



**TECO THEATRICAL PRODUCTIONS, INC.  
d/b/a BISHOP ARTS THEATRE CENTER**

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT**

Year Ended December 31, 2017

**TECO THEATRICAL PRODUCTIONS, INC.**  
**d/b/a BISHOP ARTS THEATRE CENTER**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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Darrell Harris CPA P.C.  
Certified Public Accounting Firm

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
TECO THEATRICAL PRODUCTIONS, INC. d/b/a BISHOP ARTS THEATER CENTER

I have audited the accompanying financial statements of TECO THEATRICAL PRODUCTIONS, INC. d/b/a BISHOP ARTS THEATER CENTER (a Texas nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TECO THEATRICAL PRODUCTIONS, INC. d/b/a BISHOP ARTS THEATER CENTER as of December 31, 2017, 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.

*Darrell Harris*

Darrell Harris, CPA  
Dallas, Texas  
June 21, 2018

**TeCo Theatrical Productions, Inc.**  
**d/b/a BISHOP ARTS THEATRE CENTER**  
**Statement of Financial Position**  
**December 31, 2017**

**ASSETS**

Current Assets

Cash and Cash Equivalents (Note 1c)	\$	73,236
Grants/Contracts Receivable (Note 2)		57,366
Prepaid Expenses		8,250
Total Current Assets		138,852

Property and Equipment (Note 1d) (Note 3)

Land		25,000
Building and Improvements		1,301,862
Furniture and Fixtures		29,001
Equipment		33,744
Less: Accumulated Depreciation		(422,391)
Total Fixed Assets		967,216

Other Assets

Loan Service Fees (Note 4)		9,155
Total Other Assets		9,155

**TOTAL ASSETS** **\$ 1,115,223**

**LIABILITIES AND NET ASSETS**

Current Liabilities

Accounts Payable and Accrued Liabilities	\$	19,918
Current Portion of Long-Term Debt		16,365
Deferred Revenue (Note 1g)		4,000
Total Current Liabilities		40,283

Long-Term Liabilities (Note 4)

Note Payable		622,006
Less: Current Portion of Long-Term Debt		(16,365)
Total Long-Term Liabilities		605,641
Total Liabilities		645,924

Net Assets

Unrestricted		417,408
Temporarily Restricted Net Assets (Note 5)		51,891
Total Net Assets		469,299

**TOTAL LIABILITIES AND NET ASSETS** **\$ 1,115,223**

The accompanying notes are an integral part of the financial statements

**TeCo Theatrical Productions, Inc.**  
**d/b/a BISHOP ARTS THEATRE CENTER**  
**Statement of Activities**  
**For The Year Ended December 31, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUE AND PUBLIC SUPPORT</b>			
Corporate/Foundation Sponsorships (Note 6)	\$ 33,385	\$ 0	\$ 33,385
Individual Donations	31,018	0	31,018
Grants (Note 7)	58,891	51,891	110,782
Arts Education	54,121	0	54,121
Admissions/Ticket Sales	908,411	0	908,411
Rental Income	27,790	0	27,790
Other Income	1,101	0	1,101
	<u>1,114,717</u>	<u>51,891</u>	<u>1,166,608</u>
Net Assets Released from Restriction			
Satisfaction of Program Use (Note 8)	<u>93,782</u>	<u>(93,782)</u>	<u>0</u>
Total Revenue and Public Support	1,208,499	(41,891)	1,166,608
<b>EXPENSES</b>			
Program Services	1,173,412	0	1,173,412
Management and General	22,989	0	22,989
Fundraising	16,906	0	16,906
	<u>1,213,307</u>	<u>0</u>	<u>1,213,307</u>
<b>(DECREASE) IN NET ASSETS</b>	(4,808)	(41,891)	(46,699)
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>422,216</u>	<u>93,782</u>	<u>515,998</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 417,408</u>	<u>\$ 51,891</u>	<u>\$ 469,299</u>

