

REG LENNA CENTER FOR THE ARTS, INC.

FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
AUGUST 31, 2015 AND 2014**

REG LENNA CENTER FOR THE ARTS, INC.

TABLE OF CONTENTS

	Page(s)
Independent Auditors' Report	1 - 2
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 13

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Reg Lenna Center for the Arts, Inc.
Jamestown, New York

We have audited the accompanying financial statements of Reg Lenna Center for the Arts, Inc., (formally Reg Lenna Civic Center, Inc., a non-profit organization), which comprise the statements of financial position as of August 31, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 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 auditors' 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 auditors consider 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 Reg Lenna Center for the Arts, Inc. as of August 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Saxton, Kocur and Associates, LLP

Saxton, Kocur and Associates, LLP
November 25, 2015

**REG LENNA CENTER FOR THE ARTS, INC.
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2015 AND 2014**

ASSETS

	<u>2015</u>	<u>2014</u>
CURRENT ASSETS		
Cash	\$ 20,062	\$ 121,562
Accounts receivable	30,106	1,899
Grant receivable, current portion	100,000	52,500
Prepaid expenses	48,331	33,438
Total current assets	<u>198,499</u>	<u>209,399</u>
PROPERTY AND EQUIPMENT, net of accumulated depreciation	<u>3,255,900</u>	<u>3,149,080</u>
GRANT RECEIVABLE, long-term portion	<u>189,970</u>	<u>-</u>
OTHER ASSETS		
Cash restricted - equipment and Master Plan project	88,699	-
Cash held for others	8,880	19,362
Art objects	24,370	24,370
Total other assets	<u>121,949</u>	<u>43,732</u>
TOTAL ASSETS	<u>\$ 3,766,318</u>	<u>\$ 3,402,211</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 46,569	\$ 31,093
Accrued expenses and security deposits	25,339	20,067
Cash held for others	8,880	19,362
Loan payable - JURA	-	57,300
Deferred revenue	5,661	24,900
Refundable grants	37,806	89,741
Line of credit	-	65,000
Total current liabilities	<u>124,255</u>	<u>307,463</u>
NET ASSETS		
Unrestricted	3,129,469	3,093,748
Temporarily restricted	512,594	1,000
Total net assets	<u>3,642,063</u>	<u>3,094,748</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,766,318</u>	<u>\$ 3,402,211</u>

See accompanying notes to the financial statements.

REG LENNA CENTER FOR THE ARTS, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2015 AND 2014

	2015	2014
<u>UNRESTRICTED NET ASSETS</u>		
Support:		
Contributions - individual	\$ 30,706	\$ 7,161
Contributions - corporate/non-profit funding agencies	82,566	114,377
Contributions - foundations	708,293	290,125
Contributions - donated services	5,000	10,559
Fundraising	-	20,125
Grants - governmental	77,313	113,000
Net assets released from restrictions:		
Satisfaction of purpose restriction	1,000	57,377
Total unrestricted support	904,878	612,724
Revenue:		
Admissions and concessions	245,132	145,676
Advertising	4,385	9,533
Fees and contracts	213,151	254,169
Rentals	80,761	77,051
Interest income	49	246
Miscellaneous	15,173	4,328
Total revenue	558,651	491,003
Total unrestricted support and revenue	1,463,529	1,103,727
Expenses by program and supporting services:		
Program services:		
Performing	439,017	332,534
Buildings	416,761	407,542
WRFA	111,485	83,749
Gallery and other	8,049	21,180
Total program services	975,312	845,005
Supporting services:		
Operations	448,537	350,690
Fundraising	3,959	6,429
Total expenses	1,427,808	1,202,124
Change in unrestricted net assets	35,721	(98,397)

	<u>2015</u>	<u>2014</u>
<u>TEMPORARILY RESTRICTED NET ASSETS</u>		
Support:		
Contributions - foundations and individuals	\$ 512,594	\$ 1,000
Net assets released from restrictions:		
Satisfaction of purpose restriction	<u>(1,000)</u>	<u>(57,377)</u>
Change in temporarily restricted net assets	<u>511,594</u>	<u>(56,377)</u>
CHANGE IN NET ASSETS	547,315	(154,774)
NET ASSETS AT BEGINNING OF YEAR	3,094,748	3,044,956
NET ASSETS TRANSFERRED IN MERGER	<u>-</u>	<u>204,566</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,642,063</u>	<u>\$ 3,094,748</u>

See accompanying notes to the financial statements.

