

**THE UNUSUAL SUSPECTS THEATRE COMPANY**  
(A NONPROFIT ORGANIZATION)

**FINANCIAL STATEMENTS**  
AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2018  
(with Summarized Comparative Financial Information  
For the Year Ended December 31, 2017)

(WITH INDEPENDENT AUDITOR'S REPORT THEREON)



the **UNUSUAL**  
**SUSPECTS**™

**THE UNUSUAL SUSPECTS THEATRE COMPANY**  
**(A NONPROFIT ORGANIZATION)**  
**TABLE OF CONTENTS**  
**December 31, 2018**

---

	Page
<b>INDEPENDENT AUDITOR'S REPORT</b>	1 - 2
<b>FINANCIAL STATEMENTS</b>	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Statement of Functional Expenses	6
Notes to Financial Statements	7 – 13

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
The Unusual Suspects Theatre Company  
Los Angeles, California

We have audited the accompanying financial statements of The Unusual Suspects Theatre Company (a nonprofit organization, the Organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, cash flows, and functional expenses 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 of 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 Organization'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 Organization'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 The Unusual Suspects Theatre Company as of December 31, 2018, 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.

**Report on Summarized Comparative Information**

The Organization's 2017 summarized comparative financial information has been derived from the Organization's 2017 financial statements, which were audited by other auditors and, in their report dated September 24, 2018, they expressed an unmodified opinion on these financial statements.

*Kwan & Co. CPA Inc.*

Alhambra, California  
September 13, 2019

**THE UNUSUAL SUSPECTS THEATRE COMPANY**

**(A NONPROFIT ORGANIZATION)**

**STATEMENT OF FINANCIAL POSITION**

**DECEMBER 31, 2018**

**(With Comparative Totals at December 31, 2017)**

---

	<b>ASSETS</b>	
	<u><b>2018</b></u>	<u><b>2017</b></u>
<b>Current assets</b>		
Cash and cash equivalents	\$ 499,719	\$ 342,050
Grants and accounts receivable	73,921	70,767
Prepaid expenses and other asset	<u>2,500</u>	<u>4,440</u>
Total current assets	576,140	417,257
Security deposit	4,800	6,460
Property and equipment, net	<u>14,589</u>	<u>19,440</u>
<b>Total assets</b>	<u><b>\$ 595,529</b></u>	<u><b>\$ 443,157</b></u>
	<b>LIABILITIES AND NET ASSETS</b>	
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 40,331	\$ 17,415
Deferred revenue	<u>119,825</u>	<u>75,988</u>
Total liabilities	<u>160,156</u>	<u>93,403</u>
<b>Commitments (Note 10)</b>		
<b>Net assets</b>		
Without donor restriction		
Undesignated	395,623	267,254
With donor restriction	<u>39,750</u>	<u>82,500</u>
Total net assets	<u>435,373</u>	<u>349,754</u>
<b>Total liabilities and net assets</b>	<u><b>\$ 595,529</b></u>	<u><b>\$ 443,157</b></u>

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

**THE UNUSUAL SUSPECTS THEATRE COMPANY**

**(A NONPROFIT ORGANIZATION)**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED DECEMBER 31, 2018**

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

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>2018 Total</u>	<u>2017 Total</u>
<b>Revenue and support</b>				
Foundation and corporate contributions	\$ 355,386	\$ 79,500	\$ 434,886	\$ 487,682
Government grants	129,713	-	129,713	66,997
Partnership income	210,541	-	210,541	164,984
Individual contribution	214,821	-	214,821	202,635
In-kind contributions	33,843	-	33,843	45,084
Other revenue	10	-	10	1,148
Net assets released from restrictions	<u>122,250</u>	<u>(122,250)</u>	<u>-</u>	<u>-</u>
 Total revenue and support	 <u>1,066,564</u>	 <u>(42,750)</u>	 <u>1,023,814</u>	 <u>968,530</u>
<b>Expenses</b>				
Program services				
Theatre art education	755,509	-	755,509	737,404
Supporting services				
Management and general	50,368	-	50,368	51,904
Fundraising	<u>132,318</u>	<u>-</u>	<u>132,318</u>	<u>63,772</u>
 Total expenses	 <u>938,195</u>	 <u>-</u>	 <u>938,195</u>	 <u>853,080</u>
 <b>Changes in net assets</b>	 128,369	 (42,750)	 85,619	 115,450
 <b>Net assets, beginning of year</b>	 <u>267,254</u>	 <u>82,500</u>	 <u>349,754</u>	 <u>234,304</u>
 <b>Net assets, end of year</b>	 <u>\$ 395,623</u>	 <u>\$ 39,750</u>	 <u>\$ 435,373</u>	 <u>\$ 349,754</u>