The accompanying notes are an integral part of the financial statements

**TeCo Theatrical Productions, Inc.**  
**d/b/a BISHOP ARTS THEATRE CENTER**  
**Statement of Functional Expenses**  
**For The Year Ended December 31, 2017**

<u>Natural Expense Categories</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Salaries and Wages	\$ 131,124	\$ 8,757	\$ 9,503	\$ 149,384
Payroll Taxes and Benefits	14,256	952	1,033	16,241
Accounting Fees	0	6,035	0	6,035
Production Expenses	775,541	0	0	775,541
Educational Expenses	45,397	0	0	45,397
Program Materials	18,617	0	0	18,617
Promotional*	15,037	0	0	15,037
Royalties	5,433	0	0	5,433
Travel Expense	11,952	798	866	13,616
Conferences and Meetings	10,989	734	797	12,520
Office Expense	32,156	2,148	2,330	36,634
Occupancy	47,300	1,493	996	49,789
Interest Expense	24,112	761	508	25,381
Depreciation Expense (Note 3)	34,314	1,084	722	36,120
Insurance	7,184	227	151	7,562
<b>Total Expenses</b>	<b>\$ <u>1,173,412</u></b>	<b>\$ <u>22,989</u></b>	<b>\$ <u>16,906</u></b>	<b>\$ <u>1,213,307</u></b>

\* Includes advertising expense in the amount of \$11,904 (Note 1k)

The accompanying notes are an integral part of the financial statements

**TeCo Theatrical Productions, Inc.**  
**d/b/a BISHOP ARTS THEATRE CENTER**  
**Statement of Cash Flows**  
**For The Year Ended December 31, 2017**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in Net Assets	\$ (46,699)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation Expense	36,120
Decrease in Grants/Contracts Receivable	78,156
Increase in Prepaid Expenses	(8,250)
(Increase) in Loan Service Fees	(9,155)
Increase in Accounts Payable and Accrued Liabilities	428
Increase in Deferred Revenue	4,000
Net Cash Provided by Operating Activities	54,600

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of Fixed Assets	0
Net Cash (Used) by Investing Activities	0

**CASH FLOWS FROM FINANCING ACTIVITIES**

Additional advances on notes payable	640,000
Payments on notes payable and line of credit	(633,621)
Net Cash Provided by Financing Activities	6,379

**NET INCREASE IN CASH AND CASH EQUIVALENTS** 60,979

**CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** 12,257

**CASH AND CASH EQUIVALENTS AT END OF YEAR** \$ 73,236

**SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION**

Cash	
Interest Expense Paid	26,502

The accompanying notes are an integral part of the financial statements

**TeCo Theatrical Productions, Inc.**  
**d/b/a BISHOP ARTS THEATRE CENTER**  
**Notes to Financial Statements**  
**December 31, 2017**

**NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

Nature of Activities

TeCo Theatrical Productions, Inc. (dba Bishop Arts Theatre Center) is an award-winning multicultural theatre company that offers a full season of theatre performances, jazz concerts, lecture series, and year-round arts education programs in Dallas, TX. Chartered in September of 1993, our mission is to cultivate a diverse and vibrant arts community while creating sustainable opportunities for local and emerging artists through performance and education. The theatre has been dedicated to producing theatre that meets the highest artistic standards having earned countless awards and accolades, most recently six Irma P. Hall Awards, several Oak Cliff Chamber of Commerce Awards for service to the community, and the organization was one of three local organizations awarded the prestigious Excellence in The Arts Award by the Stanford Financial Group and the City of Dallas Office of Cultural Affairs for demonstrating exemplary financial management. Since inception, the organization has received federal funding from government agencies and gained practical experience with managing public funds.

In 2006, a 10,000 square ft. building was donated to the nonprofit organization, and despite a downward spiral economy, the theatre was able to complete the renovations in 2008. Today, our new home includes a 170 seat proscenium theatre with dressing rooms, executive offices, an art gallery, a learning laboratory and an arts business incubator center.