**REG LENNA CENTER FOR THE ARTS, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED AUGUST 31, 2015 AND 2014**

2015

	Performing	Buildings	WRFA	Gallery/Other	Operations	Fundraising	Total
Wages	\$ 119,733	\$ 44,064	\$ 57,594	\$ -	\$ 256,226	\$ -	\$ 477,617
Benefits	3,646	5,100	3,000	-	41,250	-	52,996
Payroll taxes	9,120	3,123	4,643	-	21,606	-	38,492
Artistic contractual	146,400	-	-	-	-	-	146,400
Outside services	14,337	97	29,464	5,872	10,874	1,097	61,741
Conference and travel	1,298	56	1,976	-	3,273	-	6,603
Advertising	34,888	-	1,340	-	-	-	36,228
Supplies	3,227	7,160	85	391	3,767	24	14,654
Movies	23,424	-	-	-	-	-	23,424
Concessions	14,205	-	-	-	-	-	14,205
Technical/computer support	-	553	9,801	-	5,670	-	16,024
Telephone	-	-	432	-	5,131	-	5,563
Occupancy	-	54,805	-	-	1,087	-	55,892
Insurance	-	-	-	-	52,103	-	52,103
Equipment rental and maintenance	16,102	14,399	1,350	-	4,231	-	36,082
Building maintenance	850	109,428	250	851	13,626	-	125,005
Postage and shipping	2,764	58	-	144	1,392	49	4,407
Printing	11,809	78	817	313	3,727	348	17,092
Ticketing fees	12,546	-	-	-	-	-	12,546
Interest	-	-	-	-	4,389	-	4,389
Reception and other	11,280	803	733	478	517	2,441	16,252
Credit card processing and other fees	13,328	-	-	-	275	-	13,603
Miscellaneous	60	-	-	-	-	-	60
Bad debt	-	1,978	-	-	-	-	1,978
Expenses before depreciation	439,017	241,702	111,485	8,049	429,144	3,959	1,233,356
Depreciation	-	175,059	-	-	19,393	-	194,452
	<u>\$ 439,017</u>	<u>\$ 416,761</u>	<u>\$ 111,485</u>	<u>\$ 8,049</u>	<u>\$ 448,537</u>	<u>\$ 3,959</u>	<u>\$ 1,427,808</u>

2014

	Performing	Buildings	WRFA	Gallery/Other	Operations	Fundraising	Total
Wages	\$ 127,745	\$ 65,805	\$ 33,445	\$ 6,886	\$ 138,593	\$ -	\$ 372,474
Benefits	160	75	-	-	43,773	-	44,008
Payroll taxes	9,554	5,046	2,393	484	15,537	-	33,014
Artistic contractual	123,013	-	4,958	3,597	150	300	132,018
Outside services	1,890	502	24,943	4,258	31,790	-	63,383
Conference and travel	4,018	-	335	-	6,307	-	10,660
Advertising	15,452	-	1,257	-	18,351	-	35,060
Supplies	3,970	1,732	3,940	1,453	4,448	24	15,567
Telephone	175	150	180	-	5,486	-	5,991
Occupancy	83	59,697	-	-	-	500	60,280
Insurance	-	-	-	-	39,452	-	39,452
Equipment rental and maintenance	10,644	19,106	6,049	4,097	21,313	406	61,615
Building maintenance	632	83,138	-	26	1,092	-	84,888
Postage and shipping	527	369	457	3	1,315	168	2,839
Printing	2,012	400	3,077	52	2,323	219	8,083
Memberships	45	-	1,883	-	1,571	-	3,499
Interest	-	-	-	-	4,719	-	4,719
Reception and other	3,910	244	684	260	2,069	3,782	10,949
Credit card processing and other fees	21,632	32	-	14	6	-	21,684
Miscellaneous	7,072	-	148	50	2,098	1,030	10,398
Bad debt	-	-	-	-	-	-	-
Expenses before depreciation	332,534	236,296	83,749	21,180	340,393	6,429	1,020,581
Depreciation	-	171,246	-	-	10,297	-	181,543
	\$ 332,534	\$ 407,542	\$ 83,749	\$ 21,180	\$ 350,690	\$ 6,429	\$ 1,202,124

See accompanying notes to the financial statements.