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

**THE UNUSUAL SUSPECTS THEATRE COMPANY**  
**(A NONPROFIT ORGANIZATION)**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
**(With Comparative Totals for the Year Ended December 31, 2017)**

	<b>2018</b>	<b>2017</b>
<b>Cash flows from operating activities</b>		
Changes in net assets	\$ 85,619	\$ 115,450
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	4,851	3,702
(Increase) decrease in		
Grants and accounts receivable	(3,154)	17,969
Prepaid expenses and other assets	3,600	(3,758)
Increase (decrease) in		
Accounts payable and accrued liabilities	22,916	71,896
Deferred revenue	43,837	-
	157,669	205,259
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	-	(20,392)
	-	(20,392)
Net increase in cash and cash equivalents	157,669	184,867
<b>Cash and cash equivalents, beginning of year</b>	<b>\$ 342,050</b>	<b>\$ 157,183</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 499,719</b>	<b>\$ 342,050</b>

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

**THE UNUSUAL SUSPECTS THEATRE COMPANY**  
**(A NONPROFIT ORGANIZATION)**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
**(With Comparative Totals for the Year Ended December 31, 2017)**

	<u>Program Service</u>		<u>Supporting services</u>		Total 2018	Total 2017
	Theatre Art Education	Management and General		Fundraising		
Salaries	\$ 449,957	\$ 35,807	\$ 68,493	\$ 554,257	\$ 483,929	
Payroll taxes	42,446	3,371	6,444	52,261	42,962	
Other employee benefits	23,034	1,829	3,497	28,360	23,019	
Accounting	26,608	2,113	4,039	32,760	26,813	
Bank fees	4,222	335	641	5,198	4,436	
Conference and meeting	2,448	194	372	3,014	2,668	
Depreciation	3,940	313	598	4,851	3,702	
Event	15,031	-	35,989	51,020	63,577	
Information technology	6,975	554	1,059	8,588	33,697	
Insurance	9,552	759	1,450	11,761	11,771	
Legal expense	227	18	35	280	18,000	
Marketing and promotion	7,710	-	-	7,710	5,951	
Occupancy	49,249	3,911	7,477	60,637	56,013	
Outside consultants	8,573	681	1,301	10,555	-	
Printing and postage	8,030	411	786	9,227	8,729	
Production consultants	38,100	-	-	38,100	26,430	
Professional development	1,329	33	63	1,425	1,317	
Research and evaluation	13,705	-	-	13,705	2,000	
Supplies and materials	21,830	-	-	21,830	23,691	
Travel	19,347	39	74	19,460	11,707	
Other program expenses	3,196	-	-	3,196	2,668	
<b>Total</b>	<b>\$ 755,509</b>	<b>\$ 50,368</b>	<b>\$ 132,318</b>	<b>\$ 938,195</b>	<b>\$ 853,080</b>	

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

**THE UNUSUAL SUSPECTS THEATRE COMPANY**  
**(A NONPROFIT ORGANIZATION)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

---

**NOTE 1 – ORGANIZATION**

The Unusual Suspects Theatre Company (the Organization) is a well-established Los Angeles-based 501(c)(3) arts education non-profit organization founded in 1992. The Organization uses a theatre arts and mentorship based program as a platform from which to provide incarcerated, at-risk, and under-served youth the opportunity to be seen, heard, and known. By using the process of collaborative creation, our youth work alongside professional teaching artists to learn the means and methods necessary to explore personal and social conflicts; develop self-esteem, communication, and coping skills; and gain the confidence with which to imagine and pursue new possibilities for their future.

Since the founding of the Organization more than two decades ago, its offerings have grown from a small youth intervention program into a multi-faceted, community-based theatre arts organization that helps fill a critical gap in access by providing both in-class and after-school programs for students at high needs, arts-poor public schools in Pacoima and South Los Angeles, as well as in juvenile detention camps throughout Los Angeles County. Since 2012, the number of youth served by the Organization increased by 427% from 300 to 1,580. 2018 was the Organization's most robust year of programming to-date with programs serving 1,758 Los Angelinos (1,580 youth and 178 adults) via 753 individual workshop sessions, 400 more participants and 200 more sessions than any other prior year in their history. The Organization reached another 10,000+ community members through recruitment, advocacy efforts, and as audience members each year.