At the heart of theater lies imagination. Ten years ago, when we embarked on the journey towards opening a new theatrical home—a twisting windy path pockmarked with detours—we asked our audience to imagine a beautiful, intimate, and dynamic new performance space. In the midst of a challenging and daunting economic climate, we asked our community to dream big and to suspend their disbelief. Together, we have turned imagination into reality. The organization is a Texas nonprofit organization that impacts more than 30,000 adults and children each year.

The Organization is a Texas nonprofit organization that impacts more than 15,000 adults and children each year and whose mission is to cultivate a diverse and vibrant arts community while creating sustainable opportunities for local and emerging artists through performances and education.

Significant Accounting Policies

Management selects accounting principles generally accepted in the United States of America and adopts methods for their application. This summary of significant accounting policies selected by the Organization's management is presented to assist in understanding the financial statements.



**TeCo Theatrical Productions, Inc.**  
**d/b/a BISHOP ARTS THEATRE CENTER**  
**Notes to Financial Statements**  
**December 31, 2017**

(a) Basis of Accounting

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America. Accordingly, revenues are recognized when earned and expenses are recorded when incurred on the accrual basis of accounting.

(b) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Accordingly, it is reasonably possible for actual results to differ from those estimates.

(c) Cash and Cash Equivalents

For statement of cash flow purposes, cash equivalents include highly liquid investments that are readily convertible to known amounts of cash within three month or less. The Organization estimates that the fair value of cash and cash equivalents do not differ materially from the aggregate carrying value recorded in the accompanying statement of financial position as of December 31, 2017.

(d) Property and Equipment

It is the Organization's policy to capitalize property and equipment with an acquisition cost greater than \$1,000. Lesser amounts are expensed. Donations of property and equipment are recorded as contributions at their estimated fair value. The cost of maintenance and repairs are charged to expense as incurred. Property and equipment are depreciated using the straight-line method over the estimated useful life of the assets.

Building and Improvements	39 years
Furniture, Fixtures and Equipment	5-7 years

(e) Impairment of Long-Lived Assets

Management evaluates its long-lived assets for financial impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. An impairment loss is recognized when the undiscounted future cash flows from the assets are less than the carrying value of the assets.

**TeCo Theatrical Productions, Inc.**  
**d/b/a BISHOP ARTS THEATRE CENTER**  
**Notes to Financial Statements**  
**December 31, 2017**

Assets to be disposed of are reported at the lower of their carrying amount or fair value, less cost to sell. Management is of the opinion that the carrying amount of its long-lived assets does not exceed their estimated recoverable amount.

(f) Net Asset Accounting

The accounts of the Organization are maintained in accordance with the principles of net asset accounting. Under net asset accounting, resources are classified into categories of unrestricted, temporarily restricted, or permanently restricted net assets according to funding source restrictions as to timing and purpose of resources. The categories are described as follows:

*Unrestricted net assets* are those funds not restricted by donor-imposed stipulations. Unrestricted net assets include certain funds that the Board of Directors has determined are to be retained for a particular purpose.

*Temporarily restricted net assets* are those funds restricted by the donor(s) to be expended only for a specific purpose or within a certain time.

*Permanently restricted net assets* are subject to donor-imposed restrictions that must be maintained in perpetuity. Only the income generated from such assets may be used by the Organization. There were no temporarily restricted or permanently restricted net assets at December 31, 2017.

(g) Deferred Revenue

The Organization receives rental income for use of the building by another non-profit organization. Rental income for 2018 was received in 2017 and the rental income will be recognized as revenue and the corresponding liability relieved in 2018. The deferred revenue for rental income at December 31, 2017 amounted to \$4,000.

(h) Contributions

Contributions are recorded when the donor makes an unconditional promise to give to the Organization. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions.

**TeCo Theatrical Productions, Inc.**  
**d/b/a BISHOP ARTS THEATRE CENTER**  
**Notes to Financial Statements**  
**December 31, 2017**

(i) Donated Tangible Assets, Services, and Use of Property

Donated assets are recorded at fair market value on the date of receipt in the appropriate investment, expense or equipment account. In the absence of donor restrictions, donated assets are reported as unrestricted revenue. Contributed services are recognized as unrestricted revenues if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by contribution. Contributed use of facilities/materials is recorded at their fair value at the time of the transaction.