REG LENNA CENTER FOR THE ARTS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 547,315	\$ (154,774)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	194,452	181,543
Grants received for investment in property/equipment	(300,000)	-
(Increase) decrease in:		
Accounts receivable	(28,207)	3,653
Grant receivable, current and long-term	(237,470)	(43,148)
Prepaid expenses	(14,893)	(11,405)
Increase (decrease) in:		
Accounts payable	15,476	8,488
Accrued expenses and security deposits	5,272	(5,146)
Deferred revenue	(19,239)	(7,575)
Refundable grants	(51,935)	89,741
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>110,771</u>	<u>61,377</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Grants restricted for purchase of property/equipment	300,000	-
Purchases of property and equipment	(301,272)	(168,577)
NET CASH USED BY INVESTING ACTIVITIES	<u>(1,272)</u>	<u>(168,577)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings from line of credit	80,000	-
Repayment of line of credit	(145,000)	(55,000)
Loan from JURA	15,000	-
Repayment of loan payable - JURA	(72,300)	(22,500)
Purchase of assets restricted for property/equipment	(88,699)	-
NET CASH USED BY FINANCING ACTIVITIES	<u>(210,999)</u>	<u>(77,500)</u>
NET DECREASE IN CASH	(101,500)	(184,700)
CASH, BEGINNING OF YEAR	121,562	104,041
CASH RECEIVED FROM MERGER	-	202,221
CASH, END OF YEAR	<u>\$ 20,062</u>	<u>\$ 121,562</u>

Noncash Investing and Financing Activities: During the year ended August 31, 2014, a digital cinema projection system and sound equipment was acquired for the Organization through payments of behalf of the Organization by a local governmental unit. The Organization repaid the local governmental unit in October, 2014.

See accompanying notes to the financial statements.

REG LENNA CENTER FOR THE ARTS, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ACTIVITIES – The Reg Lenna Center for the Arts, Inc. (the Organization) was incorporated and exists to operate the Reg Lenna Center for the Arts, Inc. and to conduct various programs at the Reg Lenna Theater in downtown Jamestown, New York. Major sources of revenues consist of contributions, theater and building rent, and performance admissions.

PROGRAMS - Programs consist of the following: Performing - Artistic and cultural performances for the general public; Operations - Running of the Reg Lenna Theater, which is used for cultural and community events.

BASIS OF ACCOUNTING - The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payable, and other liabilities.

BASIS OF PRESENTATION - The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

CONTRIBUTIONS - Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted for future periods or for specific purposes are reported as temporarily restricted or permanently restricted support that increase those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets are released from restrictions. Restricted contributions are reported as unrestricted net assets if the restriction expires in the same year that the contribution was made.

CASH EQUIVALENTS - For purposes of the Statements of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

RECEIVABLES - Receivables are stated at the amount management expects to collect from outstanding balances. The Organization believed that all receivables as of August 31, 2015 and 2014, were fully collectible, and accordingly, no allowance for doubtful accounts was established. If amounts become uncollectible, they will be charged to operations when the determination is made.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

INCOME TAXES - The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law.

The Organization's federal and state exempt Organization returns for the years August 31, 2012 and after, are subject to examination by such jurisdictions, generally for three years after filing.

PROPERTY, EQUIPMENT AND DEPRECIATION - Property and equipment are recorded at cost or, if donated, at the estimated fair value at the date of donation. Acquisitions of property and equipment over \$2,500 are capitalized. Donated property and equipment are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as temporarily restricted support. Such support is reclassified to unrestricted support when the restrictions expire or property and equipment is purchased. Depreciation of property and equipment is provided on a straight-line basis over the estimated useful lives of the assets.