The Organization is a recognized leader in the field and has received numerous accolades for its accomplishments over the years, including The National Youth Arts and Humanities Program Award, our nation's highest honor for after-school arts and humanities programs, and the Otto Rene Castillo Award for Political Theatre, which provides international recognition for community-based political theatre. The Organization is also a proud founding member of the Arts for Incarcerated Youth Network, an interdisciplinary collaborative that provides arts programming to build resiliency and wellness, eliminate recidivism, and transform the Los Angeles County juvenile justice system.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Adoption of New Accounting Standard

Effective January 1, 2018 the Organization adopted FASB's Accounting Standards Update (ASU) No 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The objective of ASU 2016-14 is to improve financial reporting by not-for-profit entities. Among other provisions, ASU 2016-14 reduces the numbers of classes of net assets from three to two (net assets without donor restrictions and net assets with donor restrictions), requires the presentation of expenses in both natural and functional classifications, and eliminates the requirement to prepare a reconciliation in the statements of cash flows when applying the direct method. ASU 2016-14 also enhances disclosures regarding liquidity and how restrictions affect the use of resources.

**THE UNUSUAL SUSPECTS THEATRE COMPANY**  
**(A NONPROFIT ORGANIZATION)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

---

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Basis of Presentation

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

Comparative Totals

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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Reclassification

Certain prior year balances have been reclassified to conform to current year's presentation.

Classes of Net Assets

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of the Organization are maintained in accordance with the principles of net assets accounting. Under ASU 2016-14 net assets are classified as follows:

- *Without donor restriction.* These generally result from revenues generated by receiving unrestricted contributions, providing services and receiving interest from investments less expenses incurred in providing program-related services, raising contributions and performing administrative functions. Depending on whether the Organization sets aside funds for specific purpose, the net assets without donor restriction can further classified as:
  - *Undesignated*
  - *Designated*
- *With donor restriction.* The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, net assets with donor restrictions are reclassified and reported in the statement of activities as net assets released from donor restrictions. Sub-categories of net assets with donor restriction include:
  - *Perpetual in nature*
  - *Purpose restricted*
  - *Time-restricted*

Cash and Cash Equivalents

The Organization defines cash and cash equivalents as cash in banks, money market funds and certificates of deposit with an original maturity of three months or less and with no restrictions as to their use.

**THE UNUSUAL SUSPECTS THEATRE COMPANY**  
**(A NONPROFIT ORGANIZATION)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

---

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Grants and Accounts Receivables

Grants receivable represent amounts due from various donors and amounts due from government granting agencies as of December 31, 2018 and 2017. Management believes that all receivables are fully collectible, therefore no provisions for uncollectible accounts were recorded.

Property and Equipment

Property and equipment are recorded at cost if purchased or at estimated fair value at the date of donation if donated. The Organization capitalizes all expenditures for property and equipment in excess of \$500. Maintenance and repair costs are charged to expense as incurred, while renewals and betterments are capitalized. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets, ranging from three to five years.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted to specific use or future periods are reported as revenue with donor restrictions. Restricted contributions that are received and released in the same period are reported as unrestricted revenue. Unconditional promises to give expected to be received in one year or less are recorded at net realizable value. Unconditional promises to give expected to be received in more than one year are recorded at fair market value at the date of the promise. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. There were conditional grants of \$119,825 for future programs, which are not recognized as revenue during the year ended December 31, 2018.

Contributed Assets and Services

Contributions of donated non-cash assets are recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received.

Compensated Absences

Accumulated unpaid employee vacation benefits are recognized as a liability of the Organization. The current portion of the liability, if material, is recognized at year-end. The entire compensated absences liability is reported on the statement of financial position. Employees of the Organization are paid for days or hours worked based upon Executive Director approved schedules which include vacation. Sick leave with pay is provided when employees are absent for health reasons.

**THE UNUSUAL SUSPECTS THEATRE COMPANY**  
**(A NONPROFIT ORGANIZATION)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

---

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Income Taxes

The Organization is a non-profit entity exempt from the payment of income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d. Accordingly, no provision has been made for income taxes. Management has determined that all income tax positions are more likely than not of being sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required. The Organization files informational returns in the U.S. federal jurisdiction, and the state of California. The statute of limitations for federal and California state purposes is generally three and four years, respectively.

Functional Allocation of Expenses

Costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among programs and supporting services by a method that best measures the related degree of benefit.

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 reported amounts of assets, liabilities, revenues and expenses as of the date and for the period presented. Actual results could differ from those estimates.

New Accounting Pronouncements

***Leases***

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which, among other things, requires the recognition of lease assets and lease liabilities by lessees, including for those leases classified as operating leases under previous GAAP, along with the disclosure of key information about leasing arrangements. When effective, the ASU will supersede FASB ASC 840, *Leases*, and add Topic 842, *Leases*, to the FASB ASC. The ASU is effective for most nonprofit organizations for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted.