(j) Functional Allocation of Expenses

Management summarizes program service and supporting service expenses on a functional basis in the statement of activities. Accordingly, certain expenses have been allocated to program services and supporting services.

(k) Advertising

The Organization utilizes advertising to promote its programs to supporters and the general public. The costs of advertising are expensed when incurred and advertising expense was \$11,904 for the year ended December 31, 2017.

(l) Uncertain Tax Positions

The Organization is a not-for-profit organization that is exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code as other than a private Organization. The Organization is not aware of any activities that would jeopardize its tax-exempt status and is not aware of any activities that are subject to tax on unrelated business income.

As of December 31, 2017, The Organization believes that it has appropriate support for any tax positions taken, and as such, has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

With few exceptions, Federal information returns filed prior to 2014 for the Organization are no longer subject to examination by tax authorities.

**TeCo Theatrical Productions, Inc.**  
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**Notes to Financial Statements**  
**December 31, 2017**

(m) Subsequent Events

Management reviewed Type 1 subsequent events (events that reveal conditions existing at or before the balance sheet date and require adjustment to the financial statements) and Type 2 subsequent events (events that reveal conditions arising after the balance sheet date and require disclosure in, but not adjustment to, the financial statements). No subsequent events were noted

Subsequent events were evaluated through June 21, 2018 which is the date of the report.

(n) Recent Accounting Pronouncements

The accounting principles governing the reported amounts, presentations, and disclosures in our financial statements are subject to change from time to time based on the issuance of new pronouncements of various standard-setting bodies. New pronouncements not yet in effect as of December 31, 2017, will not have a material effect on our financial statements of financial position, activities, and cash flows.

(o) Fair Value Measurement

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820 *Fair Value Measurements and Disclosures* established a framework for measuring fair value. That framework provides for a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements), and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

*Level 1* - Inputs based on unadjusted quoted prices for identical assets or liabilities accessible at the measurement date.

*Level 2* – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets.

*Level 3* - Unobservable inputs for the asset or liability including the reporting entity's own assumptions in determining the fair value measurement.

**TeCo Theatrical Productions, Inc.**  
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**Notes to Financial Statements**  
**December 31, 2017**

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes that its valuation methods are appropriate and consistent with other market techniques, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Organization has no financial instruments with Level 1, 2, or 3 inputs that require disclosure.

**NOTE 2: GRANTS/CONTRACTS RECIEVABLE**

Receivable funds as of December 31, 2017 consist of the following:

	<u>Amount</u>
City of Dallas-Office of Cultural Affairs	\$ 51,891
All Others	5,475
Total	\$ 57,366

An allowance for uncollectible receivables is not deemed necessary due to collection verification.

**NOTE 3: PROPERTY AND EQUIPMENT**

Property and Equipment at December 31, 2017 consist of the following:

	<u>Historical Cost</u>	<u>Accum Depreciation</u>	<u>Net Fixed Assets</u>
Land	\$ 25,000	\$ -	\$ 25,000
Building and Improvements(39 yrs)	1,301,862	(367,516)	934,346
Furniture and Fixtures (5 yrs)	29,001	(29,001)	-
Equipment (5 yrs)	33,744	(25,874)	7,870
Totals	\$ 1,389,607	\$ (422,391)	\$ 967,216

Depreciation expense for the fiscal year was \$36,120.

**TeCo Theatrical Productions, Inc.**  
**d/b/a BISHOP ARTS THEATRE CENTER**  
**Notes to Financial Statements**  
**December 31, 2017**

**NOTE 4: NOTE PAYABLE/LOAN SERVICE FEES**

Note payable consists of the following at December 31, 2017:

In January 2017, the Organization entered into an agreement with a financial institution to refinance the previous construction loan to provide renovation financing for the property at 213 South Tyler Street, Dallas, Texas, with the property as collateral for the loan.

