (used in) investing activities	(759,880)	596,511
Net increase in cash and cash equivalents	147,557	560,756
Cash and cash equivalents, beginning of year	1,216,618	655,862
Cash and cash equivalents, end of year	**$ 1,364,175**	**$ 1,216,618**

The accompanying notes are an integral part of these financial statements.

NOTE 1 – ORGANIZATION

Geffen Playhouse, Inc. (a nonprofit organization) (the "Organization") is devoted to providing professional quality theater through a series of productions, workshops, seminars and play readings for the city of Los Angeles, surrounding counties and the University of California at Los Angeles ("UCLA"). An active member of the community, the Organization has education and outreach programs that target students, seniors and others who otherwise would not have access to live theater. The Organization strives to produce original, quality works that inspire thought, evoke conversation and engage the community in the live arts. The Organization, incorporated on August 29, 1994, was previously named Westwood Playhouse, Inc.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting
The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation
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. The net assets of the Organization and changes therein are classified and reported as follows:

- Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in performing the primary objectives of the Organization.
  - Included in unrestricted net assets is $450,000 of board-designated assets related to the Legacy Fund, which is designed as a reserve fund for future financial use of the Organization.
- Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the accompanying financial statements as net assets released from restrictions. Donor-restricted contributions received and expended in the same reporting period are recorded as unrestricted support.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

- Permanently restricted net assets – Net assets that are restricted by the donors for investment in perpetuity. The investment income generated from these funds is available for general support of the Organization's programs and operations. As of August 31, 2014 and 2013, the Organization had no permanently restricted net assets.

Comparative Amounts
The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended August 31, 2013, from which the summarized information was derived.

Contributions
Contributions received, including unconditional promises to give, are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence or nature of any donor restrictions. Contributions for which donors have imposed restrictions which limit the use of the donated assets are reported as restricted support if the restrictions are not met in the same reporting period. When such donor-imposed restrictions are met in subsequent reporting periods, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions. Contributions of assets which donors have stipulated must be maintained permanently, with only the income earned thereon available for current use, are classified as permanently restricted assets. Contributions for which donors have not stipulated restrictions, as well as contributions for which donors have stipulated restrictions but which are met within the same reporting period, are reported as unrestricted support.

Unconditional promises to give with payments due in future periods are reported as restricted support. Gifts of land, buildings and equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulation, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Conditional promises to give, which depend on the occurrence of a specified future and uncertain event to bind the promisor, shall be recognized when the conditions on which they depend are substantially met, when the conditional promise becomes unconditional.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributed Services and In-kind Donations
During the years ended August 31, 2014 and 2013, the Organization received no donated services that met the requirements for recognition. During the years ended August 31, 2014 and 2013, the Organization recognized $69,087 and $16,193, respectively, of in-kind donations that are related to the operations of the Organization and have been included in program services in the accompanying statement of activities. In addition, during the years ended August 31, 2014 and 2013, the Organization recognized $205,785 and $285,314, respectively, of in-kind donations that have been included in special events in the accompanying statement of activities.

Revenue and Expense Recognition
The Organization recognizes revenue and related expenses based on the production season. Revenue from season ticket sales which are received in advance of the related production season is deferred. Expenses (construction sets and props and production) for productions to be presented in subsequent fiscal years are deferred and subsequently expensed in the year in which the production occurs. Concession and merchandise revenue is recognized as items are sold. Ticket handling fees are recognized as tickets are sold.

The production season typically is from September 1 to August 31, though occasionally, shows for the upcoming season may begin before September 1.

Functional Allocation of Expenses
The costs of providing various programs and activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Cash and Cash Equivalents
The Organization considers all highly liquid investments with a maturity at the date of purchase of three months or less to be cash and cash equivalents.

Pledges Receivable
Pledges receivable are stated at unpaid balances, less an allowance for doubtful accounts, if any. The Organization provides for losses on receivables using the allowance method. The allowance is based on experience and other circumstances, which may affect the ability of the donor to meet their obligations. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. Management has determined that no allowance is considered necessary at August 31, 2014.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. At August 31, 2014 and 2013, the Organization has $64,633 and $64,257, respectively, of short-term investments consisting mainly of certificates of deposit.

The components of interest and net investment income were as follows:

	2014	2013
Interest income	$ 47,948	$ 41,785
Unrealized gains	-	176
Total	**$ 47,948**	**$ 41,961**

Property and Equipment

Property and equipment are stated at cost if purchased or fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally between three and ten years. Expenditures for major renewals and improvements that extend the useful lives of the property and equipment are capitalized. Expenditures for repairs and maintenance are charged to expense as incurred. Leasehold improvements are amortized using the straight-line method ranging from ten to forty years, over the shorter of the estimated useful life of the asset or the lease term. The Organization maintains a capitalization policy for expenditures in excess of $1,500.