**THE UNUSUAL SUSPECTS THEATRE COMPANY**  
**(A NONPROFIT ORGANIZATION)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 3 – CONCENTRATION OF CREDIT RISK**

Financial instruments that potentially expose the Organization to a concentration of credit risk consist primarily of cash and cash equivalents, grants and accounts receivable. Cash and cash equivalents are placed with high-credit, quality financial institutions, and are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

With respect to grants and accounts receivables, the Organization routinely assesses the financial strength of its debtors and believes that the receivables credit risk exposure is limited.

**NOTE 4 – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at December 31,:

	2018	2017
Furniture, fixtures, and equipment	\$ 17,441	\$ 17,441
Computer equipment	<u>27,290</u>	<u>27,290</u>
	44,731	44,731
Less accumulated depreciation	<u>(30,142)</u>	<u>(25,291)</u>
<b>Property and equipment, net</b>	<b><u>\$ 14,589</u></b>	<b><u>\$ 19,440</u></b>

Depreciation expense for the years ended December 31, 2018 and 2017 were \$4,851 and 3,702, respectively.

**NOTE 5 – NET ASSETS WITH DONOR RESTRICTION**

The organization's net assets with donor restriction consist of the following at December 31,

	2018	2017
Program residencies	\$ 14,750	\$ 2,500
Time restrictions	<u>25,000</u>	<u>80,000</u>
<b>Total</b>	<b><u>\$ 39,750</u></b>	<b><u>\$ 82,500</u></b>

**THE UNUSUAL SUSPECTS THEATRE COMPANY**  
**(A NONPROFIT ORGANIZATION)**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 6 - IN-KIND CONTRIBUTIONS**

In-kind contributions for the years ended December 31, 2018 and 2017, consisted of the following:

	2018	2017
Donated program services	\$ 20,700	\$ 7,659
Donated operating services	2,403	18,000
Donated program materials	10,740	19,425
<b>Total</b>	<b>\$ 33,843</b>	<b>\$ 45,084</b>

**NOTE 7 – RELATED PARTY TRANSACTIONS**

During the years ended December 31, 2018 and 2017 the Organization had received \$25,163 and \$21,287, respectively, from its board members.

**NOTE 8- INFORMATION ABOUT LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

At December 31, 2018 the Organization’s net assets had \$52,000 donor-imposed restrictions. All net assets are considered as liquid to satisfy its general expenditures, liabilities, and other obligations when they come due

The Organization’s financial assets available with one year of the statement of financial position date for general expenditure are as follows:

Cash	\$ 499,719
Receivables	73,921
Total financial assets	573,640
Donor-imposed restrictions	( 39,750)
Financial assets available to meet cash needs for general expenditures within one year	\$ 533,890

**NOTE 9- METHODS USED FOR ALLOCATION OF EXPENSES AMONG PROGRAM AND SUPPORTING SERVICES**

The financial statements report certain categories of expenses that are attribute to one or more program or supporting services of the Organization. Those expenses include office overhead, supplies, communications, information technology, and depreciation. These expenses are allocated based on a time and cost study of where efforts are made, or for the cost such communications are allocated based utilization which is estimated using payroll allocation.

# THE UNUSUAL SUSPECTS THEATRE COMPANY

(A NONPROFIT ORGANIZATION)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

---

## NOTE 9- METHODS USED FOR ALLOCATION OF EXPENSES AMONG PROGRAM AND SUPPORTING SERVICES (Continued)

The Organization modified its allocation methodology in 2018. The new methodology resulted in the following allocation: 81% program service, 5% management and general, and 14% fundraising. Had the same methodology applied to 2017, the 2017 function expenses would have been allocated as: 78% program Service, 6% management and general, and 17% fundraising (unaudited).

## NOTE 10 – COMMITMENTS

### Insurance

The Organization carries effective general liability insurance policy of \$3,000,000 in aggregate and maintains directors' and officers' liability insurance of \$1,000,000 in aggregate.

### Government Contracts

The Organization has provided services under federal and/or state contracts that are subject to review and audit by governmental funding agencies. Although such audits could generate disallowances under terms of the contracts, it is believed that any required reimbursement would not be material.

### Leases

In November 2017, the Organization extended its lease for the administrative office under an operating lease agreement that expires in November of 2022.

The future minimum lease payments under these multi-year leases were:

<u>Year Ended December 31,</u>	
2019	\$ 54,000
2020	55,575
2021	56,700
2022	<u>51,975</u>
<b>Total</b>	<b><u>\$ 218,250</u></b>

Lease expense under this agreement for the years ended December 31, 2018 and 2017 was \$54,000 and \$49,300, respectively.

## NOTE 11 – SUBSEQUENT EVENT

The subsequent events had been updated through the date of the report, which is the date when the financial statements became available to be issued. According to management there were no subsequent events with a material impact requiring further disclosure.