FAIR VALUE - The fair value of the Organization's current assets and current liabilities approximate their carrying values due to the short-term nature of maturities and expected collection or payment periods or because the terms are similar to market terms.

ADVERTISING - The Organization uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. Advertising expense was \$36,228 and \$35,060 for the years ended August 31, 2015 and 2014, respectively.

FUNCTIONAL ALLOCATION OF EXPENSES - The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

USE OF ESTIMATES - Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

DONATED SERVICES - Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers also provide fund-raising services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria are not met. For the years ended August 31, 2015 and 2014, donations of \$5,000 and \$10,559, respectively, and expenses of the same amount have been recorded in these financial statements.

SUBSEQUENT EVENTS - Subsequent events were evaluated through November 25, 2015, which is the date the financial statements were available to be issued.

NOTE 2 - GRANT RECEIVABLE

	2015	2014
Unconditional grant before unamortized discount	\$ 300,000	\$ 52,500
Less: Unamortized discount	<u>(10,030)</u>	<u>-</u>
Net unconditional grant receivable	<u>\$ 289,970</u>	<u>\$ 52,500</u>
Amounts due in:		
Current - less than one year	\$ 100,000	\$ 52,500
Long-term - one to five years	<u>200,000</u>	<u>-</u>
	<u>\$ 300,000</u>	<u>\$ 52,500</u>

The 2015 grant receivable has been discount at 3.5%, with \$100,000 to be used each of the next three years for the general operation of the Organization.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at August 31:

	2015	2014
Buildings	\$ 546,311	\$ 546,311
Building renovations	5,594,619	5,397,391
Land	3,000	3,000
Equipment and furniture	<u>298,194</u>	<u>194,149</u>
	6,442,124	6,140,851
Less accumulated depreciation	<u>3,186,224</u>	<u>2,991,771</u>
	<u>\$ 3,255,900</u>	<u>\$ 3,149,080</u>

NOTE 4 - LINE OF CREDIT

The Organization has a line of credit for \$250,000, with interest at prime plus 1%. At August 31, 2015 and 2014, the outstanding balance was \$0 and \$65,000, respectively. The line is secured by real property.

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

Contributions restricted by time or purpose:

	2015	2014
Master plan - Sheldon Foundation grant	\$ 172,624	\$ -
Theatre equipment - Johnson Foundation grant	50,000	-
General operations - Sheldon Fndt. for 2015 - 2018	289,970	-
Videoworks	-	1,000
	<u>\$ 512,594</u>	<u>\$ 1,000</u>

NOTE 6 - FUNDS HELD BY CHAUTAUQUA REGION COMMUNITY FOUNDATION

In 1988, the Organization transferred \$600,000 of capital campaign funds to the Chautauqua Region Community Foundation, Inc. (CRCF) to establish the Reg Lenna Civic Center General Endowment Fund (General Fund). Since inception, additional contributions have been made directly to this fund. The Reg Lenna Civic Center/Julian B. Wright Memorial Fund (Wright Fund) was established at the CRCF in March 1986. The Organization receives earnings distributions from both funds. During the years ended August 31, 2015 and 2014, \$81,510 and \$52,229, respectively, of earnings distributions were received. As provided by the CRCF, the value of the General Fund was \$1,539,514 and the value of the Wright Fund was \$10,685 at August 31, 2015. At August 31, 2014, the CRCF provided a value of \$1,583,362 for the General Fund and \$10,789 for the Wright Fund.

In 1997, the Lenna Foundation established an initial \$500,000 endowment fund at the CRCF for the maintenance of the Civic Center. The Organization received earnings distributions from this fund of \$25,625 and \$68,028 during the years ended August 31, 2015 and 2014, respectively. The fund's value as provided by the CRFC was \$677,118 and \$686,470 at August 31, 2015 and 2014, respectively.

The Chautauqua Region Community Foundation, Inc. has been granted variance power over all the aforementioned funds.

NOTE 7 - SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

During the years ended August 31, 2015 and 2014, the Organization paid interest of \$4,389 and \$4,719, respectively.