Long-lived Assets

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Impairment losses, if any, are recognized when estimated future cash flows (undiscounted and without interest charges) derived from such assets are less than their carrying values. No impairment losses were recognized during the years ended August 31, 2014 and 2013.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701 (d) of the Revenue Taxation Code of California. Accordingly, no provision for income taxes is included in the accompanying financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)
Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 740-10, "Accounting for Uncertainty in Income Taxes" ("ASC 740-10"), requires that an organization recognize in the financial statements the impact of the tax position if that position will more likely than not be sustained on audit, based on the technical merits of the position. ASC 740-10 also provides guidance related to de-recognition, classification, interest and penalties and disclosure. During the year ended August 31, 2014, the Organization performed an evaluation of uncertain tax positions and did not note any matters that would require recognition in the financial statements or which may have an effect on its tax-exempt status.

The Organization's U.S. federal and state informational returns prior to the 2010 and 2009 fiscal years, respectively, are closed, and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

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 reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Advertising
Advertising costs are expensed as incurred except for direct-response advertising, which is capitalized and amortized over its expected period of future benefits, not to exceed 12 months. Direct-response advertising consists primarily of the Organization's annual brochures for the following season subscriptions and the marketing of ticket sales to specific individuals. Advertising expense was $1,817,399 and $2,226,413 for the years ended August 31, 2014 and 2013, respectively. At August 31, 2014 and 2013, direct-response advertising included in prepaid expenses and other is $373,789 and $368,881, respectively.

Legal Proceedings
From time to time, the Organization is party to various legal proceedings incidental to its business. In the opinion of management, none of these items, individually or in the aggregate, would have a significant effect on the financial position, result of operations, cash flows or liquidity of the Organization.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements
In April 2013, the FASB issued Accounting Standards Update ("ASU") No. 2013-06, "Not-for-Profit Entities (Topic 958): Services Received from Personnel of an Affiliate." This amendment requires a recipient not-for-profit entity to recognize all services received from personnel of an affiliate that directly benefit the recipient not-for-profit entity. Those services should be measured at the cost recognized by the affiliate for the personnel providing those services. However, if measuring a service received from personnel of an affiliate at cost will significantly overstate or understate the value of the service received, the recipient not-for-profit entity may elect to recognize that service received at either (1) the cost recognized by the affiliate for the personnel providing that service or (2) the fair value of that service. The amendments in this Update improve current U.S. GAAP by requiring all not-for-profit entities to apply similar recognition and measurement bases for services received from personnel of an affiliate that directly benefit the recipient not-for-profit entity and for which the affiliate does not charge the recipient not-for-profit entity. The changes are effective for the fiscal years beginning after June 15, 2014. The Organization is still in process of evaluating the impact on the Organization's financial statements.

NOTE 3 – CONCENTRATIONS OF CREDIT RISK

Credit risk is the failure of another party to perform in accordance with the contract terms. Financial instruments which potentially subject the Organization to concentrations of credit risk consist primarily of cash and cash equivalents and pledges receivable.

Cash and cash equivalents generally consist of cash and highly liquid investments with an initial maturity of three months or less. These securities are primarily held at one financial institution and are insured by the Federal Deposit Insurance Corporation ("FDIC") coverage up to $250,000. At times during the year, cash in these accounts may exceed the federally insured amounts. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

For the year ended August 31, 2014, approximately 18% of the Organization's contributions were from five donors. For the year ended August 31, 2013, approximately 22% of the Organization's contributions were from four donors.

At August 31, 2014, approximately 94% of the Organization's pledges receivable was from three donors. At August 31, 2013, approximately 85% of the Organization's pledges receivable was from two donors.

NOTE 4 – FUNDS HELD BY UCLA FOUNDATION

Funds are held by the UCLA Foundation on behalf of the Organization which are invested in the Foundation's short-term investment pool ("STIP"). The Organization receives a pro rata share of the income from the investment pool. Shares of the STIP are purchased or redeemed at a constant value of $1 per share. The investments of the pool are comprised of banker's acceptance instruments, commercial paper, corporate debt securities and United States government and agency obligations. These funds are available to the Organization at any time subject to a maximum of two withdrawals per month. At August 31, 2014 and 2013, the Organization has $3,460,294 and $2,808,298, respectively, of funds held by the UCLA Foundation. As noted at Note 5, these investments have been classified as Level 2 investments.