The note was refinanced in the amount of \$640,000 with 59 payments of \$3,306 and one balloon payment of \$558,723 with an interest rate of 3.74% and a maturity date of January 27, 2022. The remaining balance is \$622,006.

Total Notes Payable	\$ 622,006
Less: Portion Currently Due	<u>(16,365)</u>
Long-Term Liabilities	<u>\$ 605,641</u>

Future minimum payments on notes payable are as follows for the years ended December 31,

2018	\$ 16,365
2019	16,996
2012	17,589
2021	18,330
2022	<u>552,726</u>
Total Notes Payable	<u>\$ 622,006</u>

As part of the refinanced note, loan services fees in the amount of \$11,211 were capitalized and will be amortized over the life of the loan. The unamortized balance at December 31, 2017 amounted to \$9,155.

**NOTE 5: TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets as of December 31, 2017 consist of grant receivable cash equivalent balances and are available for the following purposes:

	Amount
Grant Receivable (Time Restriction)	\$ 51,891
Total	<u>\$ 51,891</u>

**TeCo Theatrical Productions, Inc.**  
**d/b/a BISHOP ARTS THEATRE CENTER**  
**Notes to Financial Statements**  
**December 31, 2017**

**NOTE 6: CORPORATE/FOUNDATION SPONSORSHIPS**

During the fiscal year ending December 31, 2017, the organization received the following corporate contributions:

	Amount
Dallas Convention and Visitors Bureau	\$ 15,125
Frost Bank	6,500
Texas Capital Bank	5,000
Communities Foundation of Texas	3,000
RSF Social Finance	2,000
Dallas Foundation	1,760
Total	\$ 33,385

**NOTE 7: GRANTS**

During the fiscal year ending December 31, 2017, the organization received the following grants:

	Amount
City of Dallas-OCA Grant	\$ 103,782
Texas Commission on the Arts	7,000
Total	\$ 110,782

**NOTE 8: NET ASSETS RELEASED FROM DONOR RESTRICTIONS**

Net assets were released from donor restrictions as expenses were incurred which simultaneously satisfied the restricted purposes of the funds. Net assets released during the year ending December 31, 2017 are as follows:

	Amount
City of Dallas-OCA Grant (Time Restriction)	\$ 93,782
Total	\$ 93,782

**TeCo Theatrical Productions, Inc.**  
**d/b/a BISHOP ARTS THEATRE CENTER**  
**Notes to Financial Statements**  
**December 31, 2017**

**NOTE 9: RELATED PARTY TRANSACTIONS**

The organization contracts with ALW Entertainment, a national touring company, to produce national theatrical productions (approximately 2-3 productions annually) for the purpose of furthering the organization's exempt purpose. The partnership has been a consistent source of income for nearly two decades that has provided financial stability to the Organization.

ALW Entertainment is owned by the spouse of the executive director of the organization. ALW Entertainment was paid \$434,227 for production costs during 2017. The organization is guaranteed 3-5% of gross ticket sales per production.

The organization has a written conflict of interest policy. The policy prevents the executive director from making any decisions in relation to the terms of the agreement between ALW Entertainment and the organization.

**NOTE 10: COMPENSATED ABSENCES**

Employees of the Organization are entitled to paid vacation and personal days off, depending on length of service and other factors. It is impracticable to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the financial statements. The Organization's policy is to expense the costs of compensated absences when actually paid to employees.

**NOTE 11: CONCENTRATION OF RISK**

The Organization receives a significant amount of support from the City of Dallas through service contract grants that are renewed on an annual basis. The Organization reported \$103,782 in revenue from the above mentioned grants during the year ended December 31, 2017.

**NOTE 12: VOLUNTEER CONTRIBUTED SERVICES**

The Organization uses volunteer contributed services for operations and productions. The Organization estimates the volunteer hours during the fiscal year ending December 31, 2017 to be approximately 680. Volunteer services are not recorded in these financial statements since they do not meet the criteria set forth in Note 1 under Donated Assets and Services.