NOTE 8 - EFFECT OF CURRENT ECONOMIC CONDITIONS ON CONTRIBUTIONS

The Organization depends on contributions and grants for its revenue. The ability of the Organization's contributors and grantors to continue giving amounts comparable with prior years is dependent upon current and future overall economic conditions. While the Organization's management believes the Organization has the resources to continue its programs, its ability to do so and the extent to which it continues, may be dependent on the above factors.

NOTE 9 - EMPLOYEE BENEFIT PLANS

The Organization maintains a tax deferred annuity 403(b) plan covering all full-time employees. Contributions are based on an employee's years of service with a minimum contribution of 2% and a maximum of 10% of gross wages. The total expense for the years ended August 31, 2015 and 2014, was \$895 and \$10,736, respectively. The plan was terminated December 31, 2014.

In October 2014, the Organization adopted a SIMPLE IRA plan with a 3% match, effective January 1, 2015. Expense for the year ended August 31, 2015, was \$7,224.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

The Organization is self-insured for unemployment insurance purposes. During the years ended August 31, 2015 and 2014, the Organization did not incur any unemployment related expenses.

NOTE 11 - MERGER

On October 29, 2013, the Reg Lenna Civic Center, Inc. merged with The Arts Council for Chautauqua County, Inc. The merger was done in an effort to maximize the strengths of both organizations. As a result of the merger, the combined nonprofit organization was renamed Reg Lenna Center for the Arts, Inc.

The financial statements for 2014 reflect the merger of the two entities.

NOTE 12 - LOAN PAYABLE - JURA

During the year ended August 31, 2014, Jamestown Urban Renewal Agency (JURA) made payments of \$79,800 on behalf of the Organization for a digital cinema projection system and sound equipment. The majority of the payments were repaid with a grant for the system of \$75,000 from New York State Council on the Arts, as it was received. The Organization repaid \$22,500 in August 2014. The balance of \$57,300 at August 31, 2014, was repaid in October 2014.

NOTE 13 - REFUNDABLE ADVANCES

Refundable advances at August 31, 2015 and 2014, represents grant agreements with conditions requiring the return of any portion of the amount granted which is not used for the purposes of the grant. The Organization intends to spend in years the remaining grant funds in accordance with the grant purposes.

	<u>2015</u>	<u>2014</u>
The Lenna Foundation - WRFA related costs	\$ 25,000	\$ 79,592
Gebbie Foundation - utilities and general operations	12,806	10,149
	<u>\$ 37,806</u>	<u>\$ 89,741</u>

NOTE 14 - OPERATING LEASE

In December 2013, the Organization entered into a lease of a copier. The lease is for 48 months at \$239 per month, beginning January 2014 and ending December 2018. At the end of the lease term, the Organization has an option to purchase the copier at its then fair market value. Lease expense for 2015 and 2014, was \$2,868 and \$1,912, respectively.

Future lease payments as of August 31, 2015:

<u>Years ending August 31,</u>	<u>Amount</u>
2016	\$ 2,868
2017	2,868
2018	956

NOTE 15 - BUILDING RENOVATIONS MASTER PLAN

The Organization is planning a major renovation project of five of the seven buildings currently owned and being used. Contingent upon obtaining sufficient funding commitments, the physical renovation work is scheduled to begin May 2016, with an anticipated completion date of June 2017. The current estimated cost of the project is \$5.5 million. The project is contingent upon obtaining funding primarily from three local foundations, with the remaining funding coming from other local foundations and federal and New York State historical tax credits expected to be received.

The support from foundations is expected to be received over three years and zero or low interest gap funding is being sought from a local funder.

Extensive pre-planning costs of approximately \$155,000 were incurred in the 2014-2015 year, including cost estimates, an architectural master planning study and soil/environmental testing. A local foundation grant of \$250,000 was received to assist with those costs.

NOTE 16 - FORMATION OF LIMITED LIABILITY COMPANY

In December, 2014, the Organization form a limited liability company, RLCA, LLC. The entity has been classified as an association taxable as a corporation. The LLC was formed for the purpose of operating concessions at the Theatre. The LLC has not yet begun operating.