NOTE 5 – FAIR VALUE MEASUREMENTS

As defined in FASB ASC Topic No. 820, "Fair Value Measurements and Disclosures" ("ASC 820"), a fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Organization uses the market or income approach. Based on this approach, the Organization utilizes certain assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market-corroborated or generally unobservable inputs. The Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

Based on the observability of the inputs used in the valuation techniques, the Organization is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and the reliability of the information used to determine fair values. As a basis for considering such assumptions, ASC 820 establishes a three-tier value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value.

Level 1 – Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets

Level 2 – Include other inputs that are directly or indirectly observable in the marketplace

Level 3 – Unobservable inputs which are supported by little or no market activity

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. For the fiscal year ended August 31, 2014, the application of valuation techniques applied to similar assets and liabilities has been consistent.

NOTE 5 – FAIR VALUE MEASUREMENTS (Continued)

Financial instruments included in the Organization's statement of financial position include cash and cash equivalents, investments, receivables and accounts payable and accrued expenses. For cash and cash equivalents, receivables and accounts payable and accrued expenses, the carrying amounts represent a reasonable estimate of fair values due to their short-term maturities. Investments are reflected at estimated fair value as described above.

Financial assets and liabilities carried at fair value at August 31, 2014 are classified as follows:

	Level 1	Level 2	Level 3	Total
Funds held in UCLA Foundation's STIP	$ -	$ 3,460,294	$ -	$ 3,460,294
Certificates of deposit	64,633	-	-	64,633
Totals	**$ 64,633**	**$ 3,460,294**	**$ -**	**$ 3,524,927**

Financial assets and liabilities carried at fair value at August 31, 2013 are classified as follows:

	Level 1	Level 2	Level 3	Total
Funds held in UCLA Foundation's STIP	$ -	$ 2,808,298	$ -	$ 2,808,298
Certificates of deposit	64,257	-	-	64,257
Totals	**$ 64,257**	**$ 2,808,298**	**$ -**	**$ 2,872,555**

Certificates of deposit are valued based on investment yield. The short-term investment pool is valued based on net asset value of shares held by the Organization at year end.

The following table summarizes the Organization's financial assets that are valued using the fair value approach:

	Fair Value, August 31, 2014	Redemption Frequency	Redemption Notice Period
Funds held in UCLA Foundation's STIP	$ 3,460,294	monthly	two days
Total	**$ 3,460,294**		

NOTE 6 – PLEDGES RECEIVABLE

Unconditional Pledges

Unconditional pledges receivable have been recorded at the present value of estimated future cash flows using a discount rate of approximately 1%. At August 31, 2014 and 2013, the Organization has not provided for an allowance for uncollectible pledges, as all amounts are considered fully collectible. Pledges receivable are recorded as follows:

	2014	2013
Amounts due		
In less than one year	$ 577,850	$ 402,850
In one to five years	1,875,000	575,100
Total gross pledges receivable	2,452,850	977,950
Less present value discount	(14,832)	(8,203)
Total pledges receivable, net	2,438,018	969,747
Less current portion of pledges receivable, net	(577,850)	(402,850)
Pledges receivable, net of current portion	**$ 1,860,168**	**$ 566,897**

NOTE 7 – TEMPORARILY RESTRICTED LEASEHOLD INTEREST IN BUILDING

The Organization leases its facilities from UCLA at a rate of $1 per year under an original 30-year lease which commenced in May 1995. In April 2003, the lease term was extended to 55 years to expire in May 2050. In March 2010, the lease term was reduced by four years to expire in May 2046. At the inception date of the original lease, the fair value of the building was approximately $5,000,000. This amount was recognized in prior years as a contribution and a leasehold interest. The unamortized leasehold interest is reflected in the accompanying statement of financial position as a temporarily restricted asset and is being amortized over the extended lease term of 51 years. At August 31, 2014 and 2013, the unamortized leasehold interest is $1,904,194 and $2,002,233, respectively. Amortization expense for the years ended August 31, 2014 and 2013 was $98,039.

NOTE 8 – PROPERTY AND EQUIPMENT

At August 31, 2014 and 2013, property and equipment consisted of the following:

	2014	2013
Equipment	$ 1,410,601	$ 1,344,837
Furniture and fixtures	360,019	292,052
Leasehold improvements	17,705,228	17,726,449
	19,475,848	19,363,338
Less accumulated depreciation and amortization	(5,434,435)	(4,871,589)
	$ 14,041,413	$ 14,491,749

Depreciation and amortization expense for the year ended August 31, 2014 and 2013 was $562,846 and $583,306, respectively.

NOTE 9 – LINE OF CREDIT

In October 2012, the Organization entered into an agreement with a bank for a $500,000 line of credit. The line expired on November 1, 2014 and was subsequently extended to January 31, 2015. Advances under the line of credit bear interest at the current prime rate (3.25% at August 31, 2014) and are secured by property held by the Organization. As of August 31, 2014 and 2013, there were no outstanding borrowings on this line of credit.

NOTE 10 – LEASE COMMITMENTS

The Organization leases certain office equipment under a noncancelable operating lease agreement that expires in March 2018. Total rent expense under the lease was $48,603 and $41,715, respectively, for the years ended August 31, 2014 and 2013. In addition, the Organization has noncancelable operating lease agreements on a storage space and an office space that expires on August 2015. Total rent expense under these leases were $9,000 and $28,850, respectively, for the years ended August 31, 2014 and 2013.

NOTE 10 – LEASE COMMITMENTS (Continued)

The following is a schedule of the Organization's minimum lease requirements under these non-cancelable leases:

Year Ending August 31,	
2015	$ 51,850
2016	41,700
2017	41,700
2018	24,325
Total	**$ 159,575**

NOTE 11 – TEMPORARILY RESTRICTED NET ASSETS

At August 31, 2014 and 2013, temporarily restricted net assets consisted of the following:

	Available August 31, 2013	Additions	Released	Available August 31, 2014
Time restricted, pledges receivable	$ 969,747	$ 1,821,121	$ (352,850)	$2,438,018
Time restricted, cash	30,000	269,932	(30,000)	269,932
Time restricted, leasehold interest in building	2,002,233	-	(98,039)	1,904,194
Production, specific purpose	5,001	-	-	5,001
Total	**$ 3,006,981**	**$ 2,091,053**	**$ (480,889)**	**$4,617,145**

NOTE 12 – RELATED PARTY TRANSACTIONS

The Organization has an affiliation agreement with UCLA under which the Organization must provide artistic programming to the community and educational/professional opportunities for UCLA theatre students. UCLA may appoint five members to the Organization's board of directors.

As noted at Note 7, the Organization leases its facilities from UCLA at a rate of $1 per year under an original 30-year lease which commenced in May 1995. The lease was extended in April 2003 and subsequently revised in May 2010. The lease expires in May 2046.

Under the lease agreement with UCLA, the Organization incurs expenses for the maintenance of the facility, which are either paid directly or are reimbursed by UCLA. Accordingly, the Organization recognizes certain maintenance expenses as incurred and records the contributions from UCLA as support. For the years ended August 31, 2014 and 2013, UCLA reimbursed the Organization $379,960 and $383,293, respectively, for maintenance expenses. At August 31, 2014 and 2013, the Organization has a receivable from UCLA of $74,247 and $85,912, respectively, which is included in other receivables in the accompanying statement of financial position.

As noted at Note 4, at August 31, 2014 and 2013, the Organization has $3,460,294 and $2,808,298, respectively, of funds held by the UCLA Foundation.

During the years ended August 31, 2014 and 2013, a relative of a member of management provided IT consulting services to the Organization. During the year ended August 31, 2014, the IT consulting service expense was $199,491, of which $0 was payable at year end. During the year ended August 31, 2013, the IT consulting service expense was $176,262, of which $726 was payable at year end.

NOTE 13 – EMPLOYEE BENEFIT PLANS

The Organization maintains a 401(k) profit sharing plan available to all full-time employees after completing one year of service, except those who are covered by a collective bargaining agreement. The retirement plan is subject to a discretionary employer contribution. For the years ended August 31, 2014 and 2013, no contributions were made by the Organization.

NOTE 14 – SUBSEQUENT EVENTS

Subsequent to the year end, management discovered two classification errors in the 2014 financial statements issued on December 11, 2014, as follows:

1) Cash and cash equivalents as previously reported	$ 1,614,175
Reclassification	(250,000)
Cash and cash equivalents as restated	$ 1,364,175
Funds held by UCLA Foundation as previously reported	$ 3,210,296
Reclassification	250,000
Funds held by UCLA Foundation as restated	$ 3,460,294
2) Unrestricted net assets as previously reported	$ 15,746,653
Board designated assets, previously reported as temporarily restricted net assets	450,000
Unrestricted net assets as restated	$ 16,196,653
Temporarily restricted net assets as previously reported	$ 5,067,145
Board designated assets, previously reported as temporarily restricted net assets	(450,000)
Temporarily restricted net assets as restated	$ 4,617,145

Management has evaluated all activity of the Organization through April 22, 2015 (the issue date of these financial statements), and has concluded that no material subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.